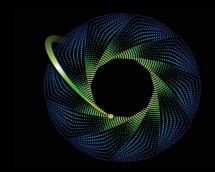
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Hong Kong Tax Newsflash

Hong Kong's tax treaties with Bangladesh and Croatia come into force

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Hong Kong's Comprehensive Double Taxation Agreements (CDTAs) with Bangladesh and Croatia came into force on 20 December 2024, following the completion of the relevant ratification procedures. These CDTAs will be in effect starting from the year of assessment 2025/26 in Hong Kong, 1 July 2025 in Bangladesh, and 1 January 2025 in Croatia, respectively.

The CDTA's with Bangladesh and Croatia were signed in August 2023 and January 2024, respectively, and can be downloaded from the <u>Inland Revenue Department's website</u>. Please also refer to our previous <u>Hong Kong Tax Newsflash – Issue 193</u> and <u>Issue 206</u> for the key features of these CDTAs.

In addition to the provision of more beneficial withholding tax rates applicable to dividends, interest and royalties, the CDTAs provide beneficial treatment on capital gains. For example, capital gains derived by a Hong Kong investor from the disposal of shares in a Bangladesh / Croatia company (except land-rich¹) are generally exempt from tax in Bangladesh and Croatia under the CDTAs.

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¹ Capital gains derived by a Hong Kong resident from the alienation of shares of a company deriving more than 50% of its asset value directly or indirectly from immovable property situated in Bangladesh / Croatia.

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