

Hong Kong and Armenia enter into tax pact (with photos)

Hong Kong today (June 24, Yerevan time) signed a comprehensive avoidance of double taxation agreement (CDTA) with Armenia in Yerevan, signifying the sustained efforts of the Hong Kong Special Administrative Region (HKSAR) Government in expanding Hong Kong's CDTA network, in particular with tax jurisdictions participating in the Belt and Road Initiative.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "This CDTA is the 50th agreement that Hong Kong has concluded. It marks a major milestone in the Government's drive to expand Hong Kong's tax treaty network. We will continue to sign CDTA's with more trading and investment partners to promote closer economic and trade ties between Hong Kong and the rest of the world. This will enhance the attractiveness of Hong Kong as a business and investment hub, and consolidate the city's status as an international economic and trade centre.

"This CDTA sets out the allocation of taxing rights between Hong Kong and Armenia and will help investors better assess their potential tax liabilities from cross-border economic activities. I have every confidence that the CDTA will encourage the business sectors of both sides to do business or make investments."

In accordance with the Hong Kong-Armenia CDTA, Hong Kong companies can enjoy double taxation relief in that any tax paid in Armenia, whether directly or by deduction, will be allowed as a credit against the tax payable in Hong Kong in respect of the same income, subject to the provisions of the tax laws of Hong Kong.

Moreover, Armenia's withholding tax rate for Hong Kong residents on dividends will be capped at 0 per cent or 5 per cent (depending on the percentage of their shareholdings), while that on interest and royalties will be capped at 5 per cent.

The Commissioner of Inland Revenue, Mr Tam Tai-pang, signed the CDTA on behalf of the HKSAR Government with the Government of Armenia on the margins of the Sixth High-level meeting of the Asia Initiative hosted by Armenia. Representing the Government of Armenia was the Minister of Finance of Armenia, Mr Vahe Hovhannisyan.

The CDTA will come into force after the completion of ratification procedures by both jurisdictions. In Hong Kong's case, it will be implemented by way of an order to be made by the Chief Executive in Council under the Inland Revenue Ordinance (Cap. 112). The order is subject to negative vetting by the Legislative Council.

The Asia Initiative was launched by the Global Forum on Transparency and Exchange of Information for Tax Purposes of the Organisation for Economic Co-

operation and Development in 2021. It focuses on developing tailored solutions to ensure the implementation of tax transparency standards across Asia and enhancing regional co-operation. To date, Hong Kong and 16 other tax jurisdictions have joined the Asia Initiative.

Details of the Hong Kong-Armenia CDTA can be found on the Inland Revenue Department's website (www.ird.gov.hk/eng/pdf/Agreement_Armenia_HongKong.pdf).

