

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

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, on behalf of the Hong Kong Special Administrative Region Government, signed in Hong Kong today (August 30) a comprehensive avoidance of double taxation agreement (CDTA) with Bangladesh, signifying the Government's sustained efforts in expanding Hong Kong's CDTA network, in particular with tax jurisdictions participating in the Belt and Road Initiative. Representing the Government of Bangladesh was the Senior Secretary of the Internal Resources Division and Chairman of the National Board of Revenue of the Ministry of Finance of Bangladesh, Mr Abu Hena Md. Rahmatul Muneem, who was accompanied by the Consul-General of Bangladesh in Hong Kong, Ms Israt Ara.

This CDTA is the 47th agreement that Hong Kong has concluded. It sets out the allocation of taxing rights between the two jurisdictions and will help investors better assess their potential tax liabilities from cross-border economic activities.

Mr Hui said, "Bangladesh is one of the economies participating in the Belt and Road Initiative. I have every confidence that this CDTA will further promote economic and trade ties between Hong Kong and Bangladesh, and offer additional incentives for the business sectors of both sides to do business or make investment."

Under the Hong Kong-Bangladesh CDTA, Hong Kong companies can enjoy double taxation relief in that any tax paid in Bangladesh, whether directly or by deduction, in accordance with the CDTA 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, the Hong Kong-Bangladesh CDTA also provides the following tax relief arrangements:

(a) Bangladesh's withholding tax rates for Hong Kong residents on dividends will be capped at 10 per cent or 15 per cent (depending on the percentage of their shareholdings); and on interest, royalties and fees for technical services will be capped at 10 per cent; and

(b) Hong Kong residents deriving profits from international shipping transport in Bangladesh will enjoy 50 per cent tax reduction in Bangladesh in respect of the profits subject to tax there.

This CDTA will come into force after the completion of ratification procedures by both jurisdictions. In the case of Hong Kong, 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.

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

Hong Kong will continue to negotiate with trading and investment partners with a view to expanding its CDTA network.

