

# Hong Kong and Georgia enter into tax pact (with photo)

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, on behalf of the Hong Kong Special Administrative Region Government, signed a comprehensive avoidance of double taxation agreement (CDTA) with Georgia today (October 5), signifying the Government's sustained efforts in expanding Hong Kong's tax treaty network.

This CDTA is the 45th agreement that Hong Kong has concluded. Georgia is an emerging economy which participates in the Belt and Road Initiative. The CDTA 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, thereby promoting economic and trade connections between Hong Kong and Georgia.

Under the Hong Kong-Georgia CDTA, double taxation will be avoided in that any tax paid in Georgia by Hong Kong companies in accordance with the CDTA will be allowed as a credit against the tax payable in Hong Kong on the same income, subject to the provisions of the tax laws of Hong Kong. Likewise, for Georgian companies, the tax paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Georgia.

Moreover, the Hong Kong-Georgia CDTA also provides the following tax relief arrangements:

- (a) Georgia's withholding tax rates for Hong Kong residents on interest and royalties will be capped at 5 per cent; and
- (b) Profits from international shipping transport earned by Hong Kong residents arising in Georgia will not be taxed in Georgia.

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-Georgia CDTA can be found on the Inland Revenue Department's website ([www.ird.gov.hk/eng/pdf/Agreement\\_Georgia\\_HongKong.pdf](http://www.ird.gov.hk/eng/pdf/Agreement_Georgia_HongKong.pdf)).

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

