

Hong Kong and Serbia 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, has signed a comprehensive avoidance of double taxation agreement (CDTA) with Serbia, signifying the Government's sustained efforts in expanding Hong Kong's tax treaty network, a Government spokesman said today (August 28).

This CDTA is the 44th such 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, "Serbia is one of the emerging economies participating in the Belt and Road Initiative, which brings about vast business opportunities. The CDTA will promote economic and trade connections between Hong Kong and Serbia, and offer additional incentives for the business sector of both sides to do business or make investments."

Under the Hong Kong-Serbia CDTA, double taxation will be avoided in that any tax paid in Serbia 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 Serbian companies, the tax paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Serbia.

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

- (a) Serbia's withholding tax rates for Hong Kong resident companies on dividends, interest and royalties will be capped at 10 per cent; and
- (b) Profits from international shipping transport earned by Hong Kong residents arising in Serbia will not be taxed in Serbia.

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-Serbia CDTA can be found on the Inland Revenue Department's website (www.ird.gov.hk/eng/pdf/Agreement_Serbia_HongKong.pdf).

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

