

# Mainland and HKSAR sign Fifth Protocol to Arrangement for Avoidance of Double Taxation (with photos)

The Financial Secretary, Mr Paul Chan, signed the Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income with the Commissioner of the State Taxation Administration, Mr Wang Jun, in Beijing today (July 19).

Mr Chan said, "We are very pleased to sign with the Mainland the Fifth Protocol to the Arrangement, which will provide tax relief to qualified Hong Kong and Mainland teachers and researchers working on the other side. This would promote training, exchanges of talents and co-operation between the two places, and further drive the development of the Guangdong-Hong Kong-Macao Greater Bay Area."

The Fifth Protocol adds a new teachers and researchers article to the Arrangement. With this new article, a qualified teacher or researcher, who is employed in Hong Kong or the Mainland and engages in teaching and research activities on the other side, shall be exempt from taxation on that other side for a period of three years, provided that the relevant income has been subject to tax on the side where the person concerned is employed.

In addition, the Fifth Protocol incorporates into the Arrangement measures to prevent tax treaty abuse, which form part of the Base Erosion and Profit Shifting package promulgated by the Organisation for Economic Co-operation and Development in October 2015, to ensure that the Arrangement follows the latest international standard.

The Fifth Protocol will come into force after the completion of ratification procedures and notification by both sides. In the case of Hong Kong, after an order is made by the Chief Executive in Council under the Inland Revenue Ordinance for the Fifth Protocol, the order will be presented to the Legislative Council for negative vetting.

Details of the Fifth Protocol (Chinese version only) are available on the website of the Inland Revenue Department at [www.ird.gov.hk/chi/pdf/Fifth\\_Protocol\\_Mainland\\_HongKong.pdf](http://www.ird.gov.hk/chi/pdf/Fifth_Protocol_Mainland_HongKong.pdf).

The Arrangement (including the Protocol) was signed by the Mainland and Hong Kong on August 21, 2006, and entered into force on December 8, 2006. The Arrangement brings a greater degree of certainty on taxation liabilities for those who engage in cross-boundary business activities in the Mainland and Hong Kong, and helps promote bilateral trade and investment. The Mainland and Hong Kong further signed the Second Protocol, the Third Protocol and the Fourth Protocol to the Arrangement in 2008, 2010 and 2015 respectively to

refine the Arrangement.

Before the signing of the Fifth Protocol, Mr Chan met with Mr Wang and discussed tax matters of mutual interest.

