

# SFST signs CDTA with Estonia in Tallinn (with photos)

The Secretary for Financial Services and the Treasury, Mr James Lau, signed in Tallinn, Estonia yesterday (September 25, Tallinn time) a comprehensive avoidance of double taxation agreement (CDTA) with the Minister of Finance of Estonia, Mr Martin Helme, signifying the Government's sustained efforts in expanding Hong Kong's tax treaty network.

The CDTA sets out the allocation of taxing rights between the two jurisdictions, enabling investors to better assess their potential tax liabilities from cross-border economic activities.

Mr Lau said, "This is the 42nd CDTA that Hong Kong has signed with its trading partners. The CDTA will reinforce economic and trade connections between the two places, and offer additional incentives for the business sector of both sides to do business or invest."

In 2018, Estonia was Hong Kong's 75th largest trading partner. Following the conclusion of the CDTA with Estonia, Hong Kong has signed CDTAs with 17 Member States of the European Union.

Under the CDTA, any Estonian tax paid by Hong Kong residents in respect of income derived from sources in Estonia will be allowed as a credit against the Hong Kong tax payable on the same income, subject to the provisions of the tax laws of Hong Kong. For Estonian residents, double taxation will be avoided by way of exemption of the income taxed in Hong Kong from the Estonian tax, or deduction of Hong Kong tax paid from the Estonian tax in respect of the same income.

Moreover, the CDTA provides the following tax relief arrangements:

- (a) Estonia's withholding tax rate for Hong Kong residents on royalties will be capped at 5 per cent while the current rate is at 10 per cent;
- (b) Hong Kong airlines operating flights to and from Estonia will be taxed at Hong Kong's profits tax rate, and will not be taxed in Estonia; and
- (c) Profits from international shipping transport earned by Hong Kong residents arising in Estonia will not be taxed in Estonia.

The CDTA will come into force after the completion of ratification procedures by both sides. In the case of Hong Kong, the CDTA 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 CDTA between Hong Kong and Estonia can be found on the

Inland Revenue Department's website  
([www.ird.gov.hk/eng/pdf/Agreement\\_Estonia\\_HongKong.pdf](http://www.ird.gov.hk/eng/pdf/Agreement_Estonia_HongKong.pdf)).

After the signing ceremony, Mr Lau also held a meeting with Mr Martin Helme where they exchanged views on resilience of the financial sector against the challenges of global economic downturn and trade tension. They also discussed the development of cryptocurrencies and their impact on monetary and financial stability as well as anti-money laundering initiatives.

Before concluding his visit to Estonia in the evening, Mr Lau also paid a courtesy call on the Chinese Ambassador to Estonia, Mr Li Chao, and met with leading figures in the financial technology and commercial sectors to forge closer ties between the two places.

Mr Lau will be back in Hong Kong in the afternoon today (September 26).

