



Hong Kong Tax Alert

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Hong Kong concludes comprehensive double tax arrangement with Cambodia

On 26 June 2019, Hong Kong signed a comprehensive avoidance of double taxation agreement (CDTA) with Cambodia. This brings the number of CDТАs Hong Kong has concluded with other jurisdictions to 41. Appendix to this alert summarizes the status of Hong Kong's current CDТА network and CDТАs currently under negotiation or pending ratification.

This alert summarizes the salient points of the provisions of the CDТА with Cambodia as applicable to Hong Kong residents.

Promoting trade and investment

The CDTA sets out clearly the allocation of taxing rights between Hong Kong and Cambodia helping investors to better assess their potential tax liabilities from cross-border transactions. In addition, with the aim of facilitating trade and investment, the CDTA also contains provisions which reduce or eliminate withholding taxes in respect of certain passive income streams between the two jurisdictions.

The below table summarizes the applicable withholding rates for relevant passive income streams when received from Cambodia by a Hong Kong resident as beneficial owner.

Passive income Tax rate	Dividends	Interest	Royalties	Fees for technical services	Capital gains on disposal of shares
Normal withholding rate for companies	14%	14%	14%	14%	20%
Reduced rate under the CDTA	10%	0/10% ¹	10%	10%	0% ²

Notes:

1. A 0% rate applies if the beneficial owner of the interest is the Hong Kong SAR Government, the Hong Kong Monetary Authority, the Exchange Fund, or a financial establishment appointed by the Hong Kong SAR Government and mutually agreed upon by the competent authorities of the contracting parties. For all other cases, a 10% rate applies.
2. Capital gains on the disposal of shares in a Cambodian company derived by a Hong Kong resident investor will generally be exempt from tax in Cambodia. The only exception to this is when the shares being disposed of are in respect of a company holding substantial immovable property located in Cambodia.

Avoidance of double taxation

Where the income of a Hong Kong resident is subject to tax in both Hong Kong and Cambodia, the Hong Kong resident can credit the tax paid in Cambodia on the relevant income against the Hong Kong tax liability arising on the same income. The available tax credit is, however, limited to the Hong Kong tax charged on the same income.

Effective date of the CDTA

The CDTA will only come into force in the tax year following the calendar year in which the relevant ratification procedures are completed. Assuming that the ratification procedures can be completed in 2019, the CDTA shall then have effect as follows:

For Hong Kong: for any year of assessment beginning on or after 1 April 2020

For Cambodia: for any income year beginning on or after 1 January 2020

Appendix - Latest status of the Hong Kong's CDTA network

40 CDTAs signed and ratified

	Jurisdiction	Effective in Hong Kong from the year of assessment	Effective in the other contracting party from the year of assessment
1.	Austria	2012/13	1 January 2012
2.	Belarus	2018/19	1 January 2018
3.	Belgium	2004/05	1 January 2004
4.	Brunei	2011/12	1 January 2011
5.	Canada	2014/15	1 January 2014
6.	Czech Republic	2013/14	1 January 2013
7.	Finland	2019/20	1 January 2019
8.	France	2012/13	1 January 2012
9.	Guernsey	2014/15	1 January 2014
10.	Hungary	2012/13	1 January 2012
11.	India	2019/20	1 April 2019
12.	Indonesia	2013/14	1 January 2013
13.	Ireland	2012/13	1 January 2012
14.	Italy	2016/17	1 January 2016
15.	Japan	2012/13	1 January 2012
16.	Jersey	2014/15	1 January 2014
17.	Korea	2017/18	1 January 2017
18.	Kuwait	2014/15	1 January 2014
19.	Latvia	2018/19	1 January 2018
20.	Liechtenstein	2012/13	1 January 2012
21.	Luxembourg	2008/09	1 January 2008
22.	Mainland China	2007/08	1 January 2007
23.	Malaysia	2013/14	1 January 2013
24.	Malta	2013/14	1 January 2013
25.	Mexico	2014/15	1 January 2014
26.	Netherlands	2012/13	1 January 2012
27.	New Zealand	2012/13	1 April 2012
28.	Pakistan	2018/19	1 July 2018
29.	Portugal	2013/14	1 January 2013
30.	Qatar	2014/15	1 January 2014
31.	Romania	2017/18	1 January 2017
32.	Russian Federation	2017/18	1 January 2017
33.	Saudi Arabia	2019/20	1 January 2019
34.	South Africa	2016/17	1 January 2016
35.	Spain	2013/14	1 April 2013
36.	Switzerland	2013/14	1 January 2013
37.	Thailand	2006/07	1 January 2006
38.	United Kingdom	2011/12	1 or 6 April 2011
39.	United Arab Emirates	2016/17	1 January 2016
40.	Vietnam	2010/11	1 January 2010

1 CDTA - signed but pending ratification

- ▶ Cambodia

14 CDTAs under negotiation

- ▶ Bahrain, Bangladesh, Cyprus, Estonia, Germany, Israel, Macau SAR, Maldives, Mauritius, Nigeria, North Macedonia, Norway, Serbia and Turkey

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