Press release

Hong Kong and Italy sign tax treaty (with photos)
Monday, January 14, 2013

The Secretary for Financial Services and the Treasury, Professor K C Chan, today (January 14) signed in Hong Kong an agreement with Italy for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income on behalf of the Hong Kong Special Administrative Region Government. The Italian Minister of Economy and Finance, Professor Vittorio Grilli, signed on behalf of his government.

This is the 27th comprehensive agreement for the avoidance of double taxation (CDTA) concluded by Hong Kong with its trading partners, coming after those with Belgium, Thailand, the Mainland of China, Luxembourg, Vietnam, Brunei, the Netherlands, Indonesia, Hungary, Kuwait, Austria, the United Kingdom, Ireland, Liechtenstein, France, Japan, New Zealand, Portugal, Spain, the Czech Republic, Switzerland, Malta, Jersey, Malaysia, Mexico and Canada.

Welcoming the agreement, Professor Chan said that as the CDTA sets out clearly the allocation of taxing rights between the two jurisdictions and the relief on tax rates on different types of passive income, it will help investors better assess their potential tax liabilities from cross-border economic activities.

The agreement will further strengthen the economic and trade ties between the two places, and provide added incentives for companies in Italy to do business or invest in Hong Kong, and vice versa, he added.

In the absence of a CDTA, income earned by Italian residents in Hong Kong is subject to both Hong Kong and Italian income tax. Under the agreement, tax paid in Hong Kong will be allowed as a credit against tax payable in Italy. Furthermore, in the absence of a CDTA, the profits of Hong Kong companies doing business through a permanent establishment in Italy may be taxed in both places if the income is Hong Kong sourced. Under the agreement, double taxation will be avoided in that any Italy tax paid by the companies will be allowed as a credit against the tax payable in Hong Kong in respect of the income, subject to the provisions of the tax laws of Hong Kong.

In the absence of a CDTA, Hong Kong residents receiving interest from Italy are subject to Italy's withholding tax, which is 20 per cent at present. Under the agreement, such withholding tax will be capped at 12.5 per cent. The Italian withholding tax on royalties, currently at 22.5 per cent, will be capped at 15 per cent. The Italian dividends withholding tax on Hong Kong residents will be reduced from the current rate of 20 per cent to 10 per cent.

Under the CDTA, Hong Kong airlines operating flights to Italy will be taxed at Hong Kong's corporation tax rate (which is lower than that of Italy), and will not be taxed in Italy. Profits from international shipping transport earned by Hong Kong residents that arise in Italy, which are currently subject to tax there, will not be taxed in Italy under the agreement.

The Hong Kong/Italy CDTA has incorporated an article on exchange of information.

The CDTA will come into force after the completion of ratification procedures on both sides. In the case of Hong Kong, an order is required to be made by the Chief Executive in Council under the Inland Revenue Ordinance. The order is subject to negative vetting by the Legislative Council.

Hong Kong will continue its effort to expand its network of CDTAs with trading and investment partners.

Details of the Hong Kong/Italy CDTA can be found on the Inland Revenue Department's website (www.ird.gov.hk/eng/pdf/Agreement_Italy_HongKong.pdf).

Ends


The Signing of the Agreement between the
Government of the Hong Kong Special
Administrative Region of the People's Republic of
China and the Government of the Italian Republic
for the Avoidance of Double Taxation with respect to
Taxes on Income and the Prevention of Fiscal Evasion
14 January 2013
Professor Vittorio Grilli
Minister of Economy and Finance
Government of the Italian Republic
Professor K C Chan, GBS, JP
Secretary for Financial Services and the Treasury
HKSAR Government


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