Press release

HK enters into tax treaty with Austria

Tuesday, May 25, 2010

Hong Kong has moved a step forward in expanding its tax treaties network, with the signing of a double taxation treaty with Austria today (May 25). The move enhances Hong Kong's position as an international financial and business centre and underlines Hong Kong's support for international efforts to promote tax transparency.

The Financial Secretary, Mr John C Tsang, today witnessed the signing of the agreement between Hong Kong and Austria for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital by the Secretary for Financial Services and the Treasury, Professor K C Chan, and the Austrian State Secretary of the Federal Ministry of Finance, Mr Andreas Schieder.

This is the 11th 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 and Kuwait.

Professor Chan said the agreement clarified the taxing rights between the two jurisdictions, eliminated instances of double taxation on the same source of income, and lowered withholding tax rates on passive income from dividends and royalties.

"For businessmen and investors, the certainty and benefits arising from the agreement will encourage the two-way flow of talent and investment that will help reinforce the role of Hong Kong and Austria as business hubs and the premier locations for their operations," he added.

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.

Highlights of the CDTA can be found at the Annex.

Hong Kong is actively seeking to establish a network of CDTAs with major trading and investment partners. The law amendment exercise allowing Hong Kong to adopt the prevailing exchange of information (EoI) standard of the Organisation for Economic Co-operation and Development has added momentum to the work and within two months after the coming into effect of the law in March 2010, CDTAs with Brunei, the Netherlands, Indonesia, Hungary and Kuwait have been signed. The Hong Kong/Austria CDTA has incorporated this latest international EoI standard. It is expected that more CDTAs using this new standard will be signed.

Where CDTA discussions with some jurisdictions cannot be started for the time being, Hong Kong will seek to conclude limited double taxation avoidance arrangements for airline and shipping income with relevant partners. So far, 27 avoidance of double taxation agreements on airline income, six agreements on shipping income and two agreements on airline and shipping income have been reached.

Details of the Hong Kong/Austria CDTA are available at the Inland Revenue Department's website: http://www.ird.gov.hk/eng/pdf/Agreement_Austria_HongKong.pdf

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