



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

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— Improving Tax Environment

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BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Overall Planning for Optimizing Tax Business Environment



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Hong Kong as an Investment and Fundraising Platform for Trades between Mainland China and Belt and Road (B&R) Regions



CONTENT



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Advantages of using Hong Kong as a platform for international trade



1

Under “one country, two systems”, Hong Kong enjoys unique, dual advantages of being part of China, but with its own economic, social and legal systems

2

With a well-established common law system, Hong Kong is a leading centre for international legal services and dispute resolution in the Asia-Pacific Region

3

Hong Kong is an international financial, trade, maritime and logistics hub, with a free and open market with free flows of capital, goods and information



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**Advantages of
using Hong Kong
as a platform for
international trade**



4

Equipped with world-class infrastructure, transport links, communication networks and business services

5

Deep understanding of the Mainland's culture and business operations, complemented with a global outlook, broad international experience and extensive international networks

6

A territorial taxation system with 47 Comprehensive Double Tax Agreement (CDTA) signed and 16 under negotiation



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Focusing from a tax perspective, Hong Kong has concluded **CDTA** with the following B&R countries, and CDTA's with more B&R countries under negotiations:

East Asia & Pacific

Brunei
Cambodia
China, P.R.
Indonesia
Korea, Rep.
Malaysia
New Zealand
Thailand
Vietnam

Sub-Saharan Africa

South Africa
Nigeria (negotiating)

Middle East & North Africa

Kuwait
Malta
Qatar
Saudi Arabia
United Arab Emirates
Bahrain (negotiating)

South Asia

Bangladesh
Pakistan
Maldives (negotiating)

Europe & Central Asia

Austria	<i>(Negotiating)</i>
Belarus	<i>Armenia</i>
Czech Republic	<i>Azerbaijan</i>
Estonia	<i>Croatia</i>
Georgia	<i>Cyprus</i>
Hungary	<i>Kyrgyz Republic</i>
Italy	<i>Lithuania</i>
Latvia	<i>North Macedonia</i>
Luxembourg	<i>Turkey</i>
Portugal	<i>Ukraine</i>
Romania	
Russia	
Serbia	



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Hong Kong has also been actively seeking to expand its **Free Trade Agreement (FTA)** network in order to secure favourable conditions for Hong Kong's goods and services to enter the international markets. So far, Hong Kong has entered into FTAs / is in negotiations with the following B&R economies:

East Asia & Pacific

- Mainland China
- New Zealand
- The Association of Southeast Asian Nations (ASEAN)
(including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam)

Europe & Central Asia

- Georgia

Latin America & Caribbean

- Chile
- *Peru (under negotiations)*



Advantages of Using Hong Kong as an Investment Platform Hong Kong's Territorial Taxation System



- Profits tax exemption on domestic dividend income
- No withholding tax charged on dividend distributions or interest payments
- No tax levied on capital gains in general



- Offshore sourced equity disposal gains and passive income are not taxable, subject to satisfying the requirements under the refined Foreign-sourced Income Exemption (FSIE) regime which recently came into effect



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Interest income

To fulfill economic substance requirements in Hong Kong

Dividend income

To fulfill economic substance requirements in Hong Kong or satisfy the participation exemption rules

The Refined Foreign-sourced Income Exemption (FSIE) Regime

Equity disposal gains

To fulfill economic substance requirements in Hong Kong or satisfy the participation exemption rules

Intellectual properties income

To carry out substantial research and development activities in Hong Kong

Offshore passive income to be deemed to be subject to profits tax in Hong Kong if received in Hong Kong, unless certain exceptions are met



Impact of the Refined FSIE Regime



1

- Introduced **in response to the European Union's (EU) concern** of double non-taxation arising from tax exemption for offshore passive income
- In order for Hong Kong to be removed from the EU “greylist”

2

- The new requirements are clear with guidance and examples provided
- The potential issues can be addressed **with appropriate up-front planning**

3

- **Will not affect Hong Kong's territorial source principle of taxation**
- Hong Kong will continue to maintain a simple and low-tax regime



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Hong Kong as a Fundraising Platform



1

Well-established Banking Systems

2

Rich Pool of Professional Talents and Infrastructure Support

3

Free Flow of Information and Capital

4

Special Tax Incentive for Corporate Treasury Centre
(Qualifying profits are taxed at 8.25% (i.e. 50% of the standard profits tax rate))



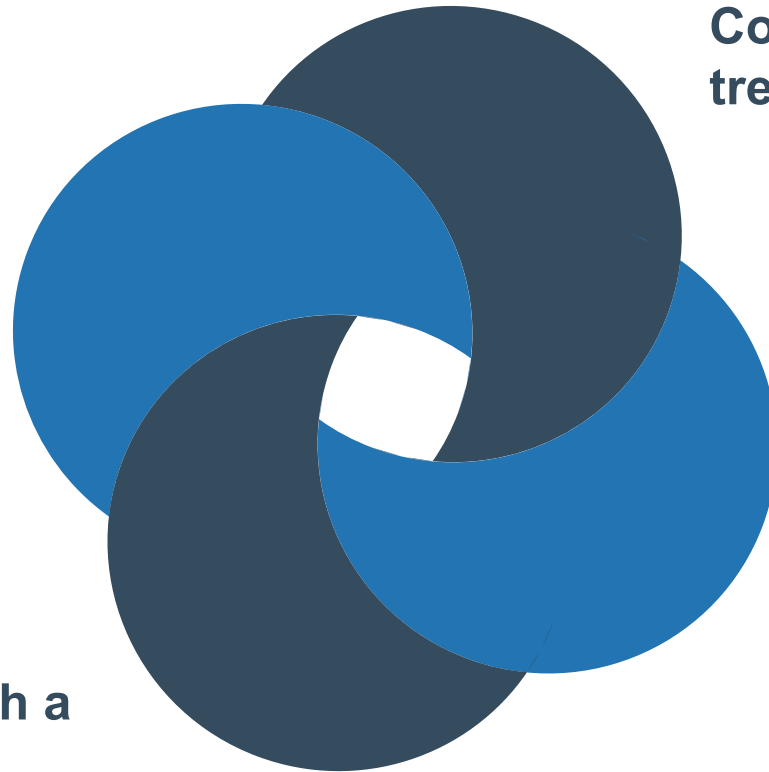
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Conclusion

Well-established banking and legal systems, with robust infrastructure and professional talents

An international financial, trade and logistics hub with a free and open market



Continuously expanding tax treaty network

Territorial taxation system and tax incentives



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THANKS

