KPMG

Hong Kong (SAR) Tax Alert

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The Hong Kong SAR and Norway entered into a double tax agreement

Summary

The Hong Kong SAR (Hong Kong) recently signed a comprehensive double tax agreement (CDTA) with Norway. Benefits under the CDTA for Hong Kong residents include a reduced withholding tax (WHT) rate for dividends and a tax exemption for business profits in the absence of a permanent establishment (PE).

Hong Kong signed a CDTA with Norway[1] on 16 December 2025. It represents the 55th CDTA signed by Hong Kong. The CDTA will enter into force after completion of the ratification procedures in both Hong Kong and Norway. The existing double tax agreement between Hong Kong and Norway on shipping transportation income will cease to have effect upon the entry into force of the CDTA.

Articles 8 and 13(3) of the CDTA dealing with income related to international shipping and air transportation will have effect from the date the CDTA enters into force. The remaining articles of the CDTA will take effect from **calendar year 2027** in Norway and **year of assessment 2027/28** (which begins on 1 April 2027) in Hong Kong the earliest.

Key features of the CDTA

Persons covered (Article 1)

The term "person" is defined to include an individual, a company and any other body of persons (without reference to a partnership or trust). Income derived by or through a fiscally transparent entity or arrangement will only be considered as income of a resident of a Contracting State to the extent that the Contracting State treats, under its domestic tax law, such income as the income of a resident of it[2].

Tax residency (Article 4)

An entity (1) incorporated / constituted in Hong Kong or (2) incorporated / constituted outside Hong Kong but **centrally managed and controlled** in Hong Kong will be a Hong Kong resident.

For an entity with dual residency (i.e. being a resident of both Hong Kong and Norway), its residency shall be determined by mutual agreement between Hong Kong and Norway, with regards to its place of effective management, place of incorporation or constitution, and any other relevant factors.

1 The CDTA can be accessed via this link: https://www.ird.gov.hk/eng/pdf/Agreement_Norway_HongKong.pdf.
2 The OECD recommended including this provision in a tax treaty under Action 2 of the BEPS 1.0 Action Plan, which deals with hybrid mismatch arrangements. Please refer to this link for more details. https://www.oecd.org/tax/neutralising-the-effects-of-hybrid-mismatch-arrangements-action-2-2015-final-report-9789264241138-en.htm

Permanent establishment (Article 5)

The definition of PE generally follows that in the 2017 OECD Model Tax Convention and includes:

- fixed place PE – includes a place of management, a branch, an office, a factory, a workshop, and a mine, an oil or gas well or a quarry,
- construction site PE – for building site or construction / installation project that lasts more than 6 months,
- service PE – a Hong Kong resident will have a service PE in Norway if it performs services in Norway:
  - through an individual who is present in Norway for a period or periods aggregating more than 183 days in any 12-month period, and the services performed contribute more than 50% of the Hong Kong resident's gross revenue from active business activities during that period(s), or
  - For a period or periods aggregating more than 183 days in any 12-month period, for the same project or connected projects, through one or more individuals who are present and performing such services in Norway, and
- agency PE – a Hong Kong resident will have an agency PE in Norway if a person acting in Norway on behalf of the Hong Kong resident (1) habitually concludes contracts on behalf of that Hong Kong resident or (2) habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by that Hong Kong resident and these contracts are:
  - in the name of the Hong Kong resident,
  - for the transfer of ownership of property (or right to use) owned by the Hong Kong resident, or
  - for the provision of services by the Hong Kong resident.

The PE article also includes various provisions recommended by the OECD under Action 7 of the BEPS 1.0 Action Plan[3] to tackle artificial avoidance of PE. These include provisions to (1) limit the specific PE exemptions for "preparatory or auxiliary" activities, (2) tackle fragmentation of activities between closely related parties and (3) narrow the definition of "independent agent".

Profits from international shipping and air transport (Article 8)

Profits from international shipping and air transport (i.e. operation of ships or aircraft for transport of goods or persons in international traffic) derived by a Hong Kong resident from Norway will be tax-exempt in Norway.

Dividends, interest, and royalties (Articles 10, 11 and 12)

The WHT rates on dividends, interest and royalties under (1) the domestic laws of Hong Kong and Norway and (2) the CDTA are as follows:

	Dividends	Interest	Royalties
Norway non-CDTA rate	25%	0%/15%[4]	0%/15%[4]
HK non-CDTA rate	0%	0%	2.475% to 4.95%
HK/Norway CDTA rate[5]	0%/5%/15%[6]	0%/5%[7]	5%[8]

3 The OECD's final report on BEPS Action 7 can be accessed via this link: https://www.oecd.org/en/publications/2015/10/preventing-the-artificial-avoidance-of-permanent-establishment-status-action-7-2015-final-report_g1g58ce8.html.
4 The 15% rate applies to payments made to foreign related parties (i.e. with at least 50% ownership or control) located in low-tax jurisdictions. A recipient is considered resident in a low-tax jurisdiction if the general income tax liability on its overall profits is less than two-thirds of the tax it would have been liable to pay had it been resident in Norway.
5 There is a beneficial ownership requirement in the Dividends, Interest and Royalties articles.
6 The 0% rate applies to dividends paid to the Hong Kong government or other specified government bodies. The 5% rate applies if the beneficial owner of the dividends is a company which directly holds at least 10% of the capital of the distributing company throughout a 365-day period that includes the dividend payment date. The 15% rate applies to all other cases.
7 The 0% rate applies to interest paid to the Hong Kong government or other specified government bodies.
8 The definition of "royalties" does not include rentals from use of industrial, commercial or scientific equipment.

Capital gains (Article 13)

The CDTA provides a tax exemption in Norway on the following gains derived by a Hong Kong resident from disposal of shares[9]:

- gains derived from alienation of shares of a non-property rich company (or comparable interests in a partnership or trust) – i.e. with 50% or less of its value derived from immovable property situated in Norway **at any time during the 365 days preceding the alienation**, and
- gains derived from alienation of shares of a property rich company (or comparable interests in a partnership or trust) - i.e. with more than 50% of its value derived from immovable property situated in Norway **at any time during the 365 days preceding the alienation** under the following circumstances:
  - alienation of shares listed on recognised stock exchanges,
  - alienation of shares under a reorganisation of company, a merger, a scission or any similar arrangements, or
  - alienation of shares in a company deriving more than 50% of its value from immovable property in which it carries on its business.

Elimination of double taxation (Article 22)

Under the CDTA, double taxation in Hong Kong will be eliminated by way of tax credit – i.e. any Norwegian taxes paid under the laws of Norway and in accordance with the CDTA in respect of income derived by a Hong Kong resident from Norway will be allowed as a credit against the tax payable in Hong Kong in respect of that income, subject to a cap of the Hong Kong tax payable on that income.

Entitlement to benefits (Article 27)

The CDTA has incorporated the "principal purposes test" for preventing treaty shopping which applies generally to all articles in the CDTA. Accordingly, a treaty benefit will be denied if it is reasonable to conclude that obtaining such benefit is one of the principal purposes of any arrangement or transaction.

The CDTA has also incorporated the anti-treaty abuse rules targeting triangular arrangements discussed in the OECD's final report on Action 6 of the BEPS 1.0 Action Plan[10], with certain modifications. Under the CDTA, where a Hong Kong enterprise derives income from Norway and Hong Kong treats that income as profits attributable to the enterprise's PE situated in a third jurisdiction, no treaty benefits shall apply to that income.

KPMG Observations

We welcome the signing of a CDTA with Norway. Under the CDTA, Hong Kong resident companies may benefit from (1) a reduced withholding tax rate on dividends and (2) a tax exemption for business profits in Norway in the absence of a PE in Norway.

We also applaud the Hong Kong government for its continuous efforts in expanding Hong Kong's CDTA network. Other than the CDTA recently signed with Norway, Hong Kong signed a CDTA with Jordan, Maldives and Rwanda in 2025. Furthermore, according to the information released by the Hong Kong government, it plans to commence CDTA negotiations with Slovenia and Oman in early 2026 and has reached consensus on CDTA negotiation with Poland.

Separately, Hong Kong was removed from the "tax blacklists" of Chile, Colombia, and Portugal in 2025. This reflects international recognition of Hong Kong's ongoing efforts to enhance tax cooperation and transparency, and helps mitigate the potential risks of unfavorable tax treatments for businesses operating in Hong Kong.

9 Currently, tax exemption is available under the domestic law of Norway for capital gains on disposal of shares in a Norwegian company, irrespectively of the underlying assets of the company.
10 The OECD's final report on BEPS Action 6 can be accessed via this link: https://www.oecd.org/en/publications/preventing-the-granting-of-treaty-benefits-in-inappropriate-circumstances-action-6-2015-final-report_9789264241695-en.html.

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