



Hong Kong and Jersey sign a Double Taxation Agreement

On 15 and 22 February 2012, Hong Kong and Jersey, a British crown dependency, signed a double taxation agreement (DTA) for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income. This is the 23rd comprehensive DTA concluded by Hong Kong.

The DTA allocates taxing rights between Hong Kong and Jersey, which should provide investors with greater certainty on their tax liabilities from cross-border transactions and this may lead to closer economic and trade ties between the two jurisdictions.

The withholding tax on dividends, interest and royalties is as follows:

	Hong Kong Non-treaty Rate	Jersey Non-treaty Rate	Treaty Rate
Dividends	0	0	0
Interest	0	0	0
Royalties	4.95%/16.5%	0	4%

From a Hong Kong perspective, the DTA should enable Hong Kong investors to claim a foreign tax credit for any withholding tax suffered on income earned from Jersey that was also taxable in Hong Kong. The DTA should also mitigate the risk of Hong Kong taxpayers being subject to tax in Jersey on their personal and business dealings in that jurisdiction.

The DTA will have effect in Hong Kong, for any year of assessment beginning on or after 1 April in the calendar year next following that in which the Agreement enters into force.

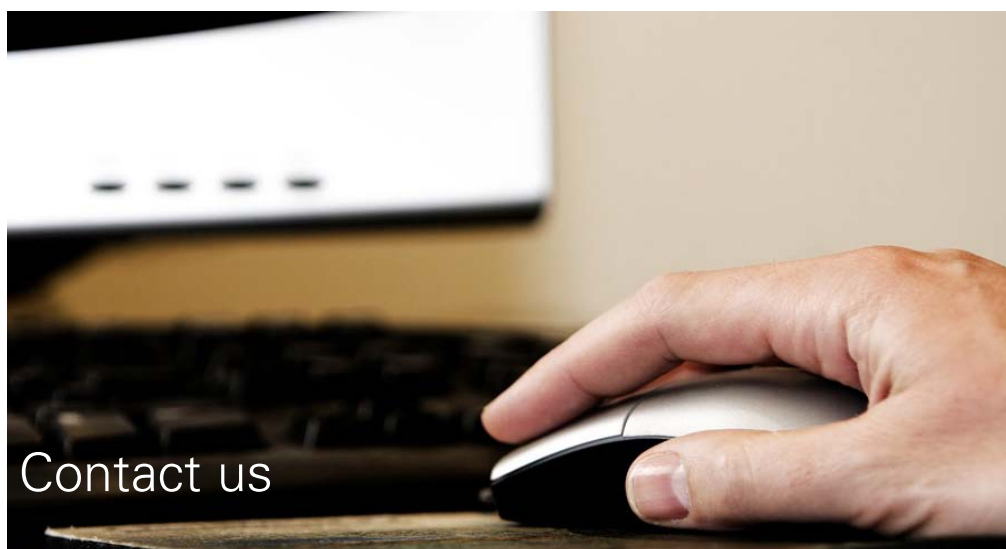
In Jersey, the DTA will have effect in respect of Jersey tax for any year of assessment, beginning on or after the 1 January in the calendar year next following that in which the Agreement enters into force.

As well as strengthening the ability to exchange requested tax information with Hong Kong, the agreement is expected to bring significant commercial benefits to Jersey's finance industry, resolving issues relating to potential double taxation of both corporate and personal incomes, such as business profits, dividends, interest, royalties, income from employment and pensions.

Investment from Hong Kong and China in Jersey is relatively sizeable. In 2009, approval was given for Jersey holding companies to list on the Hong Kong Stock Exchange. In addition, a quarter of the Chinese companies that have listed in London have done so through Jersey. Jersey's flexible company structures are attractive as capital market activity in Hong Kong accelerates. The DTA will add significantly to the reasons for investors and institutions to have confidence in and choose Jersey as a jurisdiction to invest in Western markets.

Details of the DTA can be found at:

www.ird.gov.hk/eng/pdf/Agreement_Jersey_HongKong.pdf



Contact us

For more information, please
contact:

Corporate Tax, KPMG China

Khoon Ming Ho

Partner in Charge, Tax
China and Hong Kong SAR
Tel: +86 10 8508 7082
khoonming.ho@kpmg.com

Ayesha M. Lau

Partner in Charge, Tax – Hong
Kong SAR
Tel: +852 2826 7165
ayesha.lau@kpmg.com

Chris Abbiss

Partner
Tel: +852 2826 7226
chris.abbiss@kpmg.com

Darren Bowdern

Partner
Tel: +852 2826 7166
darren.bowdern@kpmg.com

Nigel Hobler

Partner
Tel: +852 2143 8784
nigel.hobler@kpmg.com

Charles Kinsley

Principal
Tel: +852 2826 8070
charles.kinsley@kpmg.com

Alice Leung

Principal
Tel: +852 214 38711
alice.leung@kpmg.com

Curtis Ng

Partner
Tel: +852 2143 8709
curtis.ng@kpmg.com

John Timpany

Partner
Tel: +852 2143 8790
john.timpany@kpmg.com

Jennifer Wong

Partner
Tel: +852 2978 8288
jennifer.wong@kpmg.com

Garry Laird

Senior Tax Advisor
Tel: +852 2143 8795
garry.laird@kpmg.com

kpmg.com/cn

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