

HONG KONG TAX ALERT

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Malaysian comprehensive double taxation agreement enters into force

The comprehensive double taxation agreement (DTA) between Hong Kong and Malaysia entered into force on 28 December 2012 and has effect in Hong Kong for years of assessment beginning on or after 1 April 2013.

The DTA with Malaysia was formally signed on 25 April 2012 (see [Tax alert Issue 10 – May 2012](#)) and was ratified by Malaysia in December 2012.

Under the DTA, the withholding tax on dividends, interest and royalties is as follows:

	Malaysia Non-treaty Withholding Rate	Treaty Withholding Rate
Dividends	0	5% ¹ / 10%
Interest	15%	0% ² 10%
Royalties	10%	8%
Technical Fees	10%	5%

1. Withholding tax on dividends is reduced to five percent where the recipient is a company, which holds directly or indirectly at least 10 percent of the capital of the paying company. However, Malaysia does not currently levy withholding taxes on dividends.
2. Withholding tax on interest is reduced to nil where the recipient is the Government of the Hong Kong Special Administrative Region (HKSAR), the Hong Kong Monetary Authority or such other institutions established by the Government of the HKSAR for the discharge of functions of a public purpose normally carried out by a government as may be agreed upon from time to time between the competent authorities of the two Contracting Parties.

The DTA allocates taxing rights between Hong Kong and Malaysia and will provide investors with greater certainty on their tax liabilities from cross-border economic activities and boost closer economic and trade ties between Hong Kong and Malaysia.



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