Corporate Tax Thursday – Hong Kong-Macao Double Tax Arrangement

Issue

The Comprehensive Avoidance of Double Taxation Arrangement (CDTA) between Hong Kong and Macao signed in November 2019 has entered into force after the completion of the relevant approval procedures. The CDTA will be in effect in Hong Kong in respect of taxes on income derived for any year of assessment beginning on or after April 1, 2021.

Background

This Arrangement is the 43rd comprehensive avoidance of the double taxation agreement/ arrangement that Hong Kong has signed with its trading partners. Macao was the 19th largest trading partner of Hong Kong in 2019.

With the arrangement in place, a Hong Kong tax resident will not be subject to Macao tax if its activities in Macao do not constitute a permanent establishment ("PE") as defined in the Arrangement. The Arrangement follows the latest standard of international tax rules to prevent the artificial avoidance of a PE.

Short-term secondees and business travelers from Hong Kong can visit Macao without being subject to professional tax (individual income tax) for up to 183 days in any 12-month period, provided that their costs are not borne by the employer's PE or fixed base in Macao.

The CDTA will bring about a higher level of certainty on tax liabilities for those who engage in cross-boundary business activities, and will foster bilateral trade and investment activities.

To do

Investors may utilize the additional incentives and benefits available under the arrangement to conduct business, invest and exchange talent, grasping business opportunities available in the Guangdong-Hong Kong-Macau Greater Bay Area.

Questions

If you have any questions, please contact Mary Ho.
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