

Hong Kong and Maldives enter into tax pact (with photos)

Hong Kong today (May 26, Maldives time) signed a comprehensive avoidance of double taxation agreement (CDTA) with Maldives in that country. It sets out the allocation of taxing rights between Hong Kong and Maldives, which will help investors better assess their potential tax liabilities from cross-border economic activities.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "Maldives is a participant in the Belt and Road Initiative. This CDTA, which is the 52nd that Hong Kong has concluded, signifies the ongoing achievements of the Hong Kong Special Administrative Region (HKSAR) Government in expanding Hong Kong's CDTA network, in particular with tax jurisdictions participating in the Belt and Road Initiative. I have every confidence that this CDTA will further promote economic and trade connections between Hong Kong and Maldives. We will continue to seek to sign CDTAs with other tax jurisdictions. This will enhance the attractiveness of Hong Kong as a business and investment hub and consolidate the city's status as an international economic and trade centre."

In accordance with the Hong Kong-Maldives CDTA, Hong Kong companies can enjoy double taxation relief in that any tax paid in Maldives, whether directly or by deduction, will be allowed as a credit against the tax payable in Hong Kong in respect of the same income under the tax laws of Hong Kong.

The CDTA also provides the following tax relief arrangements:

- (a) Maldives' withholding tax rate for Hong Kong residents on dividends will be capped at 5 per cent or 10 per cent (depending on the percentage of their shareholdings);
- (b) Hong Kong airlines operating flights to and from Maldives will be taxed at Hong Kong's corporation tax rate on their profits, and will not be taxed in Maldives; and
- (c) Profits from international shipping transport earned by Hong Kong residents arising in Maldives will enjoy a 50 per cent tax reduction in Maldives.

The Commissioner of Inland Revenue, Mr Benjamin Chan, signed the CDTA on behalf of the HKSAR Government with the Commissioner General of Taxation of the Inland Revenue Authority, Mr Hassan Zareer, representative of the Government of Maldives, on the margins of the Eighth High-level meeting of the Asia Initiative hosted by Maldives.

The CDTA will come into force after completion of ratification procedures by both jurisdictions. In Hong Kong, the Chief Executive in Council will make an order under the Inland Revenue Ordinance (Cap. 112),

which will be tabled at the Legislative Council for negative vetting. Details of the Hong Kong-Maldives CDTA are available on the [Inland Revenue Department's website](#).

The Asia Initiative was launched by the Global Forum on Transparency and Exchange of Information for Tax Purposes of the Organisation for Economic Co-operation and Development in 2021. It focuses on developing tailored solutions to ensure the implementation of tax transparency standards across Asia and enhancing regional co-operation. To date, Hong Kong and 16 other tax jurisdictions have joined the Asia Initiative.

