

## LEGISLATIVE COUNCIL BRIEF

Inland Revenue Ordinance  
(Chapter 112)

### INLAND REVENUE (DOUBLE TAXATION RELIEF AND PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME) (STATE OF QATAR) ORDER

#### INTRODUCTION

At the meeting of the Executive Council on 24 September 2013, the Council ADVISED and the Chief Executive ORDERED that the Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (State of Qatar) Order (the Order), at Annex A, should be made under section 49(1A) of the Inland Revenue Ordinance, Cap. 112 (the Ordinance). The Order implements the Agreement between the Hong Kong Special Administrative Region and Qatar for the Avoidance of Double Taxation with respect to Taxes on Income (the Qatari Agreement) signed on 13 May 2013.

A

#### JUSTIFICATIONS

##### **Benefits of Comprehensive Agreements for Avoidance of Double Taxation**

2. Double taxation refers to the imposition of comparable taxes in more than one tax jurisdiction in respect of the same source of income. The international community generally recognises that double taxation hinders the exchange of goods and services, movements of capital, technology and human resources, and poses an obstacle to the development of economic relations between economies. As a business facilitation initiative, it is our policy to enter into Comprehensive Agreements for Avoidance of Double Taxation (CDTAs) with our trading and investment partners so as to minimise double taxation.

3. Hong Kong adopts the territorial concept of taxation whereby only income sourced from Hong Kong is subject to tax. A local resident's income derived from sources outside Hong Kong would not be taxed in Hong Kong and hence would not be subject to double taxation. Double taxation may occur where a foreign jurisdiction taxes its own residents' income derived from Hong Kong. Although many jurisdictions do provide their residents with unilateral tax relief for the Hong Kong tax they paid on income derived therefrom, the existence of a CDTA will provide enhanced certainty and stability in respect of the elimination of double taxation. Besides, the tax relief provided under a CDTA may exceed the level provided unilaterally by a tax jurisdiction.

### **Benefits of the Qatari Agreement**

4. In the absence of the Qatari Agreement, income earned by Qatari residents in Hong Kong is subject to both Hong Kong and Qatari income tax. Moreover, the profits of Hong Kong companies doing business through a permanent establishment in Qatar may be taxed in both places if the income is Hong Kong sourced. Under the Qatari Agreement, tax paid in Hong Kong will be deducted from the tax payable in Qatar. Double taxation will also be avoided in that any Qatari tax paid by the companies will be allowed as a credit against the tax payable in Hong Kong in respect of the income, subject to the provisions of the tax laws of Hong Kong.

5. Under the Qatari Agreement, profits from international shipping transport earned by Hong Kong residents that arise in Qatar, which are currently subject to tax there, will not be taxed in Qatar under the Qatari Agreement.

6. Overall speaking, the Qatari Agreement sets out clearly the allocation of taxing rights between the two jurisdictions. It will help investors of the two economies to better assess their potential tax liabilities from cross-border economic activities, foster closer economic and trade links between the two places, and provide added incentives for enterprises of Qatar to do business with or invest in Hong Kong, and vice versa.

### **Exchange of Information Article under the Qatari Agreement**

7. Hong Kong adopts the Organisation for Economic Co-operation and Development 2004 version of the Exchange of Information (EoI) Article in our CDTAs to facilitate exchange of tax information to meet the international standard. In order to protect taxpayers' privacy and confidentiality of information exchanged, the Government has undertaken to the Legislative Council (LegCo) that we will continue to adopt the following

highly prudent safeguard measures in our CDTAs and will highlight deviations, if any, from these safeguards when we submit the CDTAs to LegCo for negative vetting. These safeguards include –

- (a) we will only exchange information upon receipt of request and no information will be exchanged on an automatic or spontaneous basis;
- (b) the information sought should be foreseeably relevant, i.e. there will be no fishing expedition;
- (c) information received by our CDTA partners should be treated as confidential;
- (d) information will only be disclosed to the tax authorities and not for release to their oversight body unless there are legitimate reasons given by the CDTA partners;
- (e) information requested shall not be disclosed to a third jurisdiction; and
- (f) there is no obligation to supply information under certain circumstances, for example, where the information would disclose any trade, business, industrial, commercial or professional secret or trade process, or which would be covered by legal professional privilege, etc.

8. The Qatari Agreement contains an EoI Article which has adopted all the above safeguards. Furthermore, the scope of information exchange is confined to taxes covered by the Qatari Agreement, i.e. income taxes.

### **Legal Basis**

9. Under section 49(1A) of the Ordinance, the Chief Executive in Council may, by order, declare that arrangements have been made with the government of any territory outside Hong Kong. Under section 49(1B) of the Ordinance, arrangements made in an order under section 49(1A) of the Ordinance may only be for the purposes of affording relief from double taxation and/or exchanging information in relation to any tax imposed by the laws of Hong Kong or the territory concerned. Following the signing of the Qatari Agreement, it is necessary for the Chief Executive in Council to declare by order that arrangements with Qatar on double taxation relief have been made and that it is expedient that those arrangements should have effect so as to bring the Qatari Agreement into effect.

## **OTHER OPTIONS**

10. An Order made by the Chief Executive in Council under section 49(1A) of the Ordinance is the only way to give effect to the Qatari Agreement. There is no other option.

## **THE ORDER**

11. **Section 2** of the Order declares that the arrangements specified in section 3 for affording double taxation relief have been made and that it is expedient that those arrangements should have effect. **Section 3** states that the arrangements are those in Articles 1 to 28 of the Qatari Agreement as well as Paragraphs 1 to 4 of the Protocol to the Qatari Agreement. The text of the Qatari Agreement and the Protocol is set out in the **Schedule** to the Order.

## **LEGISLATIVE TIMETABLE**

12. The legislative timetable is as follows –

Publication in the Gazette	4 October 2013
Tabling at LegCo	9 October 2013
Commencement of the Order	29 November 2013

## **IMPLICATIONS OF THE PROPOSAL**

13. The proposal has financial, economic, civil service and family perspective implications as set out in Annex B. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the Ordinance and its subsidiary legislation. It has no productivity, environmental, or sustainability implications.

B

## **PUBLIC CONSULTATION**

14. The business and professional sectors have all along supported our policy to conclude more CDTAs with our trading and investment partners.

## **PUBLICITY**

15. We issued a press release on the signing of the Qatari Agreement on 13 May 2013. A spokesperson will be available to answer media and public enquiries.

## **BACKGROUND**

C 16. The Qatari Agreement is the twenty-ninth CDTA concluded by Hong Kong with another jurisdiction. A summary of the main provisions of the Agreement is at Annex C.

D 17. As at 15 September 2013, we have entered into CDTAs with 29 jurisdictions. A list of these jurisdictions is at Annex D.

## **ENQUIRY**

18. In case of enquiries about this Brief, please contact Ms Shirley Kwan, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

**Financial Services and the Treasury Bureau**  
**2 October 2013**

## **LEGISLATIVE COUNCIL BRIEF**

### **Inland Revenue Ordinance (Chapter 112)**

#### **INLAND REVENUE (DOUBLE TAXATION RELIEF AND PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME) (STATE OF QATAR) ORDER**

#### **ANNEXES**

- |         |   |
|---------|---|
| Annex A | Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (State of Qatar) Order |
| Annex B | Financial, Economic, Civil Service and Family Perspective Implications of the Proposal  |
| Annex C | Summary of the main provisions of the Comprehensive Double Taxation Agreement between Hong Kong and Qatar                       |
| Annex D | List of jurisdictions with which Hong Kong has entered into CDTAs   |

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (State of Qatar) Order

Section 1

1

**Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (State of Qatar) Order**

(Made by the Chief Executive in Council under section 49(1A) of the Inland Revenue Ordinance (Cap. 112))

**1. Commencement**

This Order comes into operation on 29 November 2013.

**2. Declaration under section 49(1A)**

For the purposes of section 49(1A) of the Ordinance, it is declared—

- (a) that the arrangements specified in section 3(1) have been made with the Government of the State of Qatar; and
- (b) that it is expedient that those arrangements should have effect.

**3. Arrangements specified**

- (1) The arrangements specified for the purposes of section 2(a) are the arrangements in—
  - (a) Articles 1 to 28 of the agreement titled “Agreement between the Government of the Hong Kong Special Administrative Region of the People’s Republic of China and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income”, done in duplicate at Hong Kong on 13 May 2013 in the Chinese, Arabic and English languages; and

Inland Revenue (Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income) (State of Qatar) Order

Section 3

2

- (b) Paragraphs 1 to 4 of the protocol to the agreement, done in duplicate at Hong Kong on 13 May 2013 in the Chinese, Arabic and English languages.
- (2) The English text of the Articles referred to in subsection (1)(a) is reproduced in Part 1 of the Schedule.
- (3) The English text of the Paragraphs referred to in subsection (1)(b) is reproduced in Part 2 of the Schedule.

**Schedule** [s. 3]

**Part 1**

**Articles 1 to 28 of the Agreement between the Government of the Hong Kong Special Administrative Region of the People's Republic of China and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**

**Article 1**

**Persons Covered**

This Agreement shall apply to persons who are residents of one or both of the Contracting Parties.

**Article 2**

**Taxes Covered**

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting Party or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income.

3. The existing taxes to which the Agreement shall apply are:
  - (a) in the case of the Hong Kong Special Administrative Region,
    - (i) profits tax;
    - (ii) salaries tax; and
    - (iii) property tax;whether or not charged under personal assessment;
  - (b) in the case of the State of Qatar,  
taxes on income.
4. The Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes, as well as any other taxes falling within paragraphs 1 and 2 of this Article which a Contracting Party may impose in future. The competent authorities of the Contracting Parties shall notify each other of any significant changes that have been made in their taxation laws.
5. The existing taxes, together with the taxes imposed after the signature of the Agreement, are hereinafter referred to as "Hong Kong Special Administrative Region tax" or "Qatari tax", as the context requires.



### Article 3

#### General Definitions

1. For the purposes of this Agreement, unless the context otherwise requires:
  - (a) the term “Hong Kong Special Administrative Region” means any territory where the tax laws of the Hong Kong Special Administrative Region of the People’s Republic of China apply;
  - (b) the term “Qatar” means the State of Qatar and, when used in a geographical sense, means the State of Qatar’s lands, internal waters, territorial sea including its bed and subsoil, the air space over them, the exclusive economic zone and the continental shelf, over which the State of Qatar exercises sovereign rights and jurisdiction in accordance with the provisions of international law and Qatar’s national laws and regulations;
  - (c) the term “company” means any body corporate or any entity that is treated as a body corporate for tax purposes;
  - (d) the term “competent authority” means:
    - (i) in the case of the Hong Kong Special Administrative Region, the Commissioner of Inland Revenue or his authorized representative; and
    - (ii) in the case of Qatar, the Ministry of Economy and Finance or its authorized representative;

- (e) the term “Contracting Party” or “Party” means the Hong Kong Special Administrative Region or Qatar, as the context requires;
  - (f) the terms “enterprise of a Contracting Party” and “enterprise of the other Contracting Party” mean respectively an enterprise carried on by a resident of a Contracting Party and an enterprise carried on by a resident of the other Contracting Party;
  - (g) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise of a Contracting Party except when the ship or aircraft is operated solely between places in the other Contracting Party;
  - (h) the term “national”, in relation to Qatar means:
    - (i) any individual possessing the nationality of Qatar; and
    - (ii) any legal person, partnership or association deriving its status as such from the laws in force in Qatar;
  - (i) the term “person” includes an individual, a company and any other body of persons that is treated as an entity for tax purposes.
2. When implementing the provisions of the Agreement at any time by a Contracting Party, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has at that time under the law of that Party concerning the taxes to which the Agreement applies, any meaning under the applicable tax laws of

that Party prevailing over a meaning given to the term under other laws of that Party.

**Article 4**

**Resident**

1. For the purposes of this Agreement, the term “resident of a Contracting Party” means:
  - (a) in the case of the Hong Kong Special Administrative Region,
    - (i) any individual who ordinarily resides in the Hong Kong Special Administrative Region;
    - (ii) any individual who stays in the Hong Kong Special Administrative Region for more than 180 days during a year of assessment or for more than 300 days in two consecutive years of assessment one of which is the relevant year of assessment;
    - (iii) a company incorporated in the Hong Kong Special Administrative Region or, if incorporated outside the Hong Kong Special Administrative Region, being normally managed or controlled in the Hong Kong Special Administrative Region;
    - (iv) any other person constituted under the laws of the Hong Kong Special Administrative Region or, if constituted outside the Hong Kong Special Administrative Region, being normally managed or controlled in the Hong Kong Special Administrative Region;

- (v) the Government of the Hong Kong Special Administrative Region;
  - (b) in the case of Qatar, any individual who has a permanent home, his centre of vital interests, or habitual abode in Qatar, and a company incorporated or having its place of effective management in Qatar. The term also includes the State of Qatar and any political subdivision, local authority or statutory body thereof.
2. Where by reason of the provisions of paragraph 1 of this Article, an individual is a resident of both Contracting Parties, then his status shall be determined as follows:
  - (a) he shall be deemed to be a resident only of the Contracting Party in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting Parties, he shall be deemed to be a resident only of the Contracting Party with which his personal and economic relations are closer (centre of vital interests);
  - (b) if the Party in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting Party, he shall be deemed to be a resident only of the Contracting Party in which he has an habitual abode;
  - (c) if he has an habitual abode in both Contracting Parties or in neither of them, he shall be deemed to be a resident only of the Contracting Party in which he has the right of abode (in the case of the Hong Kong Special Administrative Region) or of which he is a national (in the case of Qatar);

(d) if his status cannot be determined in accordance with the provisions of subparagraphs (a), (b) and (c) above, then the competent authorities of the Contracting Parties shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 of this Article, a person other than an individual is a resident of both Contracting Parties, then it shall be deemed to be a resident only of the Party in which its place of effective management is situated.

#### Article 5

##### Permanent Establishment

1. For the purposes of this Agreement, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2. The term “permanent establishment” includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a sales outlet;

(g) a farm or plantation; and

(h) a mine, an oil or gas well, a quarry or any other place of exploration, extraction or exploitation, of natural resources.

3. The term “permanent establishment” also encompasses:

(a) a building site, a construction, assembly or installation project or any supervisory activity in connection with such site or project, but only where such site, project or activity continues for a period or periods aggregating more than 183 days within any twelve month period; and

(b) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such purpose, but only if the activities of that nature continue (for the same or a connected project) within a Contracting Party for a period or periods aggregating more than 183 days within any twelve month period.

4. Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

(a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
  - (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
  - (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character; or
  - (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (a) to (e) above, provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.
5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person – other than an agent of an independent status to whom paragraph 7 of this Article applies – is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting Party an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Party in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.
6. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting Party shall, except in regard to

- reinsurance, be deemed to have a permanent establishment in the other Contracting Party if it collects premiums in that other Contracting Party or insures risks situated therein through a person, other than an agent of an independent status to whom paragraph 7 of this Article applied.
7. An enterprise shall not be deemed to have a permanent establishment in a Contracting Party merely because it carries on business in that Party through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, and conditions are made or imposed between that enterprise and the agent in their commercial and financial relations which differ from those which would have been made between independent enterprises, he will not be considered an agent of an independent status within the meaning of this paragraph.
8. The fact that a company which is a resident of a Contracting Party controls or is controlled by a company which is a resident of the other Contracting Party, or which carries on business in that other Party (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

## **Article 6**

### **Income from Immovable Property**

1. Income derived by a resident of a Contracting Party from immovable property (including income from agriculture or forestry)

situated in the other Contracting Party may be taxed in that other Party.

2. The term “immovable property” shall have the meaning which it has under the law of the Contracting Party in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufructs of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, quarries, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 of this Article shall apply to income derived from the direct use, letting or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

## **Article 7**

### **Business Profits**

1. The profits of an enterprise of a Contracting Party shall be taxable only in that Party unless the enterprise carries on business in the other Contracting Party through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits

of the enterprise may be taxed in the other Party, but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3 of this Article, where an enterprise of a Contracting Party carries on business in the other Contracting Party through a permanent establishment situated therein, there shall in each Contracting Party be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Party in which the permanent establishment is situated or elsewhere, which are allowed under the provisions of the domestic law of the Contracting Party in which the permanent establishment is situated.
4. Insofar as it has been customary in a Contracting Party to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 of this Article shall preclude that Contracting Party from determining the profits to be taxed by such apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.
5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.
7. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

#### **Article 8**

##### **Shipping and Air Transport**

1. Profits of an enterprise of a Contracting Party from the operation of ships or aircraft in international traffic shall be taxable only in that Party.
2. The provisions of paragraph 1 of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

#### **Article 9**

##### **Associated Enterprises**

1. Where:
  - (a) an enterprise of a Contracting Party participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Party, or

- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting Party and an enterprise of the other Contracting Party,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting Party includes in the profits of an enterprise of that Party - and taxes accordingly - profits on which an enterprise of the other Contracting Party has been charged to tax in that other Party and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Party if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Party shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting Parties shall if necessary consult each other.

## **Article 10**

### **Dividends**

1. Dividends paid by a company which is a resident of a Contracting Party to a resident of the other Contracting Party shall be taxable only in that other Party.
2. The term “dividends” as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Contracting Party of which the company making the distribution is a resident.
3. The provisions of paragraph 1 of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting Party, carries on business in the other Contracting Party of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in the other Party independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.
4. Where a company which is a resident of a Contracting Party derives profits or income from the other Contracting Party, that other Party may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other Party or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a

fixed base situated in that other Party, nor subject the company’s undistributed profits to a tax on the company’s undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Party.

5. No relief shall be available under this Article if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividend is paid to take advantage of this Article by means of that creation or assignment.

## **Article 11**

### **Interest**

1. Interest arising in a Contracting Party and paid to a resident of the other Contracting Party shall be taxable only in that other Party.
2. The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purposes of this Article.
3. The provisions of paragraph 1 of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the interest arises, through a permanent establishment situated

therein, or performs in the other Party independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner of the interest or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Agreement.
5. No relief shall be available under this Article if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.

## **Article 12**

### **Royalties**

1. Royalties arising in a Contracting Party and paid to a resident of the other Contracting Party may be taxed in that other Party.

2. However, such royalties may also be taxed in the Contracting Party in which they arise and according to the laws of that Party, but if the beneficial owner of the royalties is a resident of the other Contracting Party, the tax so charged shall not exceed 5 per cent of the gross amount of the royalties. The competent authorities of the Contracting Parties shall by mutual agreement settle the mode of application of this limitation.
3. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, films, tapes or discs used for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.
4. The provisions of paragraphs 1 and 2 of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the royalties arise, through a permanent establishment situated therein, or performs in the other Party independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Royalties shall be deemed to arise in a Contracting Party when the payer is a resident of that Party. Where, however, the person paying the royalties, whether he is a resident of a Contracting Party or not, has in a Contracting Party a permanent establishment or a fixed base in connection with which the liability to pay the royalties was



- incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the Party in which the permanent establishment or a fixed base is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Agreement.
7. No relief shall be available under this Article if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.

### **Article 13**

#### **Capital Gains**

1. Gains derived by a resident of a Contracting Party from the alienation of immovable property referred to in Article 6 and situated in the other Contracting Party may be taxed in that other Party.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party or of movable property pertaining to a fixed base available to a resident of a Contracting Party in the other Contracting Party for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such a fixed base, may be taxed in that other Party.
3. Gains derived by an enterprise of a Contracting Party from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in that Party.
4. Gains derived by a resident of a Contracting Party from the alienation of shares of a company deriving more than 50 per cent of its asset value directly or indirectly from immovable property situated in the other Contracting Party may be taxed in that other Party. However, this paragraph does not apply to gains derived from the alienation of shares:
- (a) quoted on such stock exchange as may be agreed between the Parties; or
  - (b) alienated or exchanged in the framework of a reorganisation of a company, a merger, a scission or a similar operation; or
  - (c) in a company deriving more than 50 per cent of its asset value from immovable property in which it carries on its business.

5. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3 and 4 of this Article, shall be taxable only in the Contracting Party of which the alienator is a resident.

#### **Article 14**

##### **Independent Personal Services**

1. Income derived by a resident of a Contracting Party in respect of professional services or other activities of an independent character shall be taxable only in that Party except in the following circumstances, when such income may also be taxed in the other Contracting Party:
  - (a) if he has a fixed base regularly available to him in the other Contracting Party for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other Contracting Party; or
  - (b) if his stay in the other Contracting Party is for a period or periods amounting to or exceeding in the aggregate 183 days in any twelve month period commencing or ending in the taxable year concerned; in that case, only so much of the income as is derived from his activities performed in that other Party may be taxed in that other Party.
2. The term “professional services” includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

#### **Article 15**

##### **Dependent Personal Services**

1. Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting Party in respect of an employment shall be taxable only in that Party unless the employment is exercised in the other Contracting Party. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Party.
2. Notwithstanding the provisions of paragraph 1 of this Article, remuneration derived by a resident of a Contracting Party in respect of an employment exercised in the other Contracting Party shall be taxable only in the first-mentioned Party if:
  - (a) the recipient is present in the other Party for a period or periods not exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the taxable year concerned, and
  - (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Party, and
  - (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other Party.
3. Notwithstanding the preceding provisions of this Article, remuneration derived from an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting Party shall be taxable only in that Party.

## **Article 16**

### **Directors' Fees**

Directors' fees and other similar payments derived by a resident of a Contracting Party in his capacity as a member of the board of directors of a company which is a resident of the other Contracting Party may be taxed in that other Party.

## **Article 17**

### **Artistes and Sportspersons**

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting Party as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsperson, from his personal activities as such exercised in the other Contracting Party, may be taxed in that other Party.
2. Where income in respect of personal activities exercised by an entertainer or a sportsperson in his capacity as such accrues not to the entertainer or sportsperson himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting Party in which the activities of the entertainer or sportsperson are exercised.
3. Income derived by a resident of a Contracting Party from activities exercised in the other Contracting Party as provided for in paragraphs 1 and 2 of this Article, shall be exempted from tax in that other Party if the visit to that other Party is supported wholly or substantially by funds of either Contracting Party, or a political

subdivision or a local authority thereof, or takes place under a cultural agreement or arrangement between the Governments of the Contracting Parties.

## **Article 18**

### **Pensions**

1. Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration and annuities paid to a resident of a Contracting Party shall be taxable only in that Party.
2. Notwithstanding the provisions of paragraph 1 of this Article, pensions and other similar remuneration made under a pension or retirement scheme which is:
  - (a) a public scheme which is part of the social security system of a Contracting Party; or
  - (b) a scheme in which individuals may participate to secure retirement benefits and which is recognised for tax purposes in a Contracting Party,shall be taxable only in that Contracting Party.
3. The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

## Article 19

### Government Service

1. (a) Salaries, wages and other similar remuneration, other than a pension, paid by the Government of a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party.
- (b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting Party if the services are rendered in that other Party and the individual is a resident of that other Party who:
  - (i) in the case of the Hong Kong Special Administrative Region, has the right of abode therein and in the case of Qatar, is a national thereof; or
  - (ii) did not become a resident of that other Party solely for the purpose of rendering the services.
2. (a) Any pension paid by, or out of funds created by, the Government of a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party.
- (b) However, if the individual who rendered the services is a resident of the other Contracting Party and the case falls within subparagraph (b) of paragraph 1 of this Article, any

corresponding pension shall be taxable only in that other Contracting Party.

3. The provisions of Articles 15, 16, 17, and 18 of this Agreement shall apply to salaries, wages, pensions and other similar remuneration in respect of services rendered in connection with a business carried on by the Government of a Contracting Party or a political subdivision or a local authority thereof.

## Article 20

### Students

1. Payments which a student or business apprentice or trainee who is or was immediately before visiting a Contracting Party a resident of the other Contracting Party and who is present in the first-mentioned Contracting Party solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that Contracting Party, provided that such payments arise from sources outside that Contracting Party.
2. In respect of grants, scholarships and remuneration from employment not covered by paragraph 1 of this Article, a student, business apprentice or trainee described in paragraph 1 of this Article shall, in addition, be entitled during such education or training to the same exemptions, relief or reductions in respect of taxes available to residents of the Party which he is visiting.

## Article 21

### Other Income

1. Items of income of a resident of a Contracting Party, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Party.
2. The provisions of paragraph 1 of this Article shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting Party, carries on business in the other Contracting Party through a permanent establishment situated therein, or performs in the other Party independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

## Article 22

### Elimination of Double Taxation

1. In the case of the Hong Kong Special Administrative Region, double taxation shall be eliminated as follows:

Subject to the provisions of the laws of the Hong Kong Special Administrative Region relating to the allowance of a credit against Hong Kong Special Administrative Region tax of tax paid in a jurisdiction outside the Hong Kong Special Administrative Region (which shall not affect the general principle of this Article), Qatari

tax paid under the laws of Qatar and in accordance with this Agreement, whether directly or by deduction, in respect of income derived by a person who is a resident of the Hong Kong Special Administrative Region from sources in Qatar, shall be allowed as a credit against Hong Kong Special Administrative Region tax payable in respect of that income, provided that the credit so allowed does not exceed the amount of Hong Kong Special Administrative Region tax computed in respect of that income in accordance with the tax laws of the Hong Kong Special Administrative Region.

2. In the case of Qatar, double taxation shall be eliminated as follows:

Where a resident of Qatar derives income which, in accordance with the provisions of the Agreement, is taxable in the Hong Kong Special Administrative Region, then Qatar shall allow as a deduction from the tax on income of that resident an amount equal to the tax paid in the Hong Kong Special Administrative Region provided that such deduction shall not exceed that part of the tax, as computed before the deduction is given, which is attributable to the income derived from the Hong Kong Special Administrative Region.

## Article 23

### Non-Discrimination

1. Persons who, in the case of the Hong Kong Special Administrative Region, have the right of abode or are incorporated or otherwise constituted therein, and, in the case of Qatar, are Qatari nationals, shall not be subjected in the other Contracting Party to any taxation or any requirement connected therewith, which is other or more

- burdensome than the taxation and connected requirements to which persons who have the right of abode or are incorporated or otherwise constituted in that other Party (where that other Party is the Hong Kong Special Administrative Region) or nationals of that other Party (where that other Party is Qatar) in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting Parties.
2. Stateless persons who are residents of a Contracting Party shall not be subjected in either Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which persons who have the right of abode in the Party (where the Party is the Hong Kong Special Administrative Region) or nationals of the Party (where the Party is Qatar) in the same circumstances, in particular with respect to residence, are or may be subjected.
  3. The taxation on a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party shall not be less favourably levied in that other Party than the taxation levied on enterprises of that other Party carrying on the same activities. This provision shall not be construed as obliging a Contracting Party to grant to residents of the other Contracting Party any personal allowances, relief and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
  4. Except where the provisions of paragraph 1 of Article 9, paragraph 4 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting Party to a resident of the other Contracting Party shall,

- for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned Party.
5. Enterprises of a Contracting Party, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting Party, shall not be subjected in the first-mentioned Party to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned Party are or may be subjected.
  6. In this Article the term “taxation” means taxes covered by this Agreement.

#### **Article 24**

##### **Mutual Agreement Procedure**

1. Where a person considers that the actions of one or both of the Contracting Parties result or will result for him in taxation not in accordance with this Agreement, he may, irrespective of the remedies provided by the domestic laws of those Parties, present his case to the competent authority of the Contracting Party of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Contracting Party in which he has the right of abode or is incorporated or otherwise constituted (in the case of the Hong Kong Special Administrative Region) or of which he is a national (in the case of Qatar). The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting Party, with a view to the avoidance of taxation which is not in accordance with the Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic laws of the Contracting Parties.
3. The competent authorities of the Contracting Parties shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.
4. The competent authorities of the Contracting Parties may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.

## Article 25

### Exchange of Information

1. The competent authorities of the Contracting Parties shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the domestic laws of the Contracting Parties concerning taxes covered by the Agreement, insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Article 1.

2. Any information received under paragraph 1 of this Article by a Contracting Party shall be treated as secret in the same manner as information obtained under the domestic laws of that Party and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes referred to in paragraph 1 of this Article. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.
3. In no case shall the provisions of paragraphs 1 and 2 of this Article be construed so as to impose on a Contracting Party the obligation:
  - (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party;
  - (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting Party;
  - (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).
4. If information is requested by a Contracting Party in accordance with this Article, the other Contracting Party shall use its information gathering measures to obtain the requested information, even though that other Party may not need such information for its own tax purposes. The obligation contained in the preceding

sentence is subject to the limitations of paragraph 3 of this Article but in no case shall such limitations be construed to permit a Contracting Party to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 of this Article be construed to permit a Contracting Party to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

#### **Article 26**

##### **Fiscal Privileges**

Nothing in this Agreement shall affect the fiscal privileges, including those of members of consular posts, provided for under the general rules of international law or under the provisions of special agreements.

#### **Article 27**

##### **Entry into Force**

1. The Contracting Parties shall notify each other in writing, through appropriate channels, of the completion of the procedures required by their laws for the bringing into force of this Agreement. The Agreement shall enter into force on the date of the later of these notifications.
2. The provisions of the Agreement shall have effect:

- (a) in the Hong Kong Special Administrative Region, in respect of Hong Kong Special Administrative Region tax, for any year of assessment beginning on or after the first day of April of the calendar year immediately following the year in which the Agreement enters into force;
- (b) in Qatar:
  - (i) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the first day of January of the calendar year immediately following the year in which the Agreement enters into force; and
  - (ii) with regard to other taxes, in respect of taxable years beginning on or after the first day of January of the calendar year immediately following the year in which the Agreement enters into force.

#### **Article 28**

##### **Termination**

1. This Agreement shall remain in force until terminated by a Contracting Party. Either Contracting Party may terminate the Agreement, through appropriate channels, by giving the other Contracting Party written notice of termination at least six months before the end of any calendar year following the expiration of a period of five years from the date of its entry into force.
2. The Agreement shall cease to have effect:



- (a) in the Hong Kong Special Administrative Region, in respect of Hong Kong Special Administrative Region tax, for any year of assessment beginning on or after the first day of April of the calendar year immediately following the year in which the notice is given;
- (b) in Qatar:
  - (i) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the first day of January of the calendar year immediately following the year in which the notice is given; and
  - (ii) with regard to other taxes, in respect of taxable years beginning on or after the first day of January of the calendar year immediately following the year in which the notice is given.

## **Part 2**

### **Paragraphs 1 to 4 of the Protocol to the Agreement between the Government of the Hong Kong Special Administrative Region of the People's Republic of China and the Government of the State of Qatar for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**

1. **With reference to Article 9(2)**

It is understood that the adjustment provided for in this paragraph will only be made by a Contracting Party if that Party considers that the adjustment made by the other Contracting Party is justified both in principle and as regards the amount.

2. **With reference to Article 19(2)**

It is understood that this paragraph shall also apply to any pension, in respect of services rendered to a Contracting Party or political subdivision or local authority thereof, made under a scheme in which individuals may participate to secure retirement benefits and which is recognised for tax purposes in that Party.

3. **With reference to Article 23**

It is understood that the non-taxation of Qatari nationals under Qatari tax law shall not be regarded as discrimination under the provisions of this Article.

4. **With reference to Article 25**

It is understood that this Article does not require the Contracting Parties to exchange information on an automatic or spontaneous basis, and that information exchanged shall not be disclosed to a third jurisdiction.

COUNCIL CHAMBER

2013

---

Clerk to the Executive Council

### Explanatory Note

The Hong Kong Special Administrative Region Government and the Government of the State of Qatar signed an agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (*Agreement*) together with a protocol to the Agreement (*Protocol*) on 13 May 2013. This Order specifies the arrangements in Articles 1 to 28 of the Agreement and Paragraphs 1 to 4 of the Protocol as double taxation relief arrangements under section 49(1A) of the Inland Revenue Ordinance (Cap. 112) and declares that it is expedient that those arrangements should have effect. The Agreement and Protocol were signed in the Chinese, Arabic and English languages.

2. The effects of the declaration are—
  - (a) that the arrangements have effect in relation to tax under the Inland Revenue Ordinance (Cap. 112) despite anything in any enactment; and
  - (b) that the arrangements, for the purposes of any provision of those arrangements that requires disclosure of information concerning tax of the State of Qatar, have effect in relation to any tax of that State that is the subject of that provision.

**Financial, Economic, Civil Service and Family Perspective**  
**Implications of the Proposal**

**Financial Implications**

The Government would have to forgo some revenue which is currently being collected in respect of profits of Qatari resident companies not attributable to a permanent establishment in Hong Kong, as well as shipping and air services profits of Qatari operators. However, the overall financial implications would be insignificant.

**Economic Implications**

2. The Qatari Agreement will facilitate business development between Hong Kong and Qatar and contribute positively to the economic development of Hong Kong. It will enhance the economic interaction between Hong Kong and Qatar by providing enhanced certainty and stability to the tax liabilities of investors.

**Civil Service Implications**

3. There will be additional work for the Inland Revenue Department in handling requests for exchange of information from Qatar under the Qatari Agreement which will be absorbed from within existing resources as far as possible. Where necessary, additional manpower resources would be sought under the established mechanism.

**Family Perspective Implications**

4. Given that the tax burden of some individuals may be relieved under the Qatari Agreement, it may have positive implications to the financial abilities and functioning of families.

**Comprehensive Double Taxation Agreement (CDTA)  
Between Hong Kong and Qatar**

**Summary of Main Provisions**

The CDTA with Qatar (“the Qatari Agreement”) covers the following types of taxes:

- (a) in respect of Hong Kong – (i) profits tax;  
(ii) salaries tax; and  
(iii) property tax.

(b) in respect of Qatar – taxes on income.

2. The Qatari Agreement deals with the taxing of income of the resident of one Contracting Party (“resident jurisdiction”) derived from another Contracting Party (“source jurisdiction”).

**Exclusive taxing rights**

3. Where the right to tax income is allocated exclusively to one Contracting Party under the Qatari Agreement (the resident jurisdiction or the source jurisdiction), there is no double taxation. It is provided in the Qatari Agreement that the following types of income shall only be taxed in the resident jurisdiction:

- (a) profits of an enterprise, unless the enterprise carries on business in the source jurisdiction through a permanent establishment therein (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on);
- (b) profits from operation of ships and aircraft in international traffic and gains from alienation of ships or aircraft operated in international traffic;
- (c) dividends income arising in the source jurisdiction;
- (d) interest income arising in the source jurisdiction;
- (e) income from professional services, including services

performed in the source jurisdiction provided that the services is not provided through a fixed base situated therein and the person is present in the source jurisdiction for aggregate periods not exceeding 183 days in any relevant 12-month period;

- (f) income from non-government employment, including employment exercised in the source jurisdiction provided that the employee is present in the source jurisdiction for aggregate periods not exceeding 183 days in any relevant 12-month period, etc.;
- (g) remuneration from non-government employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of the resident jurisdiction;
- (h) non-government pensions, except those paid under the social security legislation or retirement benefits schemes recognized for tax purposes in the source jurisdiction;
- (i) capital gains not expressly dealt with in the Qatari Agreement; and
- (j) other income not expressly dealt with in the Qatari Agreement.

4. Employment income and pensions paid by the government of a Contracting Party are, in general, taxable only in that Party (source jurisdiction).

### **Shared taxing rights**

5. Where both tax jurisdictions are given the right to tax the same item of income, the resident jurisdiction is required under the Qatari Agreement to give double taxation relief to its resident for any income doubly assessed (i.e. the source jurisdiction has the primary right to tax and the resident jurisdiction is left with a secondary right). It is provided in the Qatari Agreement that the following types of income may be taxed in both jurisdictions:

- (a) income generated from immovable property and gains from the alienation of such property situated in the source jurisdiction;

- (b) profits of an enterprise which carries on business in the source jurisdiction through a permanent establishment, to the extent that such profits are attributable to the permanent establishment, and gains from the alienation of the business property of such permanent establishment;
- (c) royalties income received from residents of a source jurisdiction, with the source jurisdiction's right to tax subject to a limit of 5% on the gross amount of the royalties;
- (d) gains from alienation of shares of a company (except gains from quoted shares or gains arising from corporate re-organization or merger) deriving more than 50% of its asset value directly or indirectly from immovable property (other than premises in which the company carries on business) situated in the source jurisdiction;
- (e) income from professional services or other independent activities of a similar character performed in the source jurisdiction provided that the services is provided through a fixed base situated therein or the person is present in the source jurisdiction for aggregate periods exceeding 183 days in any relevant 12-month period;
- (f) remuneration from non-government employment exercised in the source jurisdiction, where the employee is present in the source jurisdiction for aggregate periods exceeding 183 days in any relevant 12-month period, etc.;
- (g) directors' fees from a company resident in the source jurisdiction; and
- (h) income of entertainers and sportspersons who conduct their professional activities in the source jurisdiction.

6. In general, in case of shared taxing rights, double taxation relief may be given to a taxpayer either through the exemption method, where income taxable in the source jurisdiction is exempted from taxation in the resident jurisdiction; or through the credit method, where income taxable in the source jurisdiction is subject to tax in the resident jurisdiction but the tax levied in the source jurisdiction is credited against the tax levied in the resident jurisdiction on such income. Both Hong Kong and Qatar will provide double taxation relief for its residents by the credit method.

## Annex D

### **List of Jurisdictions with which Hong Kong has entered into CDTAs (as at 15.9.2013)**

	<b>Jurisdictions</b>	<b>Date of Signing (month and year)</b>
1	Belgium	December 2003
2	Thailand	September 2005
3	Mainland China	August 2006
4	Luxembourg	November 2007
5	Vietnam	December 2008
6	Brunei	March 2010
7	The Netherlands	March 2010
8	Indonesia	March 2010
9	Hungary	May 2010
10	Kuwait	May 2010
11	Austria	May 2010
12	The United Kingdom	June 2010
13	Ireland	June 2010
14	Liechtenstein	August 2010
15	France	October 2010
16	Japan	November 2010
17	New Zealand	December 2010
18	Portugal	March 2011
19	Spain	April 2011
20	The Czech Republic	June 2011
21	Switzerland	October 2011
22	Malta	November 2011
23	Jersey	February 2012
24	Malaysia	April 2012
25	Mexico	June 2012
26	Canada	November 2012
27	Italy	January 2013
28	Guernsey	April 2013
29	Qatar	May 2013