

# Hong Kong/Belgium Double Tax Treaty

At the crossroads of finance, tax and accounting, our clients count on us to look out for their best interests. To develop and deliver the most relevant solutions to suit your particular goals, we work together with the finest lawyers and financial experts. With our roots in banking and a large international network, we have the global reach and local knowledge to help you succeed.

On 10 December 2003 Hong Kong and Belgium entered into a double tax agreement for the first time. The agreement is based upon the OECD model convention and is effective from 1 January 2004 in Belgium and from 1 April 2004 in Hong Kong. This is the first time Hong Kong has signed a double tax agreement with any country.

## Withholding tax rates on:

### Dividends:

The dividend withholding tax rate can now be reduced from 25% to 0%, 10% or 15%:

- ▶ Reduction to 0% if the beneficial owner of the dividends is a company in possession of more than 25% of the shares and that the shares have been held for 12 months prior to payment of the dividend;
- ▶ Reduction to 5% if the beneficial owner of the dividends is a company in possession of 10% of the capital;
- ▶ Reduction to 15% in all other cases.

The 0% rate of dividend withholding tax on dividends paid out of Belgium to a Hong Kong company presents a number of tax-planning opportunities.

### For example:

An EU company could pay a dividend to a Belgium company under the applicable double tax treaty or under the EU Parent/subsidiary directive, thereby suffering no withholding tax. The Belgium company could then pay a dividend to a Hong Kong company free of withholding tax. The dividend would not be taxed in Hong Kong and the Hong Kong company can pay a dividend to its shareholders free of any withholding tax.

### Royalty payments:

- ▶ A withholding tax rate of 5% is imposed on royalty payments.

### Interest payments:

- ▶ Hong Kong non-treaty withholding tax rate is 0%;
- ▶ Withholding tax rate on interest payments is 10%.

## Residence

Hong Kong has no domestic concept of residence, and the treaty refers to residents of each jurisdiction. The double tax agreement clarifies that a Hong Kong resident company, will be:

- ▶ A company incorporated in Hong Kong and;
- ▶ A company not incorporated in Hong Kong whose central management is in Hong Kong.

The double tax agreement will not apply to Hong Kong branches of foreign corporations, whose central management and control is outside Hong Kong.


## Limitation On Benefits clause

There is no specific Limitation On Benefits (LOB).

We anticipate significant interest in the benefits of the double tax treaty and can assist clients through our offices located in Hong Kong and Belgium.

Dividends received in Hong Kong can effectively be passed through the Hong Kong company without suffering any further taxation, a 'Hong Kong/Belgium' structure will be a very efficient means of investing into Belgium and indeed throughout Europe.

Our clients come from every corner of the globe. Different countries, different cultures. Just like us. We have more than 1,000 professionals in more than 20 countries worldwide. So we have the local knowledge and sensitivity to see things from your point of view.

 Setting the standard since 1952

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