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Switzerland and Hong Kong sign double taxation agreement

Bern, 06.12.2010 - Today in Hong Kong, Switzerland and Hong Kong signed a double taxation agreement (DTA) in the area of taxes on income. The DTA contains provisions on the exchange of information which are in accordance with the OECD standard and were negotiated in line with the parameters decided by the Federal Council. The DTA will contribute to the positive development of bilateral economic relations.

On the whole, it was possible to agree on beneficial solutions in the areas that are important for the Swiss economy. Withholding tax exemption was agreed for dividend payments to companies that hold a stake of at least 10% in the company making the payment, as well as for dividend payments to pension funds and the central bank. In the other cases, the withholding tax rate will be 10%. Interest will generally be exempt from withholding tax, and the limit for the tax the source state is entitled to levy on royalty payments will be 3%. Hong Kong will be able to tax Swiss companies that do not have a fixed place of business in Hong Kong only under certain conditions and in the case of service activity lasting more than 270 days. The agreement contains an arbitration clause as well as a provision on the exchange of information in accordance with the OECD standard.

After negotiations finished, a report on the agreement with Hong Kong was submitted to the cantons and business associations concerned for their comments. The Conference of Cantonal Finance Directors and the business associations largely approved the signing of the agreement.

Stages between signature and entry into force

After a double taxation agreement (DTA) has been signed, the Federal Council submits the signed agreement together with a dispatch to parliament. Parliament is responsible for approving DTAs, and decides whether a given DTA will be subject to an optional referendum. Under the current practice, DTAs that provide for significant additional obligations are subject to an optional referendum. The first ten DTAs with an extended administrative assistance clause were approved by parliament on 18 June 2010. The deadline for the optional referendum expired unused on 7 October 2010.

The agreement can enter into force once the partner state has provided its approval. Once ratified, the agreement will enter into force. This occurs either when diplomatic notes are dispatched or when the instruments of ratification are exchanged. The point in time of entry into force depends on the agreement reached. The application of the provisions depends on the arrangements agreed in the DTA. As a rule, the new provisions are applicable from 1 January of the calendar year following the date of entry into force.

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Enclosure:

- [Agreement between the Swiss Federal Council and the government of the Hong Kong Special Administrative Region of the people's Republic of China \(pdf, 81kb\)](#)⁽²⁾

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