



Hong Kong Tax Newsflash

Hong Kong-Mainland Double Taxation Arrangement 5th protocol in force

The 5th protocol to the Double Taxation Arrangement between Hong Kong and Mainland (HK-PRC DTA) has entered into force after the completion of ratification procedures on both sides. It will apply in Hong Kong starting from the year of assessment 2020/21.

The 5th protocol was signed in July 2019. It amends the HK-PRC DTA to align with the latest developments in international tax by adopting some of the provisions of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. In particular, the following areas are amended:

- (1) **Preamble** ~ objectives and purposes of DTA;
- (2) **Dual resident entity** ~ tiebreaker rule;
- (3) **Permanent establishment (PE)** ~ definitions of agency PE and independent agent;
- (4) **Capital gains** ~ alienation of shares deriving value principally from immovable property;
- (5) **Teachers and researchers** ~ tax exemption for income from undertaking teaching or research activities on the other side; and
- (6) **Principal purpose test** ~ denial of treaty benefits if one of the principal purposes is to obtain treaty benefits

For details of the 5th protocol, please read our [Tax Analysis Issue P297/2019](#) published in August 2019.

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