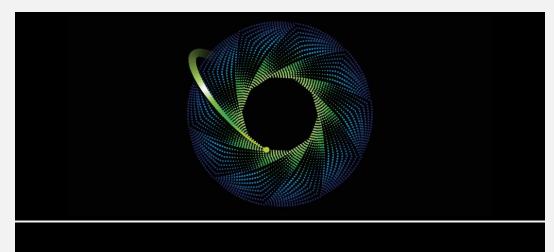
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Hong Kong Tax Newsflash Hong Kong-Croatia tax treaty signed

INspire HK 躍動香港

Hong Kong SAR (HK) signed a Comprehensive Double Tax Agreement (CDTA) with Croatia on 24 January 2024. This is the 48th CDTA concluded by HK.

Below is a comparison of the withholding tax rates applicable to dividends, interest and royalties, under the respective domestic tax law and the HK-Croatia CDTA:

	Dividends	Interest	Royalties
HK non-CDTA rate	0%	0%	4.95% / 16.5% ^{NB1}
Croatia non-CDTA rate	10% / 25% ^{NB2}	15% / 25% ^{NB3}	15% / 25% ^{NB3}
HK-Croatia CDTA rate	5%	5%	5%

NB1: The 4.95% rate generally applies. If the royalty is paid to an associated entity and the intellectual property has been owned by a person carrying on business in HK, 16.5% applies. If the taxpayer is eligible for two-tiered tax rates, 2.475% (or 8.25% if higher rate) applies on the first HKD 2 million of assessable profits and 4.95% (or 16.5% if higher rate) on the remaining amount.

NB2: 10% for payments made to a non-resident company in general; 25% for payments made to entities that have their headquarters or place of effective management in a jurisdiction that is on the EU list of noncooperative jurisdictions for tax purposes.

NB3: 15% for payments made to a non-resident company in general; 25% for payments made to entities that have their headquarters or place of effective

management in a jurisdiction that is on the EU list of noncooperative jurisdictions for tax purposes.

The HK-Croatia CDTA will come into force after the completion of ratification procedures by both jurisdictions. The CDTA can be downloaded from this <u>link</u>.

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If you have any questions, please contact our professionals:

Authors Doris Chik Tax Partner +852 2852 6608 dchik@deloitte.com.hk

Carmen Cheung Senior Tax Manager +852 2740 8660 carmcheung@deloitte.com.hk

Kiwi Fung Tax Manager +852 2258 6162 <u>kifung@deloitte.com.hk</u>

International and M&A Tax National Leader Vicky Wang Tax Partner +86 21 6141 1035 vicwang@deloitte.com.cn

Hong Kong Anthony Lau Tax Partner +852 2852 1082 antlau@deloitte.com.hk

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