



## Hong Kong Tax Newsflash

# Hong Kong-Cyprus tax treaty signed

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Hong Kong SAR (HK) signed a Comprehensive Double Tax Agreement (CDTA) with Cyprus on 12 June 2026. Cyprus is one of the economies participating in the Belt and Road Initiative. This is the 58<sup>th</sup> 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-Cyprus CDTA:

	<b>Dividends</b>	<b>Interest</b>	<b>Royalties</b>
HK non-CDTA rate	0%	0%	4.95% / 16.5% <sup>1</sup>
Cyprus non-CDTA rate	0% / 5% <sup>2</sup>	0%	0% / 5% / 10% <sup>3</sup>
HK-Cyprus CDTA rate	0%	0%	3%

The CDTA also provides beneficial treatment on capital gains. Capital gains derived by a HK investor from the disposal of shares in a Cyprus company are generally exempt from tax in the Cyprus under the CDTA, unless the company is land-rich<sup>4</sup>. Nevertheless, under certain circumstances<sup>5</sup> (e.g., the shares of the land-rich company are listed, the shares are disposed under a corporate reorganisation etc.), the capital gains from the disposal of such a land-rich company may still be exempt from tax in Cyprus.

The HK-Cyprus CDTA will come into force after the completion of ratification procedures by both jurisdictions. The CDTA can be downloaded from this [link](#).

<sup>1</sup> 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.

<sup>2</sup> No withholding tax is imposed on dividends paid to a non-Cyprus tax resident generally. A 5% withholding tax rate applies to dividends paid by a Cyprus tax resident company to companies resident in “low-tax” jurisdictions (i.e., jurisdictions with corporate tax rate of less than 50% of the Cyprus corporate tax rate of 15%).

<sup>3</sup> Royalties paid to a non-Cyprus tax resident for the use of rights outside Cyprus are exempt from withholding tax. However, if the rights are used in Cyprus, 5% on film royalties and 10% on all other royalties would apply.

<sup>4</sup> A company deriving more than 50% of its value directly or indirectly from immovable property situated in Cyprus during the 365 days preceding the disposal.

<sup>5</sup> Circumstances under which gains from the disposal of shares in a land-rich company are exempt from tax in Cyprus are:

(a) shares listed on an approved stock exchange agreed between the competent authorities of HK and Cyprus; or  
 (b) shares disposed or exchanged in the framework of a corporate reorganisation, merger, demerger (scission) or a similar operation.

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## Authors

### **Doris Chik**

Tax Partner

+852 2852 6608

[dchik@deloitte.com.hk](mailto:dchik@deloitte.com.hk)

### **Carmen Cheung**

Senior Tax Manager

+852 2740 8660

[carmcheung@deloitte.com.hk](mailto:carmcheung@deloitte.com.hk)

### **Emily Tse**

Tax Manager

+852 2852 6383

[emtse@deloitte.com.hk](mailto:emtse@deloitte.com.hk)

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For more information, please contact:

### **Tax & Business Advisory**

#### **Southern Region Leader**

### **Jennifer Zhang**

Tax Partner

+852 2258 6228

[jennifzhang@deloitte.com.hk](mailto:jennifzhang@deloitte.com.hk)

#### **Hong Kong Leader**

### **Anthony Lau**

Tax Partner

+852 2852 1082

[antlau@deloitte.com.hk](mailto:antlau@deloitte.com.hk)

### **International and M&A Tax Services**

#### **National Leader**

### **Vicky Wang**

Tax Partner

+86 21 6141 1035

[vicwang@deloittecn.com.cn](mailto:vicwang@deloittecn.com.cn)

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