

Pakistan, Hong Kong ratify tax agreement

Pakistan and Hong Kong SAR on Monday ratified the agreement on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income. The agreement was signed on February 17, 2017 after negotiations spreading over six years. The tax pact will come into force from November 24, 2017, says a press release received here Monday from Hong Kong.

The tax pact shall benefit individuals and companies working in Pakistan and Hong Kong SAR by providing safeguards against paying double taxation on the incomes of the residents of both jurisdictions. The agreement will also provide adequate certainty in respect of taxation rules applicable to cross-border business transactions, dividends, interest and royalties etc.

Under the agreement, double taxation will be avoided and any Pakistani tax paid by Hong Kong companies will be allowed as a credit against the tax payable in Hong Kong on the same profits, subject to the provisions of the tax laws of Hong Kong. Likewise, for Pakistani companies, the tax they paid in Hong Kong will be allowed as a deduction from the tax payable on the same income in Pakistan.

On this occasion, Pakistan's Consul General for Hong Kong Abdul Qadir Memon said that the agreement with Hong Kong, the world's freest economy, was a great milestone.

He hoped that the agreement would promote economic cooperation, investment and would strengthen the existing bilateral economic relations between Pakistan and Hong Kong. He said that the agreement sets out clearly the allocation of taxing rights between the two jurisdictions, which would eventually help investors, better assess their potential tax liabilities from cross-border economic activities.

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