chapter 4

International Tax Collaboration

Tax Treaty Network

Double taxation arises where the same item of income or profit of a taxpayer is subject to tax in Hong Kong as well as in another tax jurisdiction. A wide tax treaty network can help minimise exposure of Hong Kong residents and residents of the tax treaty partners to double taxation. It will also facilitate the flows of trade, investment and talent between Hong Kong and the rest of the world, and enhance Hong Kong's competitiveness as an international financial, investment and commercial hub.





As at 31 March 2025, Hong Kong has signed comprehensive avoidance of double taxation agreements / arrangements (DTAs) with 51 jurisdictions. They are Armenia, Austria, Bahrain, Bangladesh, Belarus, Belgium, Brunei, Cambodia, Canada, the Chinese Mainland, Croatia, the Czech Republic, Estonia, Finland, France, Georgia, Guernsey, Hungary, India, Indonesia, Ireland, Italy, Japan, Jersey, Korea, Kuwait, Latvia, Liechtenstein, Luxembourg, the Macao Special Administrative Region, Malaysia, Malta, Mauritius, Mexico, the Netherlands, New Zealand, Pakistan, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, South Africa, Spain, Switzerland, Thailand, Türkiye, the United Arab Emirates, the United Kingdom and Vietnam. The DTAs set out the allocation of taxing rights over different types of income, and provides for dispute resolution and exchange of information between competent authorities.

Hong Kong also makes use of tax information exchange agreements (TIEAs) as instruments for exchange of information with appropriate partners. As at 31 March 2025, Hong Kong has signed TIEAs with 7 jurisdictions. They are Denmark, the Faroes, Greenland, Iceland, Norway, Sweden and the United States of America.

Hong Kong is committed to enhancing tax transparency and preventing tax evasion. The Central People's Government has deposited a declaration to the Organisation for Economic Cooperation and Development (OECD) for extending the application of the Convention on Mutual Administrative Assistance in Tax Matters (MAC) to Hong Kong. With the entry into force of the MAC in Hong Kong on 1 September 2018, Hong Kong can now ride on a

multilateral platform under the MAC to implement various forms of administrative co-operation in the assessment and collection of taxes, including exchange of information on request, automatic exchange of financial account information and automatic exchange of country-by-country reports and spontaneous exchange of information on tax rulings under the base erosion and profit shifting (BEPS) package promulgated by the OECD.

As part of Hong Kong's commitment to meet the minimum standards of the BEPS package, Hong Kong completed the legislative procedures to give effect to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) in Hong Kong in the year 2022-23. The BEPS MLI, which was signed by the Central People's Government and is applied to Hong Kong, modifies the application of the covered DTAs of Hong Kong so as to swiftly implement the BEPS measures to prevent tax treaty abuse and improve dispute resolution mechanism. The relevant provisions of the BEPS MLI take effect in Hong Kong with respect to a covered DTA on 1 April 2023 (for taxes withheld at source) or on 1 April 2024 (for other taxes) at the earliest, depending on the timing of the completion of the ratification and other relevant procedures by the DTA partners.

Advance Pricing Arrangement

An Advance Pricing Arrangement (APA) is an arrangement that determines, in advance of controlled transactions, an appropriate set of criteria for the determination of the transfer pricing for those transactions over a fixed period of time. It provides a tool for multinational enterprises to manage and mitigate the transfer pricing risk on a prospective basis.

A unilateral APA is an arrangement between the Commissioner and a person concerning the transfer pricing of controlled transactions. As the APA process does not involve the agreement with a DTA partner, it does not guarantee the agreement of the DTA partner to the arrangement made.

A bilateral APA is an arrangement between the Commissioner and the competent authority of a DTA partner concerning the transfer pricing of controlled transactions. It provides certainty to a person that double taxation will not arise. The same also applies to a multilateral APA which is a similar arrangement involving the partners of two or more DTAs.

The Department rolled out the APA programme in April 2012 and introduced a statutory APA regime in July 2018. Up to 31 March 2025, the Department has received quite a number of unilateral and bilateral APA applications which involve DTA with different partners including the Chinese Mainland, Indonesia, Italy, Japan, Korea, Malaysia, the Netherlands, Thailand and the United Kingdom. These cases are currently under different stages of the APA programme and a few of them have already been completed.

Automatic Exchange of Financial Account Information

For the purposes of enhancing tax transparency and combating cross-border tax evasion, the OECD released in July 2014 a new international standard for automatic exchange of financial account information in tax matters (AEOI). In September 2014, Hong Kong indicated its support for implementing AEOI on a reciprocal basis with appropriate partners with a view to commencing the first exchanges in 2018. So far, over 125 jurisdictions have committed to implementing this international standard.

Hong Kong put in place a legislative framework for implementing AEOI in 2016 and developed the related information technology systems in 2017. Reporting financial institutions are required to identify financial accounts held by tax residents of reportable jurisdictions in accordance with the required due diligence procedures, collect the reportable information of these accounts and furnish their Financial Account Information Returns with the required information via the AEOI Portal. In 2024-25, compound penalties were imposed on or warning letters were issued to a few reporting financial institutions for their failure to submit Financial Account Information Returns on time or submission of incorrect Financial Account Information Returns.

Hong Kong will only conduct AEOI with a reportable jurisdiction when an arrangement is in place with the reportable jurisdiction concerned to provide the basis for exchange. Hong Kong first adopted a bilateral basis in implementing AEOI. Later, after the MAC came into force in Hong Kong on 1 September 2018, Hong Kong has been able to take a multilateral approach in implementing AEOI. Hong Kong's network for tax information exchange has been expanded accordingly.

Up to 2024, Hong Kong smoothly completed seven rounds of AEOI with other jurisdictions through the OECD Common Transmission System.

Automatic Exchange of Country-by-Country Reports

Hong Kong put in place a legislative framework for implementing the country-by-country reporting in 2018. The requirements for filing a country-by-country return only apply to a multinational enterprise group whose annual consolidated group revenue reaches the specified threshold amount of HK$6.8 billion. The primary obligation of filing a country-by-country return is on the ultimate parent entity resident in Hong Kong. A Hong Kong entity of a reportable group whose ultimate parent entity is not resident in Hong Kong will be subject to a secondary obligation of filing if certain conditions are met. The mandatory filing of country-by-country return commenced for accounting period beginning on or after 1 January 2018.

To facilitate Hong Kong entities to comply with their reporting obligations and implementation of automatic exchange of country-by-country reports, the Department has launched the CbC Reporting Portal for submission of returns and data files. Hong Kong has smoothly completed the automatic exchange of country-by-country reports for 2018 to 2023 with exchange partners.