

Proposed Potential CDTA Negotiation Partners

	Jurisdictions	Priority (High/Medium/Low)	Any particular reasons for the need of a CDTA/TIEA
1	United States	High	<p>These three countries are Hong Kong's major trading partners and fall into the top 10 countries with outbound / inbound FDI from / to Hong Kong, as shown by the External Direct Investment Statistics of Hong Kong 2014.</p> <p>Note: We note that United States is included in Annex B under TIEA. However, we request that the Government will continue to pursue the CDTA negotiation.</p>
2	Australia	High	
3	Singapore	High	
4	Taiwan	High	<p>Taiwan is also one of the major trading partners of Hong Kong.</p> <p>Taiwan imposes a 20% withholding tax on dividends, interest and/or royalties received by foreigners, but generally this rate is reduced to 10% under its tax treaties. As Hong Kong does not have a tax treaty with Taiwan, Hong Kong businesses that derive any of these income streams in Taiwan are subject to a very high Taiwanese tax. This tax is twice as high as the tax imposed on other foreign companies in Taiwan that could benefit from a tax treaty.</p> <p>Payments for services rendered by a Hong Kong-based company outside Taiwan for the benefit of companies in Taiwan could likely be deemed as Taiwan sourced income and</p>

			<p>subject to 20% withholding tax. With a tax treaty in place, cross border payments of similar nature should be free of withholding tax.</p> <p>For Hong Kong-based start-up companies and other smaller companies, the costs of excessive Taiwanese burden can be prohibitive and can prevent them from being able to enter the Taiwanese market at all. These companies thus cede this market to their competitors from other countries that have tax treaty which reduces the Taiwanese tax.</p>
5	Brazil	High	<p>It is a major south American country and one of the BRIC countries with growing economy and cannot be ignored in the coming years.</p> <p>Note: We also note that Brazil is included in Annex B under TIEA. However, we request that the Government will continue to pursue the CDTA negotiation.</p>
6	Egypt	High	<p>Egypt is under the rebuilding of churches and infrastructures and China is investing heavily. Having a double tax treaty with Egypt can enhance HK's role as super connector in the Belt and Road initiative.</p>
7	Turkey	High	<p>Turkey's economy is growing fast in the past years and its trade with China was doing well. In addition, it is a major gateway to Russia and western Asian countries</p>
8	Mongolia	High	<p>Mongolia is a high potential jurisdiction in terms of its economic performance and its resources industry. As per the</p>

			World Bank's data, its GDP growth has been at double digit in the past few years and the trend is expected to continue. Its GDP in 2014 is five times of that in 2004.
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