



中央财经大学  
Central University of Finance and Economics

# Comparison of Europe-China (Hong Kong) Tax Treaties

Bristar Mingxing CAO

China International Tax Center (CUFE)

国际税务研究中心  
China International Tax Center



**中央财经大学**

Central University of Finance and Economics

# Focuses

1. **EU-China Tax Treaties**
2. **China-Germany vs. HK-Germany Treaty**
3. **China-UK vs. HK-UK Treaty**
4. **General Conclusions**
5. **Anticipating Future**

国际税务研究中心

China International Tax Center



中央财经大学

Central University of Finance and Economics

# 1. EU-CHINA Overview

- **Treaty entitlement (Arts 1, 4 and 2 OECD Model)**
- **Allocation rules**
  - Business profits (Arts 7, 5, 6, 9 and 14 OECD Model)
  - Passive income (Arts 10, 11 and 12 OECD Model)
  - Capital gains (Art 13 OECD Model)
  - Employment income (Arts 15, 16, 18, 19 and 20 OECD Model)
  - Artistes and sportsmen (Art 17 OECD Model)
- **Methods to avoid double taxation (Art 23 OECD Model)**
- **Special provisions (Arts 24, 25, 26 and 27 OECD Model)**



中央财经大学

Central University of Finance and Economics

# Conclusions

- **Tax treaties with all EU countries**
- **Tax treaties are a hybrid of OECD and UN Models**
- **Influence of UN Model**
  - 1980ies – mid 1990ies
  - Position of a developing country: Encouraging foreign investments, but securing source jurisdiction
- **Growing influence of OECD Model**
  - Position of a developed country: Enhancing the international competitiveness of national enterprises
- **Renegotiations of tax treaties**
  - Czech Republic, Finland, Malta; Latvia, UK; Estonia, the Netherlands
  - Inclusion of anti-avoidance and anti-abuse rules



中央财经大学

Central University of Finance and Economics

## 2. China-Germany Tax Treaty Overview

- **Summary: (Comprehensive avoidance of double taxation agreement) The latest edition of Sin-Germany Tax Agreement was signed at Berlin on the 28th day of March, 2014.**
- **First, in this new agreement, a building site makes a permanent establishment only where such site continues for a period of more than 12 months.**
- **In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere, which is a relatively loose criteria.**



中央财经大学

Central University of Finance and Economics

## 2. China-Germany Tax Treaty Overview

- **Second, under the provision of income from property, shares in which there is substantial and regular trading on a recognized stock exchange provided that the total of the shares alienated by the resident during the fiscal year in which the alienation takes place does not exceed 3 per cent of the quoted shares, don't have to pay tax at the other Contracting State. This article further facilitates the less amount of indirect investment between China and Germany .**



中央财经大学

Central University of Finance and Economics

## 2. China-Germany Tax Treaty Overview

- **Third, the artistes and sportsmen, visiting professors, teachers and students are given preferential tax according to the Agreement. Income derived by an entertainer or sportsmen who is resident in a Contracting State from activities exercised in the other Contracting State within the framework of a cultural exchange program agreed upon by the Governments of both Contracting States shall not be taxed in that other State.**



中央财经大学

Central University of Finance and Economics

## 2. China-Germany Tax Treaty Overview

- **Fourth, as for methods for elimination of double taxation, in accordance with the provisions of the law of China, Where the income derived from the Federal Republic of Germany is dividend paid by a company which is a resident of the Federal Republic of Germany to a company which is a resident of China and which owns not less than 20 per cent of the shares of the company paying the dividend, the credit shall take into account the tax paid to the Federal Republic of Germany by the company paying the dividend in respect of its income.**
- **In accordance with the provisions of the law of the Federal Republic of Germany, In the case of items of income from dividends, the preceding provision shall apply only to such dividends as are paid to a company (not including partnerships) being a resident of the Federal Republic of Germany by a company being a resident of China at least 25 per cent of the capital of which is owned directly by the German company and which were not deducted when determining the profits of the company distributing these dividends.**





中央财经大学  
Central University of Finance and Economics

## 2. China-Germany Tax Treaty Overview

- **Finally, in the terms of exchange of information, both sides agreed on bilateral tax information exchange should not only consider their own side of the tax benefits and overlooked the lawful tax rights and interests of each other.**



中央财经大学

Central University of Finance and Economics

## 4. General Conclusion

### Mainland and HongKong Tax Agreement

**Summary:** HongKong and Mainland have different tax arrangement of Hong Kong as a consequence of different tax situation. By comparison of Sino-Germany Tax agreement and Mainland-HongKong Tax agreement, one of the biggest difference is the withholding income tax rate, 7% in Hong Kong and 10% in Germany, which helps Hong Kong to keep its role of Asian Financial center. Hong Kong is also taken as a springboard for foreign funding to invest in China.



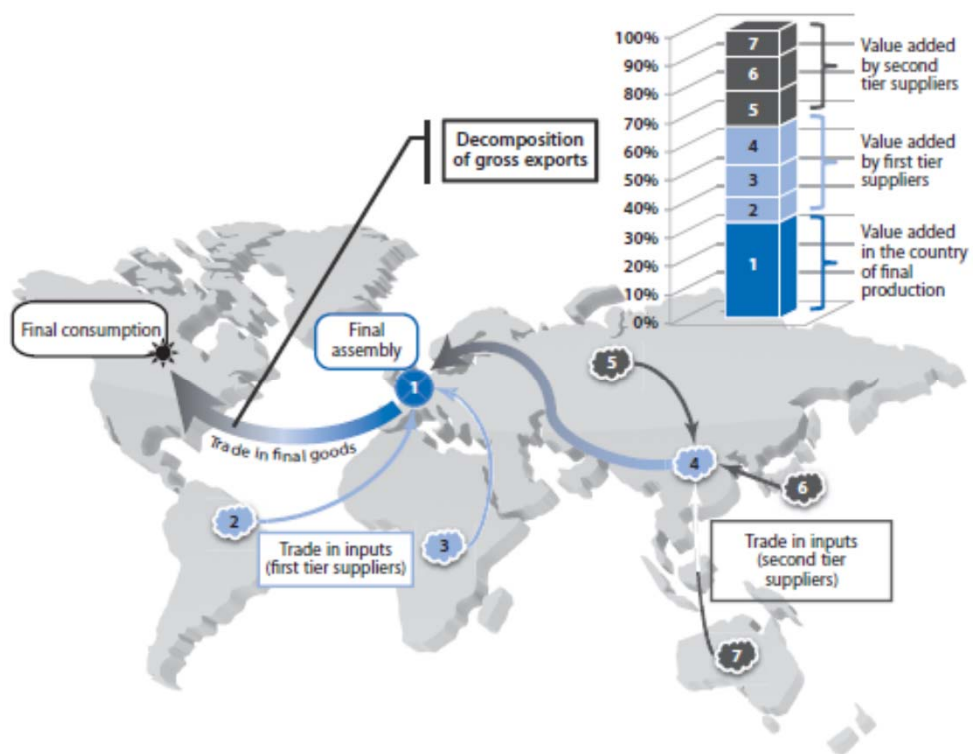
**中央财经大学**  
Central University of Finance and Economics

## Hongkong-Germany Tax Agreement

**Summary: The Agreement is a non-comprehensive avoidance of double taxation agreement and only provides the avoidance of double taxation to the resident taxpayers who engage in the shipping.**



# 5. HK in Multipolarity Era





中央财经大学  
Central University of Finance and Economics

Thank you for your  
attention!

[bristar.cao@cnitc.org](mailto:bristar.cao@cnitc.org)