

CONSULATE GENERAL OF FRANCE IN HONG KONG AND MACAU
Press & Communication Department
Press Release

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Comprehensive Double Taxation Agreement (CDTA)
between France and Hong Kong

[Hong Kong, 16 December 2011] The Consulate of France in Hong Kong is very pleased to announce that the agreement between France and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital (“the CDTA” or “the Agreement”) has entered into force on 1 December 2011.



Consul General of France in HK and Macau Mr. Arnaud Barthélémy (Right) and Thomas, Mayer & Associés Managing Partner Mr. Eric Mayer

This Agreement was signed on 21 October 2010 in Paris by the Financial Secretary, Mr. John C TSANG and the French Minister of Economy, Industry and Employment, Mrs. Christine LAGARDE. The ratification procedures have just been completed by both parties: on the Hong Kong side, the Chief Executive in Council made an Order under the Inland Revenue Ordinance in May 2011 and, on the French side, the agreement has been approved by both the National Assembly and the Senate in early November 2011.

Therefore, according to Article 28 of the Agreement, the Agreement has entered into force on 1 December 2011 and shall be applicable to income received or taxable in France from 1 January 2012 and to income received or taxable in Hong Kong for any year of assessment beginning on or after 1 April 2012.

The CDTA is a major step forward for the economic relationship between France and Hong Kong. By setting out clearly the taxing rights between the two jurisdictions, it removes any



uncertainty on the tax liabilities arising from cross-border investments between France and Hong Kong. Among other benefits and beside the avoidance of double taxation, it decreases to 10% the withholding tax paid by Hong Kong residents on their revenue originating from France (whether dividends, interest payments or royalties). Both those provisions will clearly help foster the business ties between France and Hong Kong. In other words, the CDTA makes France more attractive for Hong Kong investment and Hong Kong more attractive for French residents and French investment.

In that respect, the French consulate is pleased to note that French economic presence in Hong Kong is already significant and has kept growing swiftly over the last few years. The number of French residents is growing at 10% per year and is currently estimated around 15 000 (of which 10 000 are registered with the Consulate). French authorities estimate that around 700 French owned companies are operating in Hong Kong, of which 420 subsidiaries of French groups. Together they currently employ more than 30 000 people in Hong Kong and generate total revenue over EUR 7 billion, almost double the French exports' figure.

Conversely, Hong Kong investment in France has also been growing. According to the Banque de France, it amounts to EUR 500 million, compared with EUR 4.5 billion of French investment in Hong Kong. 70 Hong Kong-owned companies are currently operating in France, employing more than 7000 people. Considering that France is the 4th largest recipient of FDI worldwide, there is no question that there remains room for improvement and that the CDTA will play a supportive role in bridging that gap.

Last but not least, the CDTA incorporates the latest Organization for Economic Co-operation and Development standard on exchange of information therefore formalizing cooperation between France and Hong Kong's fiscal administrations. This provision is key to ensure transparency and traceability of the international financial flows, in line with the recommendations of the G20.

More information can be found on the Hong Kong Inland Revenue Department's website at:

www.ird.gov.hk/eng/tax/dta5.htm#france2

www.ird.gov.hk/eng/pdf/Agreement_France_HongKong.pdf

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