



香港商船資訊

HONG KONG MERCHANT SHIPPING INFORMATION NOTE

Double Taxation

To : *Shipowners, Ship Operators, Shipping Agents*

Summary

This Note provides the current status of double taxation relief for shipping income in the Hong Kong Special Administrative Region. It supersedes Merchant Shipping Information Note No. 3/2009.

1. Income derived from the operation of ships within Hong Kong or from voyages commencing from Hong Kong waters is generally chargeable to tax under the Inland Revenue Ordinance. Double taxation arises when two or more tax jurisdictions overlap with each other in levying the tax charge, as consequence the same item of income or profit may be subject to tax in each jurisdiction.
2. Section 23B(4A) of the Inland Revenue Ordinance provides for reciprocal tax exemption (RTE) for shipping income. The purpose of RTE is to provide Hong Kong shipowners with tax exemption on profits derived from shipping business in territories that have an equivalent reciprocal tax exemption provision in their domestic tax laws. In general such tax exemption would only cover shipping profits from shipping business relating to international shipping operation. Anybody who wishes to obtain specific details of such reciprocal tax exemption should consult the tax authority of the country concerned regarding details of their domestic laws.
3. In addition to RTE, the HKSAR has also negotiated with a number of its close trading partners, who do not have reciprocal exemption provisions in their domestic tax laws or despite existence of such legislation, prefer conclusion of a bilateral agreement for free-standing double taxation agreements (DTA). Such DTAs may either be a comprehensive one (covering various incomes including transport income) or be limited to transport income only (covering shipping income or both airline and shipping income).

4. In effect, DTAs provide for profits derived from the operation of ships in international traffic by a shipping enterprise of one territory to be exempted from taxes in the other territory on a reciprocal basis. Such exemption generally applies to revenues and gross receipts from the operation of ships for the transport of persons, livestock, goods, mail or merchandise. Income, profits or gains derived from participation in a pool, a joint business, or an international operating agency will also fall within the exemption. Gains on alienation of ships or capital of a shipping enterprise of one territory relating to operation of ships in international traffic may also be exempted from tax.

5. Income derived from the international operation of Hong Kong registered ships is exempt from profits tax in Hong Kong.

6. Different arrangements have been adopted by the HKSAR Government to provide relief from taxation on income from the international operation of ships. All the arrangements avail the same relief. That is, persons who carry on a business as owners of ships in Hong Kong would, subject to the terms of the relevant arrangement, be able to avoid double taxation on profits derived from the operation of ships in international traffic.

7. HKSAR Government is actively seeking double taxation relief with major trading and investment partners. Details of the agreements and information on the extent of double taxation relief available for the various territories can be found in the following web sites on Internet:

- <http://www.mic.gov.hk/eng/agreement/taxation.htm>
- <http://www.ird.gov.hk>

8. This Note supersedes Merchant Shipping Information Note No. 3/2009.

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