

# Tax Agreement Between Hong Kong and Bangladesh – Details

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Details of the [Bangladesh - Hong Kong Income Tax Agreement \(2023\)](#), signed on 30 August 2023 in Hong Kong (see [Bangladesh and Hong Kong Sign Tax Agreement \(31 August 2023\)](#)), have become available. The agreement was concluded in the English language.

The tax agreement broadly follows the [OECD Model \(2017\)](#) and establishes the following limits on withholding tax rates:

- 15% on dividends generally, but 10% if the beneficial owner is a company that holds directly at least 10% of the capital of the dividend-paying company;
- 10% on interest generally, but interest paid to the government, central bank authority or specified statutory or government-owned entities is exempt;
- 10% on royalties; and
- 10% on fees for technical services.

Deviations from the [OECD Model \(2017\)](#) include the following:

- article 4 (Resident) provides that cases of dual residence of companies will be determined on the basis of the place of effective management;
- article 5 (Permanent Establishment) includes a sales outlet in the definition of a permanent establishment, as well as a building site, a construction, assembly or installation project or connected supervisory activities that last for a period or total period of more than 183 days in any 12-month period, and the furnishing of services (including consultancy services) for a period or total period of more than 183 days in any 12-month period (as found in the UN Model 2017), and an enterprise that provides facilities, plant and machinery on hire used for the prospecting, extracting or exploitation of mineral oils. The article does not contain the clause on cohesive business operations;
- article 7 (Business Profits) is based on the UN Model 2017 and also establishes that no profits shall be attributed to a permanent establishment of an enterprise by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise;
- article 26 (Mutual Agreement Procedure) does not contain an arbitration procedure; and
- article 29 (Entitlement to Benefits) incorporates only the principal purpose test (PPT).

Both the contracting parties generally apply the ordinary credit method to avoid double taxation (article 24). In addition, both contracting parties incorporate a tax sparing credit provision in the agreement.

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