Annex

Hong Kong and Austria
<u>Comprehensive Agreement for the Avoidance of Double Taxation</u>

Highlights

Hong Kong signed on May 25, 2010 an agreement with Austria for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital.

In the absence of a CDTA, profits of Hong Kong trading companies doing business through a permanent establishment in Austria may be taxed in both places if the income is Hong Kong sourced. Under the CDTA, double taxation is avoided in that any Austria tax paid by the companies shall be allowed as a deduction from the tax payable in Hong Kong.

In the absence of the CDTA, Hong Kong residents receiving dividends from Austria not attributable to a permanent establishment in Austria are subject to a withholding tax, which is currently at 25%. Under the agreement, a company (other than a partnership) holding directly at least 10% of the capital of the company paying dividends will be exempted and the withholding tax rate will be reduced to 10% in all other cases. The withholding tax rates on royalties imposed by Hong Kong and Austria are both capped at 3%. The current domestic withholding tax rate for royalties is 20% in Austria.

Under the CDTA, Hong Kong airlines operating flights to Austria will be taxed at Hong Kong's corporation tax rate (which is lower than that of Austria). Profits from international shipping transport earned by Hong Kong residents that arise in Austria, which are currently subject to tax there, will enjoy tax exemption under the agreement.