provides that the PRC will not enact tax legislation affecting the HKSAR. As a result, PRC tax treaties with other countries that prevent double taxation do not apply in Hong Kong, which is not party to any tax conventions. There are provisions, however, for relief from Hong Kong taxes where another country taxes Hong Kong-source income received for work performed abroad.

The HKSAR levies two taxes on income, a profits tax and a salaries tax. There is a stamp duty, a property tax and an estate tax, but there are no social security or capital gains taxes.

Profits Tax

The profits tax is levied only on Hong Kong-source income and applies equally to residents and non-residents. Agents are required to retain sufficient funds from the profits of businesses owned by non-residents and will be held liable for any tax due. Reasonable deductions are allowed for business expenses, including a share of the costs of maintaining a head office outside Hong Kong. If profits derived from business in Hong Kong cannot be reasonably determined, the Inland Revenue Ordinance provides that they may be estimated based on revenue. In 2003-04, the profits tax is 17.5 percent for corporations and 16 percent for unincorporated businesses.

Salaries Tax

The salaries tax applies to all income arising from employment in Hong Kong, including salaries, pensions and certain benefits such as employer-provided housing. This tax applies regardless of the nationality or residence of the taxpayer. Individuals who are employed and paid outside Hong Kong are liable for this tax only if they spend more than 60 days in the HKSAR during any tax year.

This tax is levied at progressive rates, which in 2003-04 range from 2 percent to 17 percent. Deductions are provided in the form of allowances for individuals, dependent spouses and other dependants. The total tax may not exceed the "standard rate," which is 15 percent of total income before allowances. If you are an HKSAR resident, you may elect to have taxes calculated by a system of personal assessment, which may result in lower taxes. When you permanently depart from Hong Kong, your employer is required to withhold sufficient amounts of your salary to guarantee payment of all taxes before the Inland Revenue Department will issue a certificate of release.

Customs

Hong Kong is a free port and does not levy general tariffs on imported goods. If you go to Hong Kong to live and work, you can bring in your