

# Exchange of Letters

between the Government of Hong Kong  
and the Government of the Kingdom of the Netherlands  
amending the Air Services Agreement of 17 September 1986

**Exchange of Letters  
between the Government of Hong Kong  
and the Government of the Kingdom of the Netherlands  
amending the Air Services Agreement of 17 September 1986**

No. 1

Secretary for Economic Services to  
the Consul-General of the Netherlands at Hong Kong

Economic Services Branch  
Hong Kong

9 December 1996

Dear Consul-General,

I have the honour to refer to the Agreement between the Government of Hong Kong and the Government of the Kingdom of the Netherlands concerning Air Services, done at the Hague on 17 September 1986, and to propose on behalf of the Government of Hong Kong that the following shall be included as Article 8A to the said Agreement:

“ARTICLE 8A

**Avoidance of Double Taxation**

- (1) Income or profits derived from the operation of aircraft in international traffic by an airline of one Contracting Party, including participation in a pool service, a joint air transport operation or an international operating agency, which are subject to tax in the area of that Contracting Party shall be exempt from income tax, profits tax and all other taxes on income or profits imposed in the area of the other Contracting Party.
- (2) Capital and assets of an airline of one Contracting Party relating to the operation of aircraft in international traffic shall be exempt from taxes of every kind and description on capital and assets imposed in the area of the other Contracting Party.
- (3) Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft which are received by an airline of one Contracting Party shall be subject to tax on gains only in the area of that Contracting Party.
- (4) For the purposes of this Article:
  - (a) the term “income or profits derived from the operation of aircraft in international traffic” shall include income or profits from the operation of aircraft for the carriage of persons, livestock, goods, mail or merchandise including:
    - (i) the lease of aircraft on a charter basis;

- (ii) the sale of tickets for and the provision of services connected with such carriage, either for the airline itself or for any other airline;
  - (iii) interest on funds directly connected with the operation of aircraft in international traffic;
- (b) the term “international traffic” means any carriage by an aircraft except when such carriage is solely between places in the area of the other Contracting Party;
- (c) the term “airline of one Contracting Party” means in the case of Hong Kong, an airline incorporated and having its principal place of business in Hong Kong and in the case of the Kingdom of the Netherlands, an airline substantially owned and effectively controlled by the Government of the Kingdom of the Netherlands or its nationals.

(5) This Article shall not have effect as long as an Agreement for the avoidance of double taxation with respect to taxes on income or profits providing for similar exemptions shall be in force between the Contracting Parties.”

If the foregoing proposal is acceptable to the Government of the Kingdom of the Netherlands, I have the honour to propose that the present letter and your reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date that both Governments have given notice in writing to each other that any necessary procedures have been completed.

I further propose that for the ease of accounting, the Article shall take effect as from the taxation year or year of assessment beginning on or after 1 January 1996.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Yours sincerely,

Stephen IP  
Secretary for Economic Services

**Exchange of Letters  
between the Government of the Kingdom of the Netherlands  
and the Government of Hong Kong  
amending the Air Services Agreement of 17 September 1986**

No. 2

Consul-General of the Netherlands at Hong Kong  
to the Secretary for Economic Services

Consulate-General of the Netherlands  
Hong Kong

16 December 1996

Dear Mr. Ip,

I have the honour to acknowledge the receipt of your letter, dated 9th December 1996, which reads as follows:

“I have the honour to refer to the Agreement between the Government of Hong Kong and the Government of the Kingdom of the Netherlands concerning Air Services, done at the Hague on 17 September 1986, and to propose on behalf of the Government of Hong Kong that the following shall be included as Article 8A to the said Agreement:

“ARTICLE 8A

**Avoidance of Double Taxation**

- (1) Income or profits derived from the operation of aircraft in international traffic by an airline of one Contracting Party, including participation in a pool services, a joint air transport operation or an international operating agency, which are subject to tax in the area of that Contracting Party shall be exempt from income tax, profits tax and all other taxes on income or profits imposed in the area of the other Contracting Party.
- (2) Capital and assets of an airline of the one Contracting Party relating to the operation of aircraft in international traffic shall be exempt from taxes of every kind and description on capital and assets imposed in the area of the other Contracting Party.
- (3) Gains from the alienation of aircraft operated in international traffic and movable property pertaining to the operation of such aircraft which are received by an airline of one Contracting Party shall be subject to tax on gains only in the area of that Contracting Party.
- (4) For the purposes of this Article:
  - (a) the term “income or profits derived from the operation of aircraft in international traffic” shall include income or profits from the operation of aircraft for the carriage of persons, livestock, goods, mail or merchandise including:

- (i) the lease of aircraft on a charter basis;
  - (ii) the sale of tickets for and the provision of services connected with such carriage, either for the airline itself or for any other airline;
  - (iii) interest on funds directly connected with the operation of aircraft in international traffic;
- (b) the term “international traffic” means any carriage by an aircraft except when such carriage is solely between places in the area of the other Contracting Party;
- (c) the term “airline of one Contracting Party” means in the case of Hong Kong, an airline incorporated and having its principal place of business in Hong Kong and in the case of the Kingdom of the Netherlands, an airline substantially owned and effectively controlled by the Government of the Kingdom of the Netherlands or its nationals.

(5) This Article shall not have effect as long as an Agreement for the avoidance of double taxation with respect to taxes on income or profits providing for similar exemptions shall be in force between the Contracting Parties.”

If the foregoing proposal is acceptable to the Government of the Kingdom of the Netherlands, I have the honour to propose that the present letter and your reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date that both Governments have given notice in writing to each other that any necessary procedures have been completed.

I further propose that for the ease of accounting, the Article shall take effect as from the taxation year or year of assessment beginning on or after 1 January 1996.”

In reply, I have the honour to inform you that the above proposals are acceptable to the Government of the Kingdom of the Netherlands who therefore agrees that your letter together with this reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date that both Governments have given notice in writing to each other that any necessary procedures have been completed.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Yours sincerely,

C. C. SANDERS  
Consul-General of the Netherlands

To: Mr. Stephen IP  
Secretary for Economic Services  
Government Secretariat  
Lower Albert Road  
HONG KONG

**Exchange of Letters  
between the Government of Hong Kong  
and the Government of the Kingdom of the Netherlands  
amending the Air Services Agreement of 17 September 1986**

No. 1

Secretary for Economic Services to  
the Consul-General of the Netherlands at Hong Kong

Economic Services Branch  
Hong Kong

9 December 1996

Dear Consul-General,

I have the honour to refer to the Agreement between the Government of Hong Kong and the Government of the Kingdom of the Netherlands concerning Air Services, done at the Hague on 17 September 1986, and to propose on behalf of the Government of Hong Kong that the following shall replace the Annex to the said Agreement:

“ANNEX

**ROUTE SCHEDULE**

*Section 1*

Routes to be operated by the designated airline or airlines of Hong Kong:

Hong Kong – intermediate points – Amsterdam – points beyond.

*Notes:*

1. The designated airline or airlines of Hong Kong may on any or all flights omit calling at any points on the routes specified above, and may serve intermediate points in any order and points beyond in any order, provided that the agreed services on these routes begin at Hong Kong.
2. No traffic may be taken on board at an intermediate point or at a point beyond and discharged at Amsterdam or vice versa, except as may from time to time be jointly determined by the aeronautical authorities of the Contracting Parties.
3. No point in the mainland of China may be served as an intermediate point or a point beyond.

*Section 2*

Routes to be operated by the designated airline or airlines of the Kingdom of the Netherlands:

Amsterdam – intermediate points – Hong Kong – points beyond.

*Notes:*

1. The designated airline or airlines of the Kingdom of the Netherlands may on any or all flights omit calling at any points on the routes specified above, and may serve intermediate points in any order and points beyond in any order, provided that the agreed services on these routes begin at Amsterdam.
2. No traffic may be taken on board at an intermediate point or at a point beyond and discharged at Hong Kong or vice versa, except as may from time to time be jointly determined by the aeronautical authorities of the Contracting Parties.
3. No point in the mainland of China may be served as an intermediate point or a point beyond.”

If the foregoing proposal is acceptable to the Government of the Kingdom of the Netherlands, I have the honour to propose that the present letter and your reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date which I shall have received your confirming reply thereto.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Yours sincerely,

Stephen IP  
Secretary for Economic Services



**Exchange of Letters  
between the Government of the Kingdom of the Netherlands  
and the Government of Hong Kong  
amending the Air Services Agreement of 17 September 1986**

No. 2

Consul-General of the Netherlands at Hong Kong  
to the Secretary for Economic Services

Consulate-General of the Netherlands  
Hong Kong

16 December 1996

Dear Mr. IP,

I have the honour to acknowledge the receipt of your letter, dated 9th December 1996, which reads as follows:

“I have the honour to refer to the Agreement between the Government of Hong Kong and the Government of the Kingdom of the Netherlands concerning Air Services, done at the Hague on 17 September 1986, and to propose on behalf of the Government of Hong Kong that the following shall replace the Annex to the said Agreement:

“ANNEX

*Route Schedule*

*Section 1*

Routes to be operated by the designated airline or airlines of Hong Kong:

Hong Kong – intermediate points – Amsterdam – points beyond.

*Notes:*

1. The designated airline or airlines of Hong Kong may on any or all flights omit calling at any points on the routes specified above, and may serve intermediate points in any order and points beyond in any order, provided that the agreed services on these routes begin at Hong Kong.
2. No traffic may be taken on board at an intermediate point or at a point beyond and discharged at Amsterdam or vice versa, except as may from time to time be jointly determined by the aeronautical authorities of the Contracting Parties.
3. No point in the mainland of China may be served as an intermediate point or a point beyond.

*Section 2*

Routes to be operated by the designated airline or airlines of the Kingdom of the Netherlands:

Amsterdam – intermediate points – Hong Kong – points beyond.

*Notes:*

1. The designated airline or airlines of the Kingdom of the Netherlands may on any or all flights omit calling at any points on the routes specified above, and may serve intermediate points in any order and points beyond in any order, provided that the agreed services on these routes begin at Amsterdam.
2. No traffic may be taken on board at an intermediate point or at a point beyond and discharged at Hong Kong or vice versa, except as may from time to time be jointly determined by the aeronautical authorities of the Contracting Parties.
3. No point in the mainland of China may be served as an intermediate point or a point beyond.”

If the foregoing proposal is acceptable to the Government of the Kingdom of the Netherlands, I have the honour to propose that the present letter and your reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date which I shall have received your confirming reply thereto.”

In reply, I have the honour to inform you that the above proposals are acceptable to the Government of the Kingdom of the Netherlands who therefore agrees that your letter together with this reply to that effect shall constitute an Agreement between the two Governments which shall enter into force on the date on which you shall have received this confirming reply thereto.

I avail myself of this opportunity to renew to you the assurance of my highest consideration.

Yours sincerely,

C. C. SANDERS  
Consul-General of the Netherlands

To: Mr. Stephen IP  
Secretary for Economic Services  
Government Secretariat  
Lower Albert Road  
HONG KONG