

Press release

Government launches consultation on proposed legislative amendments to facilitate development of Islamic bond market

Thursday, March 29, 2012

The Government today (March 29) launched a two-month consultation on the proposed amendments to the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117) for the purpose of promoting the development of an Islamic bond (sukuk) market in Hong Kong.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "The proposed legislative amendments seek to level the playing field for common types of sukuk vis-a-vis their conventional counterparts in terms of profits tax, property tax and stamp duty liabilities. The relevant legislative amendments would also help to attract sukuk issuers using our Islamic finance platform.

"The structuring of sukuk often involves transfer of underlying assets and setting up of special purpose vehicles, which may give rise to additional tax and stamp duty implications and uncertainty under the existing laws, putting sukuk at a disadvantage when compared with conventional counterparts. Amendments are therefore necessary."

Explaining the purpose of the consultation exercise, Professor Chan said, "The consultation exercise seeks to gauge market views on the proposed legislative amendments with a view to ensuring that they are practicable and able to meet the latest market development needs."

Professor Chan added, "The legislative exercise would be conducive to the development of a sukuk market in Hong Kong. This will in turn help diversify our financial platform and consolidate our role as an international financial centre."

The consultation paper can be downloaded from www.fstb.gov.hk/fsb/ppr/consult/consult_sukuk.htm. Market participants and other stakeholders are welcome to send their written comments by mail to Division 5, Financial Services Branch, Financial Services and the Treasury Bureau, 24/F, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong, or by fax to 2527 0790, or by email to sukuk_consultation@fstb.gov.hk on or before May 28, 2012.

The Government will, by taking into account comments received during the consultation exercise, finalise the legislative amendments with a view to introducing the relevant amendment bill into the Legislative Council in the next legislative session.

Ends