

Press release

Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 gazetted today

Friday, December 28, 2012

The Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 was gazetted today (December 28).

The Bill seeks to amend the Inland Revenue Ordinance and the Stamp Duty Ordinance to provide a taxation framework for some common types of Islamic bonds (sukuk) on par with that for conventional bonds.

"The Bill will remove an impediment perceived by the market to developing a sukuk market in Hong Kong. Given our role as a leading international financial centre, Hong Kong has the advantage of matching the needs of fund raisers and the investment demand of investors among China, the Middle East and other parts of the world interested in Islamic financial products," the Secretary for Financial Services and the Treasury, Professor K C Chan, said.

The proposed amendments will provide for tax and stamp duty relief for transactions underpinning issuance of relevant Islamic bond products, as these transactions would normally not have existed in a comparable conventional bond structure of similar economic substance.

"The Bill, if passed, will improve the competitiveness of Hong Kong, as it will provide for a conducive platform to enable the development of Islamic finance in Hong Kong. This will contribute to the asset management business of Hong Kong by diversifying the types of products and services available to our financial markets," Professor Chan added.

Islamic finance is amongst the fastest growing segments in the international financial system, with a presence in both Muslim and non-Muslim communities. Globally speaking, Islamic finance assets have expanded from US\$150 billion in the mid-1990s to US\$1.3 trillion in 2011.

Sukuk are one of the most prominent instruments used in Islamic finance, and have been commonly issued for raising funds in some domestic and international capital markets. The market expects that, by the end of this year, the global volume of outstanding sukuk will exceed US\$220 billion.

The Government is grateful for the positive responses given by market participants and

stakeholders during the public consultation exercise conducted in March 2012. It has taken on board many useful suggestions and comments in finalising the provisions contained in the Bill.

The Secretary for Financial Services and the Treasury has given notice to present the Bill to the Legislative Council for first reading on January 9.

Ends