Press Release

Bill for lowering captive insurers' tax and raising deduction ceiling for contributions to recognised retirement schemes gazetted

Friday, December 27, 2013

The Government today (December 27) gazetted the Inland Revenue (Amendment) (No. 3) Bill 2013, aiming to cut down by half the profits tax on captive insurers, and to raise the deduction ceiling for contributions by employees or self-employed persons to recognised retirement schemes.

One of the objectives of the Bill is to reduce by half the profits tax on offshore risks insurance business of captive insurers which are set up to underwrite risks of companies within the same group to which the captive insurers belong.

The proposed measure, an initiative announced by the Financial Secretary in the 2013-14 Budget, is to attract more enterprises to establish their captive insurers in Hong Kong.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said of the new initiative, "With a sound regulatory regime and a broad talent pool, Hong Kong is well positioned to establish itself as a centre for captive insurance.

"Forming a cluster of captive insurers here will help the development of other related businesses, including reinsurance, legal and actuarial services."

Professor Chan pointed out that this would reinforce Hong Kong's status as a regional insurance hub, while making Hong Kong's risk management services more diversified.

The potential of Hong Kong as a hub for captive insurers is reinforced by a policy promulgated by the Central People's Government in June 2012 for encouraging Mainland enterprises to form captive insurers in Hong Kong so as to enhance their risk management.

To promote Hong Kong as a domicile for captive insurers, the Financial Services and the Treasury Bureau and the Hong Kong Federation of Insurers will together hold a workshop on captive insurance on January 14, 2014, during the 7th Asian Financial Forum to discuss the operation of captive insurance and its contribution to risk management, as well as Hong Kong's regulatory framework for captive insurers.

Subject to the passing of the Bill by the Legislative Council, the tax concession measure will take effect from the year of assessment 2013-14.

Another objective of the Bill is to raise the deduction ceiling for contributions made by employees or self-employed persons to recognised retirement schemes, including the Mandatory Provident Fund Schemes, from the current level of $15,000 to $17,500 for the year of assessment 2014-15 and to $18,000 for the year of assessment 2015-16 and onwards, subsequent to the increase of the maximum relevant income level under the Mandatory Provident Fund Schemes Ordinance (Chapter 485) from $25,000 per month to $30,000 per month with effect from June 1, 2014.

The Bill will be presented to the Legislative Council for first reading on January 8, 2014.

Ends