

Press Release

Bill passed to lower tax of captive insurers

Wednesday, March 19, 2014

The Legislative Council today (March 19) passed the Inland Revenue (Amendment) (No. 3) Bill 2013 to provide a tax concession for captive insurers to enjoy a 50 per cent reduction in the profits tax on their insurance business of offshore risks.

The concession, as proposed in the 2013-14 Budget, will take effect from the year of assessment 2013/14 onwards.

"The tax concession would provide further impetus for groups or enterprises to consider setting up captive insurers in Hong Kong to underwrite their own risks," the Secretary for Financial Services and the Treasury, Professor K C Chan, said.

Our fundamental strengths as an international financial centre includes a simple tax regime, rule of law, ready supply of talent, free flow of information and capital, and a highly open and competitive operating environment. Hong Kong is well positioned to establish itself as a domicile of captive insurance," he added.

He pointed out that the development of captive insurance would reinforce Hong Kong's status as a regional insurance hub, while making Hong Kong's risk management services more diversified and promoting the development of other related professional services including reinsurance, accounting, actuarial and legal services.

This potential is reinforced by a policy promulgated by the Central People's Government in June 2012 encouraging Mainland enterprises to form captive insurers in Hong Kong to enhance their risk management. With Mainland enterprises becoming more internationalised and sophisticated, they will increasingly use captive insurance for reducing insurance costs and better risk management.

"We will continue our promotion efforts and leverage our economic and trade networks to attract more enterprises to form captive insurers in Hong

Kong," Mr Chan said.

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