Inland Revenue (Amendment) (No. 2) Ordinance 2016 gazetted
Friday, June 3, 2016

The Government gazetted today (June 3) the Inland Revenue (Amendment) (No. 2) Ordinance 2016 (the Amendment Ordinance).

The Amendment Ordinance enables, under specified conditions, the deduction of interest payable on money borrowed by a corporation carrying on in Hong Kong an intra-group financing business. It further provides for a concessionary profits tax rate at 8.25 per cent for qualifying corporate treasury centres.

The Amendment Ordinance also clarifies profits tax and stamp duty treatments in respect of regulatory capital securities (RCSs) issued by banks to comply with the Basel III capital adequacy requirements.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "We welcome the recent enactment of the legislation by the Legislative Council. The Amendment Ordinance provides a conducive environment for attracting multinational and Mainland corporations to centralise their treasury functions in Hong Kong, thereby enhancing the competitiveness of our financial markets and contributing to the development of a headquarters economy.

"The Amendment Ordinance also facilitates banks' issuance of relevant securities in compliance with international regulatory capital requirements, promoting the stability and resilience of the banking sector."

The Legislative Council passed the Inland Revenue (Amendment) (No. 4) Bill 2015 on May 26, 2016. The concessionary profits tax rate for qualifying corporate treasury centres will apply to relevant profits accrued on or after April 1, 2016, and the new interest deduction rule will apply to interest payable in relation to an intra-group financing business on or after the same day. Revised provisions in relation to RCSs and related amendments to the Stamp Duty Ordinance will come into operation today.

The Inland Revenue Department will issue Departmental Interpretation

and Practice Notes to explain the operation of the tax measures and anti-avoidance provisions.

Ends