

The following pieces of legislation enacted during the year 2018-19 are related to matters under the purview of the Department.

## **Stamp Duty (Amendment) (No. 2) Ordinance 2018 (Ordinance No. 18 of 2018)**

This Ordinance amended the Stamp Duty Ordinance to give effect to the tightened exemption arrangement for Hong Kong permanent residents (HKPRs) acquiring more than 1 residential property under a single instrument. Unless specifically exempted or provided otherwise, acquisition of more than 1 residential property under a single instrument executed on or after 12 April 2017 will be subject to ad valorem stamp duty at the flat rate of 15% under Part 1 of Scale 1, even if the purchaser / transferee is a HKPR who is acting on his / her own behalf and does not own any other residential property in Hong Kong at the time of acquisition.

## **Inland Revenue Ordinance (Amendment of Schedule 16) Notice 2018 (Legal Notice No. 69 of 2018)**

This Notice amended Schedule 16 to the Inland Revenue Ordinance to add a new specified transaction from which assessable profit of a non-resident person is exempt from profits tax, with a view to encouraging offshore venture capital funds to participate with the Innovation and Technology Venture Fund, set up by the Government, in investments in local innovation and technology start-ups.

## **Inland Revenue (Amendment) (No. 4) Ordinance 2018 (Ordinance No. 20 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2018-19 financial year:

- to widen the tax bands from \$45,000 to \$50,000 and to increase the number of tax bands from 4 to 5 with marginal rates adjusted to 2% / 6% / 10% / 14% / 17% respectively;
- to increase the child allowance from \$100,000 to \$120,000 for each child, and the additional child allowance in the year of birth from \$100,000 to \$120,000 for each child;
- to increase the allowance granted for maintaining a parent / grandparent aged 60 or above from \$46,000 to \$50,000, and the additional allowance granted for residing continuously with that parent / grandparent from \$46,000 to \$50,000;
- to increase the allowance granted for maintaining a parent / grandparent aged between 55 and 59 from \$23,000 to \$25,000, and the additional allowance granted for residing continuously with that parent / grandparent from \$23,000 to \$25,000;
- to increase the maximum deduction amount of elderly residential care expenses from \$92,000 to \$100,000;
- to introduce a new personal disability allowance of \$75,000 for eligible taxpayers with disability; and
- to reduce the amounts of salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2017-18 by 75%, subject to a maximum of \$30,000 in each case.

## **Inland Revenue (Amendment) (No. 5) Ordinance 2018 (Ordinance No. 24 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to expand the scope of profits tax deduction for capital expenditure incurred for the purchase of intellectual property rights from 5 types to 8 to cover performer's economic rights, protected layout-design (topography) rights and protected plant variety rights.

## **Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order (Legal Notice No. 142 of 2018)**

This Order was to give effect to the Convention on Mutual Administrative Assistance in Tax Matters in Hong Kong. It enabled Hong Kong to effectively discharge its obligations on international tax co-operation, including the implementation of automatic exchange of financial account information in tax matters and the Base Erosion and Profit Shifting (BEPS) package promulgated by the Organisation for Economic Co-operation and Development (OECD).

## **Inland Revenue (Amendment) (No. 6) Ordinance 2018 (Ordinance No. 27 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to codify transfer pricing rules by requiring income or loss from provision between associated persons (or between parts of the same enterprise in different territories) to be computed, for tax purposes, on an arm's length basis; to require transfer pricing documentation; to enhance the current provisions for double taxation relief; to provide framework for advance pricing arrangement and mutual agreement procedures under arrangements for relief from double taxation; and to revise the requirements relating to profits tax concessions for corporate treasury centres, professional reinsurers and captive insurers so as to meet the international standards promulgated by the OECD.

## **Inland Revenue (Amendment) (No. 7) Ordinance 2018 (Ordinance No. 29 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to provide for enhanced tax deductions for certain expenditures incurred in relation to qualifying research and development activities.

## **Inland Revenue (Amendment) (No. 8) Ordinance 2018 (Ordinance No. 31 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to introduce, with effect from the year of assessment 2019-20, a concessionary deduction under salaries tax and personal assessment for qualifying premiums paid in respect of certified plans under Voluntary Health Insurance Scheme.

## **Inland Revenue (Amendment) (No. 9) Ordinance 2018 (Ordinance No. 32 of 2018)**

This Ordinance amended the Inland Revenue Ordinance to give effect to the following proposals in the Budget for the 2018-19 financial year:

- to allow married persons the option of electing for personal assessment separately;
- to allow enterprises to claim tax deduction for capital expenditure incurred for procuring environmental protection installations in full in 1 year instead of over 5 years; and
- to extend the scope of tax exemption for debt instruments under the Qualifying Debt Instrument Scheme.

## **Exemption from Profits Tax (People's Bank of China Debt Instrument) Order (Legal Notice No. 267 of 2018)**

This Order exempted a person from the payment of profits tax on interest or profits arising from a debt instrument issued in Hong Kong by the People's Bank of China.

## **Inland Revenue (Amendment) Ordinance 2019 (Ordinance No. 4 of 2019)**

This Ordinance amended the Inland Revenue Ordinance to:

- expand the definition of regulatory capital security (RCS) to cover loss-absorbing capacity (LAC) debt instruments so as to accord them debt-like tax treatment;
- allow deduction of interest on money borrowed by LAC banking entities in respect of RCS; and
- deem certain sums received by LAC banking entities in respect of RCS as trading receipts.

## **Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2019 (Legal Notice No. 29 of 2019)**

This Order reduced the fee payable in respect of a business registration certificate or branch registration certificate that commences on or after 1 April 2019 but before 1 April 2020. However, for simultaneous business registration application of a company incorporated under the Companies Ordinance or an open-ended fund company incorporated under the Securities and Futures Ordinance, the reduction is applicable to the business registration fee payable on the application for incorporation that is made on or after 1 April 2019 but before 1 April 2020. The reduction amount on business registration fee payable is \$2,000 for business registration certificate and \$73 for branch registration certificate.

## **Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Ordinance 2019 (Ordinance No. 5 of 2019)**

This Ordinance amended the Inland Revenue Ordinance to remove the ring-fencing features of offshore fund regimes by providing profits tax exemption for eligible onshore and offshore funds operating in Hong Kong.

## **Inland Revenue (Amendment) (No. 2) Ordinance 2019 (Ordinance No. 6 of 2019)**

This Ordinance amended the Inland Revenue Ordinance to:

- align tax treatment of financial instruments with their accounting treatment;
- allow the deduction of interest expenses payable to overseas export credit agencies;
- refine the provisions relating to automatic exchange of financial account information in tax matters;
- avoid potential double non-taxation of income of visiting teachers and researchers; and
- revise the meaning of the sibling relationship.

## **Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Ordinance 2019 (Ordinance No. 7 of 2019)**

This Ordinance amended the Inland Revenue Ordinance to introduce, with effect from the year of assessment 2019-20, concessionary deductions under salaries tax and personal assessment in respect of qualifying annuity premiums paid under qualifying deferred annuity policies and tax deductible MPF voluntary contributions paid.

## Inland Revenue (Double Taxation Relief and Prevention of Tax Evasion / Fiscal Evasion / Tax Evasion and Avoidance with respect to Taxes on Income) Order

| Country / Region | Date of Order    | Nature   |
|------------------|------------------|--|
| Saudi Arabia     | 8 May 2018       | Double Taxation Relief and Prevention of Tax Evasion with respect to Taxes on Income               |
| India            | 4 September 2018 | Double Taxation Relief and Prevention of Fiscal Evasion with respect to Taxes on Income            |
| Finland          | 4 September 2018 | Double Taxation Relief with respect to Taxes on Income and Prevention of Tax Evasion and Avoidance |

## Tax Reserve Certificates (Rate of Interest) (Consolidation) (Amendment) Notices

| Legal notice no. | Periods in force                 | Annual rate of interest |
|------------------|----------------------------------|-------------------------|
| 147 of 2018      | 6 August 2018 to 4 November 2018 | 0.0767%                 |
| 211 of 2018      | On or after 5 November 2018      | 0.25%                   |