

**NOTES AND INSTRUCTIONS — FORM BIR51**

**A. PERSONAL INFORMATION COLLECTION STATEMENT**

It is obligatory for you to supply the personal data as required by the return and any required supplementary forms. Breach of the statutory requirement may render you liable to penalty or other actions as provided under the Ordinances administered by the Department. Moreover, if you fail to supply the required information, your application/request/notification will not be accepted for processing. The Department will use the information provided by you for the purposes of the Ordinances administered by it and may disclose/transfer any or all of such information to any other parties provided that the disclosure/transfer is authorized or permitted by law. Except where there is an exemption provided under the Personal Data (Privacy) Ordinance, you have the right to request access to and correction of your personal data. You should send such request in writing to the Assessor at GPO Box 132, Hong Kong and quote your file number in this Department.

**B. INTRODUCTION**

- (1) If after reading these notes you still have difficulty in completing the return, or if you require further information, please:-
  - visit the Department's web site ([www.ird.gov.hk](http://www.ird.gov.hk)); or
  - write to or telephone the Assessor, Profits Tax, quoting your File Number.
- (2) The term "relevant year" refers to the particular year of assessment printed on page 1 of the return for final assessment.
- (3) The Assessable Profits shown in Part 1 of the return will be used to determine the amount of your Profits Tax liability for the relevant year and the amount of the Provisional Profits Tax payable for the year of assessment following the relevant year. Any Provisional Profits Tax charged for the relevant year will be allowed against the Profits Tax liability for that year.
- (4) **All amounts must be shown in HK dollars (excluding cents).** If your financial statements are prepared in a foreign currency, you should convert the amounts into HK dollars before filling in the items. In the tax computation, you should state the conversion rate used.

**C. NOTICE FOR COMPLETION OF RETURN UNDER SECTION 51(1) OF THE INLAND REVENUE ORDINANCE**

**NOTE C1 ASSESSABLE PROFITS (OR ADJUSTED LOSS)**

The Assessable Profits (or Adjusted Loss) are the net profits (or loss) [other than profits (or loss) arising from the sale of capital assets] for the basis period, arising in or derived from Hong Kong, calculated in accordance with the provisions of the Inland Revenue Ordinance (Cap. 112) ("the IRO"), from any trade, profession or business carried on in Hong Kong. Any claim that profits are offshore (non-taxable) must be accompanied by a statement setting out the reasons for the claim. These reasons should be capable of being substantiated by evidence, if requested.

**NOTE C2 BASIS PERIOD**

The basis period is either:-

- (1) the year ended 31 March during the relevant year; or
- (2) where the annual accounts are made up to any day other than 31 March, the year ended on that day in the relevant year; or
- (3) where the accounts are made up for each lunar year, the lunar year ended in the relevant year; or
- (4) where a corporation commenced or ceased to carry on a business or changed its accounting date, the special period prescribed by sections 18C, 18D or 18E of the IRO:-
  - (a) for commencement cases, if accounts for this period have not been prepared, the profits (or loss) to be returned may be calculated by apportioning the profits (or loss) shown by the accounts which cover the period; or
  - (b) for cessation / transfer of business cases, special rules apply:-
    - (i) where the business does not cease but, in whole or in part, is transferred to or carried on by another person; or
    - (ii) to a business which commenced before 1 April 1974.

**NOTE C3 SMALL CORPORATION**

You are a SMALL corporation if you satisfy **ALL** the following conditions in the relevant year:-

- (1) Your gross income for the basis period does not exceed **HK\$2,000,000** (See Notes Item 3.1 in Part 3 of Section G for the meaning of gross income);
- (2) You have not paid or accrued to a non-resident person any sum for the use of intellectual property specified in section 15(1)(a), (b) or (ba) of the IRO or for the assignment of performer's right in section 15(1)(bb) of the IRO during the basis period for the relevant year;
- (3) You do not have any deemed assessable profits pursuant to section 20AE, 20AF, 20AX and/or 20AY of the IRO for the relevant year;
- (4) You do not claim deduction for R&D expenditure under section 16B of the IRO and/or you do not have trading receipts or sale proceeds from intellectual property rights generated from R&D activities for the relevant year;
- (5) You do not claim deduction for expenditure on energy efficient building installation under section 16I of the IRO for the relevant year;
- (6) You are not a ship-owner;
- (7) Your Assessable Profits / Adjusted Loss for the relevant year do not include any interest, profits / loss arising from "short / medium term debt instruments" (issued before 1 April 2018) as defined in section 14A(4) of the IRO, any profits / loss of a professional reinsurer or an authorized captive insurer as stipulated in section 14B of the IRO, any qualifying profits / loss of a qualifying corporate treasury centre as defined in section 14C of the IRO, nor include any qualifying profits / loss of a qualifying aircraft lessor or qualifying aircraft leasing manager as defined in section 14G of the IRO, which are subject to tax at one-half of the tax rate;
- (8) You do not claim tax relief for the relevant year pursuant to an arrangement for avoidance of double taxation specified under section 49(1) or 49(1A) of the IRO;
- (9) You have not obtained an advance ruling on any of your tax matter in relation to the relevant year;
- (10) You do not claim debt treatment for an arrangement for this year of assessment as "an originator" or "a bond-issuer" of a specified alternative bond scheme under section 40AB and Schedule 17A of the IRO;
- (11) You do not claim deduction for distribution arising from a regulatory capital security for the relevant year; and
- (12) You are not a permanent establishment in Hong Kong of a non-Hong Kong resident person for the relevant year.

**NOTE C4 CRITERIA FOR SUBMISSION OF PROFITS TAX RETURN THROUGH ELECTRONIC FILING**

You can submit Profits Tax Return - Corporations (BIR51) in the form of an electronic record if the following criteria are met:-

- (1) The return is for any year of assessment from 2014/15 to 2019/20;
- (2) You are a SMALL corporation (See Note C3) in the relevant year;
- (3) You are not required to submit any supplementary form; and
- (4) The return is submitted by your secretary / manager / director / investment manager who holds a personal eTAX Account.

For electronic filing and application for an eTAX Account, please use GovHK ([www.gov.hk/etax](http://www.gov.hk/etax)).

**D. KEEPING BUSINESS RECORDS**

The IRO requires each person carrying on a trade, profession, or business in Hong Kong to keep sufficient records of his income and expenditure and assets and liabilities in relation to that trade, profession or business to enable his assessable profits to be readily ascertained. Such records should be retained for at least 7 years after the date of the transactions to which they relate, or until the corporation is dissolved, if this is sooner. Failure to keep sufficient records may result in a fine of up to **\$100,000**.

**E. OFFENCES AND PENALTIES**

The IRO provides heavy penalties for any person who:-

- (1) fails to comply with the requirements of a notice to make a return without reasonable excuse;
- (2) makes an incorrect return without reasonable excuse;
- (3) makes a false return wilfully with intent to evade tax;
- (4) fails to keep sufficient business records of income and expenditure and assets and liabilities without reasonable excuse;
- (5) fails to give notice of the cessation of a trade, profession or business without reasonable excuse;
- (6) fails to notify a change of address without reasonable excuse; or
- (7) fails to notify a change of ownership of property in respect of which exemption from Property Tax has been granted.

**EVASION OF TAX IS A CRIMINAL OFFENCE. MAXIMUM PENALTY is a fine of \$50,000 PLUS a further fine of 3 times the undercharged amount and imprisonment for 3 years.**

**F. REMUNERATION PAID TO EMPLOYEES OR PERSONS OTHER THAN EMPLOYEES**

If there are salaries, wages, commission and subcontracting fees charged to the accounts, these payments should also be reported under your Employer's Return file reference with this Department. If you do not have a file reference, dial 187 8022 for assistance.

**G. HOW TO COMPLETE THE RETURN****PART 1 STATEMENT OF ASSESSABLE PROFITS OR ADJUSTED LOSS**

(1) The Assessable Profits or Adjusted Loss to be shown are **before** any loss brought forward from prior year.

**(2) ADJUSTMENTS TO BE MADE:-**

The profit or loss shown by the financial statements must be converted to the Assessable Profits or Adjusted Loss computed in accordance with Part 4 of the IRO. The adjustments include the following items:-

**To be added to the net profits or deducted from the loss:-**

- (a) expenses or outgoings to the extent to which they are not incurred in the production of profits in respect of which you are chargeable to Profits Tax, e.g. gifts, fines, penalties, gratuitous payments, interest on monies not specifically employed in the production of such profits, except that donations of not less than \$100 in aggregate to charitable bodies which are exempt from tax under section 88 of the IRO or to the Government for charitable purposes, may be deducted, provided the deduction does not exceed 35% of the Assessable Profits before set off of losses;
- (b) any expenditure or loss of a capital nature e.g. the cost of plant, machinery, buildings, furniture, office equipment, etc. and improvements or extraordinary repairs;
- (c) any depreciation written off;
- (d) any loss or expense recoverable under an insurance or a contract of indemnity;
- (e) taxes charged on you under the IRO;
- (f) appropriations of profits or transfers to reserve;
- (g) an ordinary / regular contribution to a fund established under a recognized retirement scheme to the extent that it exceeds 15% of the total emoluments of each employee concerned for the period in respect of which the payment is made;
- (h) any part of the losses of a trade, profession or business carried on by another person who is chargeable to Hong Kong Profits Tax which is included in your financial statements;
- (i) any loss arising in or derived from a trade, profession or business **NOT** carried on in Hong Kong;
- (j) any balancing charge assessable under Part 6 of the IRO;
- (k) any loss of a capital nature or any loss **NOT** arising in or derived from Hong Kong;
- (l) any deemed assessable profits under section 20AE, 20AF, 20AX and/or 20AY of the IRO;
- (m) any loss from qualifying debt instruments as defined in section 14A(4) of the IRO and issued on or after 1 April 2018;

**To be deducted from the net profits or added to the loss:-**

- (n) any part of the profits of a trade, profession or business carried on by another person who is chargeable to Hong Kong Profits Tax which is included in your financial statements;
- (o) a profit arising in or derived from a trade, profession or business **NOT** carried on in Hong Kong;
- (p) dividends received from a corporation;
- (q) profits of a capital nature or profits **NOT** arising in or derived from Hong Kong;
- (r) interest on Tax Reserve Certificates;
- (s) the depreciation allowances permitted under Part 6 of the IRO;
- (t) net interest income derived from deposits placed in Hong Kong with an authorized institution which is exempted from payment of Profits Tax under the Exemption from Profits Tax (Interest Income) Order;
- (u) interest, profits or gains from qualifying debt instruments as defined in section 14A(4) of the IRO and issued on or after 1 April 2018.

**(3) DOCUMENTS AND INFORMATION TO BE PREPARED AND SUBMITTED****(NOT REQUIRED TO BE SUBMITTED WITH THE RETURN IF YOU ARE A SMALL CORPORATION)**

- (a) detailed Statement of Financial Position/Balance Sheet, Statement of Comprehensive Income/Profit and Loss Account, if the certified copy of the audited financial statements is an abridged version and does not provide sufficient details to enable the Assessable Profits to be readily ascertained;
- (b) details of capital expenditure incurred, capital assets sold, depreciation charged to the financial statements and assets not in use at the end of the basis period (where capital assets have been acquired by hire purchase, details of the terms of the agreement for each asset must be submitted);
- (c) details of expenditure incurred on, and proceeds from the disposal of any rights in or arising out of, research and development;
- (d) details of expenditure incurred on refurbishment of a building (other than a domestic building), the location and how the building has been used during the year;
- (e) details of expenditure incurred on, and proceeds from the sale of, environmental protection machinery, environment-friendly vehicles, and environmental protection installation, including any part of expenditure on environmental protection installation that remains to be deducted (and is to be fully deducted) in the year of assessment 2018/19;
- (f) details of reserve and provision accounts, showing transfers to and from these accounts;
- (g) details of any service / management fee received including full name and address of each payer, and where available, the Hong Kong Identity Card Number or Business Registration Number of each payer;
- (h) details of interest paid or payable, including the name and address of the lender, his relationship with you, the purpose for which the loan was obtained, any security given to the lender and the specific condition under section 16(2) of the IRO which you rely on for the claim for deduction;
- (i) details of profits / income / interest received and claimed to have an offshore source and the related direct and indirect expenses;
- (j) details showing the name, address and Hong Kong Identity Card Number / Business Registration Number of each recipient, amount paid to each and nature of service in respect of the following items:-
  - (i) contractors and subcontractors fees;
  - (ii) management fees;
  - (iii) commission;
  - (iv) legal and other professional fees;
  - (v) hire, rental or similar charges for the use or right to use movable property in Hong Kong;
- (k) details of and reasons for bad debt provisions and write-offs, showing name and address of each debtor, and the respective amounts;
- (l) details of any change in the method of valuation of opening or closing inventories or work-in-progress from that previously used (not applicable to the commencement of a trade, profession or business);
- (m) details of rental payments in respect of each premises rented including full name and address of the landlord or recipient of rent, the exact location and the rating assessment number (if available), the total rent paid and the period covered;
- (n) other reconciliation statements and particulars of any unusual transactions which might affect the tax position;
- (o) the following documents and information relating to the cessation of business, if applicable:-
  - (i) a copy of any written agreement for letting or sale of the business or any of its assets or, in the absence of a written agreement, the name and address of any transferee together with particulars of the terms of transfer;
  - (ii) full details of sums received or paid after cessation;
  - (iii) the names of the persons now occupying your former business premises and, if they are carrying on business, the nature of that business and the name under which it is carried on, if known;
- (p) a computation of the deemed assessable profits together with the name and address of each non-resident person, special purpose vehicle, fund and special purpose entity, where applicable (See Notes Item 3.3 in Part 3);
- (q) details of share-based payment in respect of stock option or share award obligations fulfilled by:-
  - (i) issuing new shares;

- (ii) acquiring shares from the market;
- (iii) recharge arrangements between group companies.

For each category, state the amount involved and basis of computation. For (ii) & (iii), also state the amount in respect of option exercised / award vested during the basis period; and the amount of deduction previously allowed in respect of option / award subsequently forfeited or cancelled during the basis period (if any);

- (r) details of deduction claimed for approved charitable donations, showing full name of each charitable institution or trust of a public character which is exempt from tax under section 88 of the IRO and the respective amount;
- (s) for an open-ended fund company with sub-funds structure, a computation of the Assessable Profits or Adjusted Loss of each sub-fund.

## **PART 2 TAX LIABILITY OR REPAYMENT**

### **Item 2.1 & TAX PAYABLE/TAX REPAYABLE**

#### **Item 2.2**

State the amount of tax payable or repayable in Item 2.1 or 2.2 respectively. Your computation should take into account the amount of Provisional Profits Tax payable for the year of assessment following the relevant year and deduct any Provisional Profits Tax charged for the relevant year. If you have any loss brought forward, you can use it to set-off the Assessable Profits as stated in Part 1 of the return (if applicable) when computing the amount of tax payable or repayable.

#### **Item 2.3 CLAIM FOR PROFITS CHARGEABLE AT TWO-TIERED RATES**

State whether you are chargeable at two-tiered rates in Item 2.3 (applicable to year of assessment 2018/19 and subsequent years). If you have no connected entity or no other connected entity elects to be so chargeable for the subject year, you are chargeable at two-tiered rates. For connected entities, the two-tiered rates will only be applicable to one of them. The entity electing for the two-tiered rates must complete Item 9.1 and provide a complete list of connected entities carrying on a trade, profession or business in Hong Kong in supplementary form (S1) unless the entity is a member of a group of companies, one of which is listed on the Stock Exchange of Hong Kong. For details of the two-tiered profits tax rates regime, please refer to the Department's web site.

## **PART 3 GROSS INCOME, SPECIFIED TRANSACTIONS AND MATTERS**

### **Item 3.1 GROSS INCOME**

Gross income means ALL TYPES OF INCOME including sales and other ordinary business income, proceeds from the sale of capital assets and other non-taxable income, whether or not derived from the principal business activities.

### **Item 3.2 PAYMENTS TO NON-RESIDENTS FOR THE USE/ASSIGNMENT OF INTELLECTUAL PROPERTY**

You must submit, for each recipient, the name, identity (i.e. individual, partnership or corporation), amount, type of intellectual property and the IRD file number with which you submit the Profits Tax Return (BIR54) for the recipient in respect of sums paid or accrued to a non-resident person:-

- (1) for the exhibition or use in Hong Kong of cinematograph or television film or tape, sound recording or their connected advertising material;
- (2) for the use, or the right to the use, in Hong Kong or outside Hong Kong when such sums are deductible in ascertaining your assessable profits, of any patent, design, trade mark, copyright material, \*layout-design (topography) of an integrated circuit, \*performer's right, \*plant variety right, secret process or formula;
- \* (3) for an assignment of, or agreement to assign, a performer's right in relation to a performance given by the performer in Hong Kong on or after 29 June 2018 and the sums were paid or accrued to the performer or an organizer.

(\*information is only required for sums paid or accrued on or after 29 June 2018.)

### **Item 3.3 DEEMED ASSESSABLE PROFITS UNDER SECTION 20AE, 20AF, 20AX AND/OR 20AY OF THE INLAND REVENUE ORDINANCE**

You must include the deemed assessable profits under section 20AE and/or 20AF or 20AX and/or 20AY in your Assessable Profits or Adjusted Loss, as stated in Part 1, if:-

- (a) a non-resident person's assessable profits are exempt from tax under section 20AC of the IRO, and during any part of the year the non-resident person is your associate or you (alone or jointly with any of your associates) hold a beneficial interest of 30% or more in the non-resident person;
- (b) for year of assessment 2015/16 and subsequent years, the assessable profits of a special purpose vehicle, in which a non-resident person satisfying (a) above has a beneficial interest, are exempt from tax under section 20ACA of the IRO;
- (c) for year of assessment 2019/20 and subsequent years, the assessable profits of a fund falling within the meaning given by section 20AM of the IRO are exempt from tax under section 20AN of the IRO, and during any part of the year the fund is your associate or you (alone or jointly with any of your associates) hold a beneficial interest of 30% or more in the fund; or
- (d) for year of assessment 2019/20 and subsequent years, the assessable profits of a special purpose entity, in which a fund satisfying (c) above has a beneficial interest, are exempt from tax under section 20AO of the IRO.

In addition, you are required to provide the following information on a separate sheet:-

- (1) name and address of each such non-resident person, special purpose vehicle, fund and special purpose entity, where applicable; and
- (2) a computation of the deemed assessable profits.

In calculating the deemed assessable profits, please refer to Schedule 15, 15A, 15C and/or 15D of the IRO and to the related information in the Department's web site.

### **Item 3.4 CLAIM FOR PROFITS CHARGEABLE AT CONCESSIONARY TAX RATE**

Profits/loss from (1), (2), (3) and (4) below are assessable under section 14A, 14B, 14D and 14H/14J of the IRO respectively at one-half of the tax rate and they must be included in the Assessable Profits or Adjusted Loss as stated in Part 1:-

- (1) Short/medium term debt instruments (issued before 1 April 2018)
  - (a) "Short term debt instrument" and "medium term debt instrument" are defined in section 14A(4) of the IRO.
  - (b) You are required to provide separate lists of "short term debt instrument" and "medium term debt instrument" held by you showing in respect of each debt instrument the issue number, date of issue, date of maturity, your relationship with the issuer and the amount of interest, profits / loss arising therefrom.
- (2) Professional reinsurer / authorized captive insurer
  - (a) "Professional reinsurer" and "authorized captive insurer" are defined in section 14B(4) of the IRO.
  - (b) You are required to provide a computation of the assessable profits chargeable at concessionary rate, and download supplementary form (S6/S7) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion.
- (3) Qualifying corporate treasury centre
  - (a) A corporation is a qualifying corporate treasury centre if any of the conditions in section 14D(2) of the IRO is satisfied.
  - (b) You are required to provide details of interest income and interest expenses in relation to your intra-group financing business, a computation of the assessable profits chargeable at concessionary rate, and download supplementary form (S8) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion.
- (4) Qualifying aircraft lessor / qualifying aircraft leasing manager
  - (a) A corporation is a qualifying aircraft lessor or a qualifying aircraft leasing manager if the conditions in section 14H(2)/14J(2) of the IRO are satisfied.
  - (b) You are required to provide a computation of the assessable profits derived from qualifying aircraft leasing activity or qualifying aircraft leasing management activity, and download supplementary form (S9/S10) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion.

### **Item 3.5 CLAIM FOR RELIEF FROM DOUBLE TAXATION**

- (1) Double taxation relief is available only for territories with which the Hong Kong Special Administrative Region has arrangements for avoidance of double taxation. The Commissioner may verify your claim with the tax authority of the territory concerned.
- (2) If a tax credit is claimed, provide evidence of payment of the foreign tax. Give the foreign tax computation showing the nature and amount of the income taxed. The amount of tax credit claimed must be the final amount of tax charged and paid by you. You must notify the Commissioner in writing of any changes in the amount claimed.
- (3) If any income or profits are claimed to be tax exempted pursuant to an arrangement for avoidance of double taxation, provide details of the income or profits so claimed and show the computation.

**Item 3.6 ADVANCE RULING**

If you have obtained an Advance Ruling under section 88A of the IRO, and in preparing the return you are required to take into account the way in which a provision of the IRO applies to the arrangement(s) identified in the Ruling, you must submit the following information on a separate sheet:-

- (1) the reference number of the Ruling;
- (2) whether or not you have relied on the Ruling in preparing and providing the return; and
- (3) details of any material changes to the arrangement(s) identified in the Ruling.

**Item 3.9 PERMANENT ESTABLISHMENT IN HONG KONG**

- (1) A Hong Kong resident person means a person who is resident for tax purposes in Hong Kong. A non-Hong Kong resident person means a person who is not a Hong Kong resident person.
- (2) A non-Hong Kong resident person who has a permanent establishment ("PE") in Hong Kong is regarded as carrying on a trade, profession or business in Hong Kong for the purpose of charging profits tax.
- (3) If you are a DTA territory resident person, the meaning of a PE is to be determined in accordance with the relevant provisions under the double taxation arrangements concerned.
- (4) If you are a non-DTA territory resident person, PE means a fixed place of business as defined in Part 3 of Schedule 17G of the IRO, which includes, but is not limited to, a place of management, a branch, an office, a factory, a workshop, and a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
- (5) The income or loss of the person attributable to the PE is to be assessed in accordance with section 50AAK of the IRO.

**PART 4 DETAILS OF THE CORPORATION**

- (1) The IRO requires that the Commissioner be informed of a change of address **WITHIN 1 MONTH**.
- (2) The Business Registration Ordinance (Cap. 310) requires changes of specified particulars of a business to be notified **WITHIN 1 MONTH**. Information in Item 4.4 will be accepted as a notification under section 8 of the Business Registration Ordinance. **Any notification of change of business address should be given to the Business Registration Office separately.**
- (3) If you cease to carry on any trade, profession or business, the Commissioner must be informed **WITHIN 1 MONTH**.
- (4) You must state your 6-digit industry code of the Hong Kong Standard Industrial Classification (version 2.0) maintained by the Census and Statistics Department ("C&SD"). For the index of industry codes, please refer to C&SD's web site ([www.censtatd.gov.hk](http://www.censtatd.gov.hk)). If you engaged in more than one business activity in the basis period, please state the industry code with reference to your **principal business activity**. If you did not have any business activity during the basis period, please state "000000" as the industry code.

**PART 6 AUTHORIZED REPRESENTATIVE**

The authorized representative's reference number must be any combination of a maximum of 10 alpha-numeric characters. Symbols and punctuation marks such as commas, hyphens, colons and the like cannot be used. The authorized representative should quote this reference number in all correspondence with the Department.

**PART 7 GENERAL MATTERS**

- Item 7.2 If there is a change in accounting date, state on a separate sheet the reason(s) for the change.
- Item 7.4.1 Information in Item 7.4.1 will be accepted as a notification under section 8 of the Business Registration Ordinance. The Business Registration Ordinance requires changes of specified particulars of a business to be notified **WITHIN 1 MONTH**.
- Item 7.4.3 "Associated person" means a person controlled by you, a person who controls you, or a person who is under the control of the same person as you are.
- Item 7.5 You can elect to align the tax treatment of financial instruments with their accounting treatment under section 18H(2) of the IRO and have the related profits assessed in accordance with sections 18I to 18L of the IRO. Sections 18G to 18L of the IRO apply in relation to a year of assessment for which the basis period begins on or after 1 January 2018. For revocation, state the reason(s) on a separate sheet.

**PART 8 TRANSACTIONS FOR / WITH NON-RESIDENTS**

- Item 8.1.1 & Item 8.1.2 Where goods are sold on behalf of a non-resident person a separate quarterly return must be submitted on Form BIR52B. This will be issued on application. Where you have, as agent, received on behalf of a non-resident person any other trade or business income arising in or derived from Hong Kong, you will be asked to give further details of the agency. In this context, "agent" has the meaning given by section 2 of the IRO to include the agent, attorney, factor, receiver or manager in Hong Kong of the non-resident person, or any person in Hong Kong through whom such person is in receipt of any profits or income arising in or derived from Hong Kong.
- Item 8.1.3 Value creation contributions include performing the functions of, or providing assets in and assuming risks relating to the development, enhancement, maintenance, protection or exploitation of the intellectual property.
- Item 8.2 For hire, rental or similar charges paid or accrued to non-resident persons for the use of or the right to use movable property in Hong Kong.
- Item 8.3 For fees, including management, consultancy or service fee, paid or accrued to non-resident persons in respect of professional services rendered in Hong Kong. Include the full amount of fees paid to non-resident persons in respect of services rendered partly outside Hong Kong.

**PART 9 SUPPLEMENTARY FORMS**

- Item 9.1 If you have connected entities and elect to be chargeable at the two-tiered rates for the subject year, a complete list of the connected entities carrying on a trade, profession or business in Hong Kong should be provided. Please download supplementary form (S1) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion and submission together with this tax return. If you had no connected entity or you were a member of a group of companies, one of which was listed on the Stock Exchange of Hong Kong for the subject year, you are not required to submit supplementary form (S1).
- Item 9.2 A person is associated with another person (each an affected person) if, as between them, the participation condition is met. The participation condition is met as between two persons if, at the time of carrying out the transaction, one of the affected persons was participating in the management, control or capital of the other affected person, or the same person or persons was or were participating in the management, control or capital of each of the affected persons.
- Item 9.4 Part 9A of the IRO provides that a country-by-country return must be filed in respect of a multinational enterprise group of which its consolidated group revenue is not less than the threshold amount prescribed under section 58D of the IRO ("reportable group") pursuant to the requirements of the Organisation for Economic Co-operation and Development ("OECD") (applicable to accounting period beginning on or after 1 January 2018).  
If you belonged to a reportable group in the basis period and the group is obliged to file a country-by-country report for the accounting period in which the basis period begins, please download supplementary form (S2) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion and submission together with this tax return.  
"Multinational enterprise group" means a group that includes:  
(a) two or more enterprises of which the tax residence is in different jurisdictions; or  
(b) an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax in another jurisdiction with respect to the business carried out through a permanent establishment in that other jurisdiction.
- Item 9.5 If you wish to claim deduction for R&D expenditure under section 16B of the IRO and/or you had trading receipts or sale proceeds from intellectual property rights generated from R&D activities during the basis period, please download supplementary form (S3) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion and submission together with this tax return.
- Item 9.6 If you wish to claim deduction for expenditure incurred on energy efficient building installation under the Hong Kong Energy Efficiency Registration Scheme for Buildings administered by the Electrical and Mechanical Services Department under section 16I of the IRO, please download supplementary form (S4) from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion and submission together with this tax return.
- Item 9.7 If you were carrying on the business as a ship-owner, a professional reinsurer, an authorized captive insurer, a qualifying corporate treasury centre, a qualifying aircraft lessor or a qualifying aircraft leasing manager, please download the relevant supplementary form from the Department's web site ([www.ird.gov.hk/e\\_pfr](http://www.ird.gov.hk/e_pfr)) for completion and submission together with this tax return.

**PART 10 TAX DATA**

- Item 10.1 The amount of net offshore profits should be stated. If the amount is nil or a negative figure, "0" should be inserted.
- Item 10.3 If a loss is incurred, "0" should be inserted in this item.
- Item 10.4 If a loss is incurred, "0" should be inserted in this item.
- Item 10.5 For net interest income derived from deposits placed in Hong Kong with an authorized institution (e.g. a bank or a deposit-taking company) exempted from payment of Profits Tax under the Exemption from Profits Tax (Interest Income) Order.
- Item 10.6 For any interest, profits or gains from qualifying debt instruments as defined in section 14A(4) of the IRO, issued on or after 1 April 2018 and you are not an associate of the respective issuer. If a loss is incurred, "0" should be inserted in this item. You are required to provide separate lists of qualifying debt instruments held by you showing in respect of each debt instrument the issue number, date of issue, date of maturity, your relationship with the issuer, the amount of interest, profits or gains arising therefrom, and the stock code in Stock Exchange of Hong Kong (if applicable).
- Item 10.7 For the amount of exempted profits from transactions in assets of a class specified in Schedule 16C of the IRO and incidental transactions derived by a fund falling within the meaning given by section 20AM of the IRO and satisfying the exemption conditions in section 20AN of the IRO. If a loss is incurred, "0" should be inserted in this item. In case of an open-ended fund company with sub-funds, the aggregate amount of exempted profits of each sub-fund should be stated in this item and you are required to provide a computation of such amount.
- Item 10.8 For the amount of exempted profits from transactions in securities in section 20AO(2)(a) to (c) of the IRO derived by a special purpose entity owned by a fund that is exempt under section 20AN of the IRO. If a loss is incurred, "0" should be inserted in this item.
- Item 10.10 For expenditure on building refurbishment claimed for deduction under section 16F of the IRO, not the total amount of expenditure charged to the financial statements.
- Item 10.11 & Item 10.12 In ascertaining the chargeable profits there shall be deducted specified capital expenditure on the provision of any prescribed fixed assets as specified in section 16G(6) of the IRO. For convenience, they are classified as "computer hardware and software" and "prescribed manufacturing machinery or plant".
- Item 10.13 For specified capital expenditure on the provision of any environmental protection machinery claimed for deduction under section 16I(2) of the IRO.
- Item 10.14 For specified capital expenditure on the construction of any environmental protection installation claimed for deduction under section 16I(3) (applicable for any year of assessment prior to 2018/19 and the next succeeding 4 years), 16I(3A) (applicable for the year of assessment 2018/19 only); or 16I(3B) (applicable for the year of assessment 2018/19 and subsequent years) of the IRO.
- Item 10.15 For specified capital expenditure on the provision of any environment-friendly vehicles claimed for deduction under section 16I(2) of the IRO.
- Item 10.16 For capital expenditure on the purchase of patent rights or rights to know-how claimed for deduction under sections 16E and 16EC of the IRO. The expenditure includes legal expenses and valuation fees incurred for the purchase.
- Item 10.17 For specified capital expenditure on the purchase of specified intellectual property rights (including performer's economic right, protected layout-design (topography) right and protected plant variety right for the year of assessment 2018/19 and subsequent years) claimed for deduction under sections 16EA and 16EC of the IRO.
- Item 10.19 For deduction claimed for interest on money borrowed from non-Hong Kong associated corporations, which satisfy the conditions specified in section 16(2)(g) of the IRO (applicable to year of assessment 2016/17 and subsequent years).

**PART 12 FINANCIAL DATA**

Please extract from your detailed Statement of Financial Position/Balance Sheet, Statement of Comprehensive Income/Profit and Loss Account the financial data to fill in this Part. Financial data of an identical or a similar nature in the financial statements should be added up and grouped under the appropriate item.

- Item 12.1 Turnover refers to the revenue arising from your principal business activities. Items of revenue and gains that arise incidentally or are exceptional in nature should be excluded.
- Item 12.2 Opening inventories refer to the **TOTAL** of all kinds of opening inventories, including raw materials, work-in-progress and finished goods.
- Item 12.3 Purchases refer to the **TOTAL** of purchases of all kinds of inventories, irrespective of whether direct costs, direct expenses or overheads have been included.
- Item 12.4 Closing inventories refer to the **TOTAL** of all kinds of closing inventories, including raw materials, work-in-progress and finished goods.
- Item 12.5 & Item 12.6 Gross profit / Gross loss generally refers to the difference between turnover and cost of sales. If you are not engaged in the trading of goods or commodities and no such figure exists in the financial statements, insert "0" in both items.
- Item 12.7 Dividend income refers to the total amount of dividend received / receivable from shares held by you and reported in the financial statements.
- Item 12.8 Interest income includes bank interest, inter-company interest income, loan interest income, and any item of a similar nature.
- Item 12.9 Interest expense includes bank interest, hire-purchase interest, inter-company interest, mortgage loan interest, trust receipt interest, and any item of a similar nature.
- Item 12.10 Employee and director remuneration include salaries, wages, bonuses, cash allowance, commission, etc. paid to employees, directors' fees and any item of a similar nature. Remuneration of staff working overseas or in the Mainland should also be included.
- Item 12.11 Share-based payments refer to the amount of share-based payments charged to the Statement of Comprehensive Income/Profit and Loss Account in accordance with the Hong Kong Financial Reporting Standard 2 issued by the Hong Kong Institute of Certified Public Accountants.
- Item 12.12 Commission payments refer to payments to agents, sales representatives, etc. for their services, whether paid or accrued.
- Item 12.13 Intellectual property payments refer to:-  
 (a) royalty payments to the owner (whether a non-resident person or not) for the use of intellectual property (such as cinematograph or television film or tape, sound recording, patent, design, trade mark, copyright material, \*layout-design (topography) of an integrated circuit, \*performer's right, \*plant variety right, secret process or formula, and computer software), whether paid or accrued; and  
 (b) \*payments to a performer or an organizer for the assignment of, or agreement to assign, a performer's right in relation to a performance given by the performer in Hong Kong on or after 29 June 2018, whether paid or accrued.  
 (\*only applicable for sums paid or accrued on or after 29 June 2018)
- Item 12.14 Management and consultancy fee payments refer to payments for management / administrative or professional services, whether paid or accrued. Building management fees should not be included.
- Item 12.15 Contractor and subcontractor charges refer to charges paid / payable to third parties in respect of works / services contracted out.
- Item 12.16 Bad debts include any provision for bad debts, whether specific or general.
- Item 12.17 & Item 12.18 Net profit / Net loss per account refers to net profits / net loss **BEFORE** tax shown in the Statement of Comprehensive Income/Profit and Loss Account.
- Item 12.19 & Item 12.20 Accounts receivable (trade) / Accounts payable (trade) refers to trade debts.
- Item 12.21 Issued share capital means all share capital issued, whether fully paid or partly paid. If you are a branch of a foreign company and do not have such an item in your financial statements, you should insert "0" in the item.