

## NOTES AND INSTRUCTIONS – SUPPLEMENTARY FORM (S15)

1. “Qualifying person”, as defined in section 4(3) of Schedule 16D to the Inland Revenue Ordinance (Cap.112) (“IRO”), means a person who:
  - (a) is a corporation licensed under Part V of the Securities and Futures Ordinance (Cap. 571) to carry on, or an authorized financial institution registered under that Part for carrying on, a business in any regulated activity as defined by Part 1 of Schedule 5 to Cap. 571 (“SFC-licensee”);
  - (b) carries out investment management services in Hong Kong, or arranges such services to be carried out in Hong Kong, for a certified investment fund that is a qualified investment fund as defined by section 20AN(6) of the IRO (see Note 5); or
  - (c) carries out investment management services in Hong Kong, or arranges such services to be carried out in Hong Kong for a specified entity (see Note 8).

“Eligible carried interest”, as defined in section 3 of Schedule 16D to the IRO, is a sum received by, or accrued to, a person by way of profit-related return from the provision of investment management services by the person for a certified investment fund (see Note 4) or a specified entity (see Note 8).

2. If the Taxpayer was an SFC-licensee, the Taxpayer must fill in the Central Entity Number in section 1.1.

For a non-SFC-licensee who carried out investment management services in Hong Kong, or arranged such services to have been carried out in Hong Kong, for a qualified investment fund (see Note 5), the Taxpayer must provide information in section 1.2(d).

For a non-SFC-licensee who carried out investment management services in Hong Kong, or arranged such services to have been carried out in Hong Kong, for a specified entity (see Note 8), the Taxpayer must provide information in section 1.3.

3. The Taxpayer is required to provide details in section 1.2(a) to (f) in respect of each fund for which the Taxpayer carried out investment management services in Hong Kong or arranged such services to have been carried out in Hong Kong in relation to eligible carried interest received or accrued for the year of assessment concerned.
4. “Certified investment fund”, as defined in section 2 of Schedule 16D to the IRO, means a fund within the meaning of section 20AM that is certified by the Monetary Authority to be in compliance with the criteria for certification published by the Monetary Authority. A fund has to apply for certification with the Monetary Authority before the qualifying person can apply for concessionary profits tax treatment in respect of eligible carried interest. To apply for certification, the fund or its authorized representative needs to submit an application to the Monetary Authority for certification. The Taxpayer is required to fill in the date of such application in section 1.2(c). The Department will be responsible for determining whether the fund is within the meaning of section 20AM of the IRO. In processing the Taxpayer’s tax concession claim, the Department may seek advice from the Monetary Authority, or an officer authorized by the Monetary Authority, in order to ascertain: (a) whether a service constituted an investment management service; (b) whether a sum had been received by, or accrued to, the Taxpayer by way of profit-related return so that it constituted eligible carried interest; (c) whether the subject fund was, and had remained, a certified investment fund; (d) any other relevant matter in relation to the Taxpayer’s tax concession claim.
5. If the Taxpayer was not an SFC-licensee but the fund involved was a qualified investment fund as defined by section 20AN(6) of the IRO, the Taxpayer must provide the required information in section 1.2(d). In order to be a qualified investment fund, the following conditions must be met:
  - (a) at all times after the final closing of sale of interests–
    - (i) the number of investors (other than the originator or the originator’s associates) exceeds 4; and
    - (ii) the capital commitments made by those investors exceed 90% of the aggregate capital commitments; and
  - (b) an agreement governing the operation of the fund provides that not more than 30% of the net proceeds arising out of the transactions of the fund are to be received by the originator and the originator’s associates, after deducting the portion attributable to their capital contributions (which is proportionate to that attributable to the investors’ capital contributions).

6. If the eligible carried interest was received by, or accrued to, the Taxpayer from an associated corporation or an associated partnership of the fund stated in section 1.2(a), the Taxpayer must fill in the name and Business Registration Number, if any, of the associated corporation or the associated partnership.

“Associated corporation” and “associated partnership” are defined in section 1 of Schedule 16D to the IRO.

7. “Hurdle rate”, as defined in section 3(11) of Schedule 16D to the IRO, means a preferred rate of return on investments in a fund, that is stipulated in the agreement governing the operation of the fund. If no hurdle rate was specified in such agreement, please insert “0”% for this item.
8. “Specified entity”, as defined in section 2 of Schedule 16D to the IRO, means The Innovation and Technology Venture Fund Corporation (“ITVFC”) incorporated under the Companies Ordinance (Cap. 622). The ITVFC would co-invest with selected venture capital funds as co-investment partners in eligible local innovation and technology start-ups and pay a return to its co-investment partners (and investment managers). The Taxpayer can refer to the web site of the Innovation and Technology Commission ([www.itf.gov.hk/en/funding-programmes/supporting-start-ups/itvf/index.html](http://www.itf.gov.hk/en/funding-programmes/supporting-start-ups/itvf/index.html)) for details of the Innovation and Technology Venture Fund.

If the Taxpayer, being the investment manager of a co-investment partner, carried out investment management services in Hong Kong, or arranged such services to have been carried out in Hong Kong, for ITVFC, the Taxpayer is required to provide details in section 1.3(a) and (b). The Taxpayer must submit a distribution notice or any other supporting document issued by ITVFC together with this form.

9. “Outgoings and expenses” refers to all outgoings and expenses to the extent that they were incurred during the basis period for the year of assessment to produce eligible carried interest. They include a sum paid/payable out of the eligible carried interest to an employee who carried out duties of the employment by providing investment management services in Hong Kong for, or on behalf of, the Taxpayer for a potential certified investment fund or ITVFC. If no outgoings and expenses were incurred, please insert “0” for this item.
10. “Allowances” refers to the depreciation allowances or balancing allowances allowed under Part 6 of the IRO to the extent that the relevant assets counted for the allowances were used during the basis period for the year of assessment to produce eligible carried interest. If no depreciation allowances or balancing allowances were involved, please insert “0” for this item.
11. “Balancing charge” refers to the balancing charge made under Part 6 of the IRO to the extent that the relevant assets counted for the balancing charge were used during the basis period for the year of assessment to produce eligible carried interest. If no balancing charge was involved, please insert “0” for this item.
12. “Net eligible carried interest” should be computed as follows:

Total eligible carried interest [section 2.1] – Outgoings and expenses [section 2.2] – Allowances [section 2.3] + Balancing charge [section 2.4]

13. “Qualifying employee”, as defined in section 8(4) of Schedule 16D to the IRO, means an individual who satisfies both of the following conditions:
- (a) the individual is employed by a qualifying person or an associated corporation/associated partnership of a qualifying person, if the associated corporation/associated partnership carries on a business in Hong Kong; and
  - (b) the individual is carrying out the duties of the employment by providing investment management services in Hong Kong for, or on behalf of, the qualifying person.

If there was no qualifying employee, please insert “0” for this item.

14. The Taxpayer is required to furnish details showing the name, address, Hong Kong Identity Card Number and the amount of the eligible carried interest paid/payable to each qualifying employee as well as the name of the fund involved, its associated corporation/associated partnership or the specified entity, regardless of whether the eligible carried interest was paid/will be paid directly or indirectly to the qualifying employee by the Taxpayer and the number of fund(s) to which the eligible carried interest was related. If the answer to section 2.6 is “0”, please insert “0” for this item.

15. The Relevant Activities refer to the core income generating activities undertaken by the Taxpayer in relation to its business as an investment management services provider for producing eligible carried interest chargeable at concessionary tax rate (including a tax rate of 0%).
16. “Applicable Period”, as defined in section 5(4) of Schedule 16D to the IRO, means the period beginning on the day on which the Taxpayer begins to carry out investment management services directly or indirectly for a certified investment fund or ITVFC and ending on the day on which eligible carried interest is received by, or accrued to, the Taxpayer.

If the Taxpayer had provided investment management services for more than one entity (i.e. either a potential certified investment fund or ITVFC) and received or accrued eligible carried interest from these entities, the Applicable Period commenced on the earliest date on which the Taxpayer carried out investment management services for those entities.

If eligible carried interest was received or accrued from more than one entity in the year of assessment, the Applicable Period ended on the date on which the final eligible carried interest was received or accrued.

17. An example of such situation is that the employees concerned were employed by the Taxpayer’s associated corporation/associated partnership, which carried on a business in Hong Kong, and were seconded by the associated corporation/associated partnership to the Taxpayer for the carrying out of the Relevant Activities. The remunerations of the employees were fully or partially borne by the Taxpayer.
18. An example of such situation is that an associated corporation/associated partnership of the Taxpayer was engaged in the provision of investment management services. The Relevant Activities were carried out by the associated corporation/associated partnership at a fee charged to the Taxpayer on an arm’s length basis.
19. If the number of years of assessment involved exceeds 6, please give the details in the same format on a separate sheet.
20. Section 5(3)(b) of Schedule 16D to the IRO stipulates that the total amount of operating expenditure incurred in Hong Kong for the provision of investment management services concerned (i.e. the Relevant Activities) must be adequate in the opinion of the Commissioner and in any event not less than \$2,000,000 during the basis period for each year of assessment falling within the Applicable Period. If associated corporation(s)/associated partnership(s) was/were involved in the carrying out of the Relevant Activities, the amount of operating expenditure reported in section 3.5.1 should include the remunerations borne by the Taxpayer in respect of the employees of the associated corporation(s)/associated partnership(s) who carried out the Relevant Activities (see Note 17), and/or the service fee incurred by the Taxpayer for the Relevant Activities carried out by the associated corporation(s)/associated partnership(s) (see Note 18).
21. Section 5(3)(a) of Schedule 16D to the IRO stipulates that the average number of full-time employees in Hong Kong who carry out the investment management services concerned (i.e. the Relevant Activities) and have the necessary qualifications for doing so must be adequate in the opinion of the Commissioner and in any event not less than 2 during the basis period for each year of assessment falling within the Applicable Period. The “average number of full-time employees” shall be calculated as: the aggregate of the number of full-time employees as at the end of each calendar month in the basis period concerned as divided by the number of calendar months in that basis period. The figure should be rounded to 2 decimal places. If associated corporation(s)/associated partnership(s) was/were involved in the carrying out of the Relevant Activities, the average number of full-time employees reported in sections 3.5.1 and 3.6 should include the full-time employees of the associated corporation(s)/associated partnership(s) who carried out the Relevant Activities in Hong Kong and had the necessary qualifications.
22. Yearly average amount of operating expenditure incurred in Hong Kong in section 3.5.2 shall be calculated as: the aggregate of the operating expenditure for each year of assessment concerned in section 3.5.1 as divided by the number of years of assessment falling within the Applicable Period. The figure should be rounded to the nearest dollar.

Yearly average number of full-time employees in Hong Kong in section 3.5.2 shall be calculated as: the aggregate of the average number of full-time employees for each year of assessment concerned in section 3.5.1 as divided by the number of years of assessment falling within the Applicable Period. The figure should be rounded to 2 decimal places.

Yearly average number of full-time employees in Hong Kong of each category of post titles in section 3.6 shall be calculated as: the aggregate of the average number of full-time employees of that category for each year of assessment concerned as divided by the number of years of assessment falling within the Applicable Period. The figure should be rounded to 2 decimal places. For the computation basis of the average number of full-time employees for a particular category of post titles for a year of assessment, please refer to Note 21 above.

Yearly average number of full-time employees in Hong Kong in section 3.5.2 should match the total in section 3.6.

To meet the substantial activities requirement, the total amount of operating expenditure incurred in Hong Kong and the average number of full-time employees in Hong Kong for each year of assessment as reported in section 3.5.1 must be in any event not less than the threshold requirements under section 5(3) of Schedule 16D to the IRO (see Notes 20 and 21), irrespective of the yearly average amount of operating expenditure and the yearly average number of full-time employees reported in section 3.5.2.

23. This supplementary form must be signed by the same person signing the tax return.