

NOTES AND INSTRUCTIONS – SUPPLEMENTARY FORM (S18)

1. The basis period must be the same as that stated in item 7.2 of the Profits Tax Return.
2. “Qualifying ship broking activity” means a ship broking activity carried out by a corporation in the ordinary course of its business carried on in Hong Kong.
3. Only activities that generate income to the Corporation are taken into account.
4. “Safe harbour rule” refers to the requirements in relation to a corporation’s profits and assets as stipulated in section 14ZW of the Inland Revenue Ordinance (Cap.112) (“IRO”).
5. Section 14ZX of the IRO empowers the Commissioner to determine whether a corporation is a qualifying ship broker for a year of assessment.
6. “Ship lessor” means a person carrying on a business of carrying out ship leasing activities (as defined in section 1(1) of Schedule 17FA to the IRO).
7. “Ship leasing manager” means a person carrying on a business of carrying out ship leasing management activities (as defined in section 1(1) of Schedule 17FA to the IRO).
8. “Ship operator” means a person carrying on a ship operation business (as defined in section 1(1) of Schedule 17FB to the IRO).
9. “Ship owner” means the following person who is not a ship operator or ship lessor:
 - (a) a person registered as the owner of a ship, or in the absence of registration, a person owning a ship; or
 - (b) a demise charterer of a ship.
10. “Specified activity” refers to:
 - (a) a qualifying ship leasing activity (as defined in section 14O(5) of the IRO) carried out by an associated qualifying ship lessor (see Note 11);
 - (b) a qualifying ship leasing management activity (as defined in section 14O(7) of the IRO) carried out by an associated qualifying ship leasing manager (see Note 12) for its associated qualifying ship lessor; or
 - (c) a ship operation activity carried out by a connected ship operator (see Note 13) generating income:
 - (i) that is a sum falling within paragraph (a) or (b) of the definition of **exempt sums** in section 23B(12) of the IRO; or
 - (ii) that is not –
 - (A) a sum falling within paragraph (a) of the definition of **relevant sums** in that section; or
 - (B) a sum derived from, attributable to, or in respect of, any charter hire as described in paragraph (b) of the definition of **relevant sums** in that section.
11. “Associated qualifying ship lessor” means an associated corporation (as defined in section 1(1) of Schedule 17FB to the IRO) that is a qualifying ship lessor (as defined in section 14P(2) of the IRO).
12. “Associated qualifying ship leasing manager” means an associated corporation (as defined in section 1(1) of Schedule 17FB to the IRO) that is a qualifying ship leasing manager (as defined in section 14T(2) of the IRO).
13. “Connected ship operator” means a connected person (as defined in section 1(1) of Schedule 17FB to the IRO) that is a ship operator.
14. “Total income” means all types of income including service income, interest income, exchange gains, hedging gains, other ordinary business income, proceeds from the sale of capital assets and other non-taxable income derived from any business activities of the Corporation.
15. “Concessionary trading receipts” means the trading receipts and other sums in respect of which assessable profits are chargeable at concessionary tax rate (including a tax rate of 0%) under section 14ZV(1) of the IRO.

16. "Normal trading receipts" means any trading receipts and other sums, other than concessionary trading receipts.
17. The Relevant Activities refer to the core income generating activities undertaken by the Corporation in relation to its business as a qualifying ship broker for producing qualifying profits chargeable at concessionary tax rate (including a tax rate of 0%).
18. A person is associated with another person if one of the relevant persons was participating in the management, control or capital of the other relevant person, or the same person or persons was or were participating in the management, control or capital of each of the relevant persons.
19. An example of such situation is that the employees concerned were employed by an associated person of the Corporation and were seconded by the associated person to the Corporation for the carrying out of the Relevant Activities. The remunerations of the employees were fully or partially borne by the Corporation.
20. An example of such situation is that an associated person of the Corporation engaged in the provision of services related to ship broking. The Relevant Activities were carried out by the associated person at a fee charged to the Corporation on an arm's length basis.
21. Section 13 of Schedule 17FB to the IRO stipulates that the number of full-time employees in Hong Kong who carry out the Relevant Activities and have the necessary qualifications must be adequate and in any event not less than 1 in the basis period concerned.
22. If associated person(s) was/were involved in the carrying out of the Relevant Activities, the details reported should include those of the employees of the associated person(s) who carried out the Relevant Activities.
23. This number refers to the "average number of employees" of the Corporation which shall be calculated as: the aggregate of the number of 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.
24. Section 13 of Schedule 17FB to the IRO stipulates that the total amount of operating expenditure incurred in Hong Kong for the Relevant Activities must be adequate and in any event not less than HK\$1,000,000 in the basis period concerned.
25. If associated person(s) was/were involved in the carrying out of the Relevant Activities, the amount of operating expenditure reported should include the remunerations borne by the Corporation in respect of the employees of the associated person(s) who carried out the Relevant Activities (see Note 19), and/or the service fee incurred by the Corporation for the Relevant Activities carried out by the associated person(s) (see Note 20).
26. You must export the filled form to XML file and upload the XML file via the eTAX services under GovHK for submission. If you do not choose to submit Profits Tax Return through electronic filing or semi-electronic filing, you have to print and sign a paper Control List (containing details of the XML file uploaded and QR code) generated by the eTAX services for submission together with the Profits Tax Return in order to complete the submission process. The Control List of this supplementary form must be signed by the same person signing the tax return.