

財經事務及庫務局
(庫務科)

香港下亞厘畢道
中區政府合署

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**FINANCIAL SERVICES AND THE
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28 April 2004

Ms Anita SIT
Clerk to Bills Committee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road, Central
Hong Kong
(Fax: 2121 0420)

Dear Ms SIT,

Bills Committee on Inland Revenue (Amendment) Bill 2000

Follow up on issues raised at the meeting on 2 March 2004

At the meeting on 2 March 2004, the Administration was requested to consider and provide information on the following matters raised by the Bills Committee -

- (a) to provide an update on the progress of the four outstanding applications for advance ruling by the Commissioner of Inland Revenue which involved interest deduction claims and the application of section 61A. Information including the dates of receiving these applications should be provided; and
- (b) to revise the draft CSAs to section 16 (Clause 6 of the Bill) to exempt 'market making activities' from the operation of proposed section 16(2C) instead of simply granting exemption to 'market makers' as defined in proposed section 16(2H) of the draft CSAs.

Progress of the four outstanding cases

Information and progress of the four outstanding applications is as follows -

	Date of Receipt	Date of Ruling	Note
1	15-4-2003	10-12-2003	Ruling given after further request of information.
2	15-7-2003	Not applicable	Application withdrawn on 11-12-2003.
3	7-11-2003	12-12-2003	
4	24-11-2003	19-12-2003	

As we pointed out at the last meeting, the receiving and processing of applications for advance ruling is a continuing work, and thus there might be further applications for advance ruling which involve interest deduction claims and the application of section 61A.

Clause 6 of the Bill (interest deduction under section 16(2))

Please find attached a paper on the Administration's response to comments relating to exemption from the 'tax symmetry' rule for internal borrowings by associated corporations. A summary table setting out the Administration's response to views of deputations is also enclosed.

Yours sincerely,

(Ivanhoe Chang)
for Secretary for Financial Services and the Treasury

cc.

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Law Draftsman (Attn: Mr Allen LAI)
Commissioner of Inland Revenue (Attn: Mr Thomas LI)