

For information

**Bills Committee on
Inland Revenue and Stamp Duty Legislation
(Alternative Bond Schemes) (Amendment) Bill 2012**

**Follow-up Actions arising from
the Meeting on 4 June 2013**

This paper gives information in relation to the Bills Committee's discussions at the meeting on 4 June 2013 on the following issues –

- (a) the stamp duty implications for Hong Kong properties used for asset transactions under a specified alternative bond scheme, as well as the arrangement for any consequential amendments, in relation to the proposed buyers' stamp duty and enhanced special stamp duty under the Stamp Duty (Amendment) Bill 2012 and the enhanced ad valorem stamp duty under the Stamp Duty (Amendment) Bill 2013; and
- (b) the scope of the definition of "special purpose vehicle" in the proposed Committee Stage amendment to section 1 of the new Schedule 17A to the Inland Revenue Ordinance ("IRO").

Relevant Stamp Duty Implications for Specified Alternative Bond Schemes

2. The proposed sections 47F and 47G of the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 seek to provide stamp duty and special stamp duty relief for an instrument in relation to transactions in Hong Kong properties held under a qualified investment arrangement in a specified alternative bond scheme. The relief is proposed to be granted, on the ground that these transactions would normally not exist but for the purposes of establishing the alternative bond scheme thus attracting additionally relevant stamp duty

exposures otherwise irrelevant to a conventional bond structure.

3. Likewise, it is the Administration's intent that, instruments relating to transactions in Hong Kong properties held under a qualified investment arrangement in a specified alternative bond scheme should be granted relief from the proposed buyer's stamp duty, enhanced special stamp duty, or enhanced ad valorem stamp duty, upon or subsequent to the passage of the two Stamp Duty (Amendment) Bills referred to in paragraph 1 above.

4. Subject to the discussions at the relevant Bills Committees, we will consider consequential amendments to the relevant legislation as appropriate. In addition, in relation to the asset transactions described in paragraphs 3 above, the Administration is also prepared to consider applications for remission or refund of stamp duty under section 52 of the Stamp Duty Ordinance.

Definition of "Special purpose vehicle"

5. We propose to add a definition of "special purpose vehicle" to section 1 of the new Schedule 17A to the IRO as follows –

***Special purpose vehicle**, in relation to any scheme or schemes, means a corporation, partnership or any other entity that*

- (a) is established solely for the purposes of the scheme or schemes (as the case requires); and*
- (b) does not carry on any trade or activities except for the purposes of the scheme or schemes (as the case requires).*

6. We understand from the industry that a bond-issuer in an alternative bond scheme (i.e. a special purpose vehicle) usually takes the form of a corporation. We intend to provide flexibility in relation to the business form of the special purpose vehicle to cater for situations in which the vehicle is not formed with a corporate entity but other structures such as a partnership arrangement.

7. Members are invited to note the content of this paper.

Financial Services and the Treasury Bureau
June 2013