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1 September 2017

By email: bc\_08\_16@legco.gov.hk

Hon. Kenneth Leung

Chairman

Bills Committee on Inland Revenue (Amendment) (No. 4) Bill 2017

Legislative Council Complex

1 Legislative Council Road

Central, Hong Kong

Dear Hon. Leung

**Inland Revenue (Amendment) (No. 4) Bill 2017**

Thank you for your email dated 4 August 2017 inviting our comments on the Inland Revenue (Amendment) (No. 4) Bill 2017 ("Bill").

HKAB appreciates the Government's efforts in introducing the Bill to extend profits tax exemption to certain privately offered open-ended fund companies (OFCs), thereby promoting fund origination and diversifying the development of the asset management industry in Hong Kong. We would like to provide our specific comments on the Bill as follows for consideration of the Bills Committee:

1. Schedule 16A – Classes of Assets Specified for Purposes of Section 20AH

The proposed permissible asset classes are too restrictive. We suggest expanding the scope to cover other asset classes, such as real estates, insurance policies, loan participants, investments in shares of Hong Kong private companies and other investments.

2. Schedule 16B – Meaning of Non-closely Held

- (i) The thresholds stated in clauses 1(a), 1(b) and 2(c) are too high and difficult for OFCs to meet in order to enjoy the tax exemption.
- (ii) The restriction in clauses 1(d) and 2(e) may result in relatively limited room for fund managers or their associates to make seed investments and may not be conducive to the OFCs' business strategy planning.

Chairman Bank of China (Hong Kong) Limited  
Vice Chairman The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
Secretary Celia Shing

主席 中國銀行（香港）有限公司  
副主席 香港上海滙豐銀行有限公司  
渣打銀行（香港）有限公司  
秘書 盛思怡



We hope you would find our above comments useful. Should you have any questions, please do not hesitate to contact our Senior Business Manager Caris Wan at 2521 1855 or Assistant Manager, Renee Fan at 2521 1955.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, representing the name Celia Shing.

Celia Shing  
Secretary