

**立法會**  
***Legislative Council***

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**Bills Committee on Inland Revenue (Amendment) (No.2) Bill 2017**

**Background brief**

**Purpose**

This paper provides background information on the Inland Revenue (Amendment) (No.2) Bill 2017 ("the Bill") and summarizes the views and concerns expressed by members of the Panel on Economic Development ("the Panel") on related issues.

**Background**

2. According to the Administration, the rapid growth in aviation industry in Asia and the Mainland China has brought about long-term market demand for aircraft leasing in the region. As an international financial centre and a major aviation hub of the world, Hong Kong possesses competitive advantage in developing aircraft leasing business. Overseas experience has indicated that tax factor is one of the key considerations for aircraft leasing companies in selecting the place to domicile their business.

3. Promoting aircraft leasing business in Hong Kong was among the initiatives of the Chief Executive's Policy Address in 2015, 2016 and 2017. The Financial Secretary also mentioned in the 2016-2017 Budget that the Government plans to introduce a bill into the Legislative Council ("LegCo") in 2017 to amend the Inland Revenue Ordinance (Cap. 112) ("IRO") to create a dedicated tax regime for offshore aircraft leasing activities in Hong Kong.

4. According to a research publication issued by the LegCo Secretariat (LC Paper No. ISE17/15-16), as at end-2015, there are 158 aircraft leasing companies in the world, mostly clustered in places with low tax regimes like Ireland and Singapore. Ireland has been the market leader in aircraft leasing over the past 30 years, while facilitative measures have been introduced in

Singapore over the past decade to attract aircraft leasing companies to domicile in the country. The policy practice of Ireland and Singapore in nurturing the aircraft leasing industry can be found at the said research paper.

### **The Inland Revenue (Amendment) (No.2) Bill 2017**

5. The Bill seeks to amend IRO to:

- (a) give profits tax concessions to qualifying aircraft lessors and qualifying aircraft leasing managers;
- (b) make provisions for profits tax purposes about businesses in connection with aircraft; and
- (c) make consequential and minor textual amendments.

### **Major views and concerns expressed by members**

6. The Panel was briefed on the legislative proposal to amend IRO to create a dedicated tax regime to attract aircraft leasing business to Hong Kong at its meeting on 23 January 2017. Members generally supported the proposal to strengthen the development of offshore aircraft leasing activities in Hong Kong and urged for its early implementation. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

7. To ensure sufficient manpower support for the development of this specialized business in Hong Kong, members called on the Administration to strengthen the relevant manpower resources. A member considered it essential to admit talents of various fields from outside Hong Kong so as to develop this new business locally and compete with other market players. The Administration noted the need to strengthen the manpower development of different professions varying from legal, banking, insurance, aircraft engineering, accounting and taxation, etc., should Hong Kong take forward the promotion of aircraft leasing business and it would liaise with the education sector on this matter.

8. Some members also took the opportunity to urge the Administration to consider providing similar tax incentive schemes to the maritime industry and local enterprises.

## **Latest development**

9. At the House Committee meeting on 24 March 2017, Members agreed to form a Bills Committee to study the Bill.

## **Relevant papers**

10. A list of relevant papers which are available on the LegCo Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
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# **List of relevant papers**

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
Panel on Economic Development	23 January 2017 (Item VIII)	<a href="#">Administration's paper</a>  <a href="#">Essentials prepared by the Research Office of the Legislative Council Secretariat</a>  <a href="#">Minutes</a>
Council Meeting	22 March 2017	<a href="#">Legislative Council Brief</a>