

L.N. 264 of 1998

EXEMPTION FROM PROFITS TAX  
(INTEREST INCOME) ORDER

(Made by the Chief Executive in Council under section 87  
of the Inland Revenue Ordinance (Cap. 112))

1. Interpretation

In this Order---

"authorized institution" (認可機構) means an authorized institution within the meaning of section 2 of the Banking Ordinance (Cap. 155).

2. Exemption from profits tax

(1) Subject to subsections (2) and (3), where any sum is received by or accrued to---

(a) a corporation carrying on a trade, profession or business in Hong Kong; or  
(b) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong, in respect of funds of the trade, profession or business, which sum is by way of interest derived from any deposit placed in Hong Kong with an authorized institution, the corporation or person other than a corporation shall be exempt from the payment of profits tax chargeable under Part IV of the Ordinance in respect of that interest, after deduction of all allowable outgoings and expenses under Part IV of the Ordinance incurred in producing such interest, and such exemption applies, in respect of---

(i) a deposit placed or renewed prior to 22 June 1998, to the whole of the interest accrued on or after such date; and

(ii) a new deposit placed or an existing deposit renewed on or after 22 June 1998, to the whole of the interest paid on such deposit.

(2) Subsection (1) shall not apply in the case of any deposit which is used to secure or guarantee money borrowed referred to in section 16(1)(a) of the Ordinance where the condition specified in section 16(2)(d) of the Ordinance is satisfied.

(3) This section does not apply to interest received by or accrued to a financial institution.

(4) The exemption under this section applies whether or not a deposit is evidenced by a certificate of deposit.

3. Exemption applies to all currencies

This Order applies to deposits with an authorized institution, regardless of the currency in which the deposit is denominated.

Mable CHAN

Clerk to the Executive Council

Council Chamber

30 June 1998

Explanatory Note

The purpose of this Order is to exempt certain persons from the payment of profits tax in respect of interest income chargeable under the Inland Revenue Ordinance (Cap. 112). However, the exemption does not apply to financial institutions as defined in section 2 of the Ordinance.