

**LegCo Panel on Financial Affairs
Meeting on 4 April 2005**

List of follow-up actions

Briefing on the legislative proposal to provide profits tax exemption to offshore funds

1. To facilitate members' understanding of the proposed exemption and deeming provisions, the Administration is requested to provide the following information:
 - (a) The operation of offshore funds in Hong Kong;
 - (b) The operation of the existing provisions in the Inland Revenue Ordinance (Cap. 112) relating to profits tax liability and exemption for offshore funds and onshore funds, including the effect of the provisions on resident and non-resident investors (including individuals, partnerships, trusts and corporations) of the funds;
 - (c) The operation of the proposed exemption provisions in respect of offshore funds, including the effect of the provisions on resident and non-resident investors (including individuals, partnerships, trusts and corporations) of the funds;
 - (d) The operation of the proposed deeming provisions in order to -
 - (i) prevent abuse of the exemption or round-tripping; and
 - (ii) address the concern about the beneficial owners of a fund concealing their interests in the fund to circumvent the proposed 30% threshold.
2. To facilitate members' understanding of the impact of the proposal to provide profits tax exemption to offshore funds, the Administration is requested to take the following actions:
 - (a) To set out the financial implications of the proposal in the following two scenarios, including the estimated amount of tax revenue foregone -
 - (i) The exemption provisions apply with retrospective effect to the year of assessment commencing on 1 April 1996; or

- (ii) The exemption provisions apply without retrospective effect.
- (b) To quantify the economic benefits of the proposal, including -
 - (i) The estimated number of jobs to be created for the financial services sector and other sectors; and
 - (ii) Other benefits for the economy of Hong Kong.

Briefing on the Securities and Futures (Amendment) (No.2) Bill 2005 - Proposals to give statutory backing to major listing requirements

- 3. To facilitate members' consideration of the proposals and to address members' concern about the checks and balances on the powers of the Securities and Futures Commission (SFC) in the regulation of listing, the Administration is requested to provide information on practices in overseas jurisdictions (including United Kingdom and Canada), as follows:
 - (a) The compositions of relevant overseas regulatory bodies and whether they are comparable to that of SFC;
 - (b) The powers of relevant overseas regulatory bodies, in particular whether they have the power to impose civil fines on issuers, directors and officers and if they have, the upper limit; and
 - (c) The mechanism for reviews/appeals on the regulatory decisions relating to listing made by relevant overseas regulatory bodies.