

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 15 April 2013**

At the meeting of the Bills Committee on 15 April 2013, a Member enquired about the intent of section 15(c) of the proposed Schedule 17A to the Inland Revenue Ordinance (“IRO”), and whether the drafting of the provision corresponds to the intent. This paper seeks to address the relevant queries.

2. Section 15 of the said Schedule (emphasis added) is recapitulated as follows –

15. Hong Kong connection condition

A specified alternative bond scheme complies with the Hong Kong connection condition if alternative bonds issued under the bond arrangement in the scheme –

- (a) are listed on a stock exchange in Hong Kong;
- (b) are issued in good faith and in the course of carrying on business in Hong Kong;
- (c) are **marketed** in Hong Kong (在香港銷售); or
- (d) are lodged with and cleared by the Central Moneymarkets Unit operated by the Monetary Authority.

3. The “Hong Kong connection condition” (“the condition”) is intended to encourage alternative bonds that seek to benefit from the proposed tax treatment or relief to have a nexus with Hong Kong, thus directly promoting our financial market development. Compliance with

this condition will help attract more sukuk issuance activities in Hong Kong.

4. One of four alternatives to satisfy the condition is that alternative bonds are **marketed** in Hong Kong (section 15(c)). We intend that relevant issuers should demonstrate genuine actions or activities to market sukuk in Hong Kong (i.e. by way of conducting promotional activities such as advertising and making an offer for sale such as issuing or distributing offering documents). While facts and circumstances of each case will be considered in its totality, promotional activities alone may not be sufficient to satisfy this condition.

5. The term “marketed” in the English text of the Bill carries the meaning of “to advertise, promote and offer for sale”¹. In the Chinese text, the term “銷售” is used to convey the same meaning. We believe that the relevant provision, as currently drafted, is able to reflect the intent suitably. If necessary, the Commissioner of Inland Revenue would give suitable clarification of the operation through the Departmental Interpretation and Practice Notes.

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

Financial Services and the Treasury Bureau
April 2013

¹ According to *Collins Cobuild Advanced Dictionary of English*, “to market a product” means “to organise its sale, by deciding on its price, where it should be sold, and how it should be advertised”. The *Oxford Advanced Learner’s Dictionary* notes that “market”, as a verb, means “offer something for sale, especially by advertising, etc”.