

**The Hong Kong Association of Corporate Treasurers**

The Hon. Kenneth Leung  
Chairman of the Bills Committee  
The Legislative Council  
HK Special Administrative Region of the People's Republic of China

**Inland Revenue (Amendment) (No. 4) Bill 2015 (The "Bill")**

The Hong Kong Association of Corporate Treasurers ("HKACT") is a body set up by leading corporate entities in Hong Kong for benchmarking international treasury practices and promoting professional development. The treasury profession covers a wide spectrum of functions including financial arrangement, risk management and corporate governance functions such as equity and debt raising, hedging (foreign exchange, interest rate, counterparty), credit rating, treasury control and regulatory compliance.

HKACT members, which include chief financial officers, corporate treasurers, treasury managers and other professionals in treasury related careers, come from various public and commercial sectors and have been working with the HKSAR government over the years in enhancing the development of the financial markets of Hong Kong.

HKACT appreciates the opportunity to submit our views to the Bill. Our association welcomes and supports the HKSAR government's initiatives to amend the Inland Revenue Ordinance (Cap. 112) to give profits tax concession to qualifying corporate treasury centres; to make provisions for profit tax purposes regarding interests on money borrowed from or lent to associated corporations; to treat regulatory capital securities ("RCS") as debt securities, and to make consequential and related amendments to the Inland Revenue Rules (Cap. 112A) and the Stamp Duty Ordinance (Cap. 117) concerning RCS.

As corporates based in Hong Kong have their legal and commercial set up for treasury management over the past decades, not all our member firms may benefit imminently or directly from the Bill. However, we will continue to review and enhance the corporate treasury management structure along with evolving environments like this subject to further optimise the ways of conducting treasury management in Hong Kong.

That said, we believe the above amendments, if enacted by the Legislative Council, will attract multinational and Mainland enterprises to establish corporate treasury centres ("CTCs") in Hong Kong as such deductions under profit tax for interest expenses payable to associated corporations outside Hong Kong under specified conditions and the introduction of concessionary profits tax rate for specified treasury activities of qualifying CTCs will further

- (a) optimise the management of treasury functions within the corporates;
- (b) reduce the overall costs (administrative, economic) of managing financing and risk activities;
- (c) support the development of Hong Kong as a preferred regional CTC hub and provide impetus into the development of headquarters economy in the city;
- (d) enhance the evolution of peripheral professions such as accounting, audit, banking, legal and respective commercial support in the city, and
- (e) enable Hong Kong to maintain the overall competitiveness as a financial and business centre with reference to other jurisdictions that offer similar tax incentives to the financial and corporate sectors.

The association would also recommend the HKSAR government to continue monitoring the development of financial markets and tax regimes and consider further refining and/or broadening the current initiatives, to the extent as applicable, to further promote Hong Kong as a CTC centre.

We have also attached the views of HKACT member(s) for your reference.

We thank you for your kind attention to this matter and look forward to further elaborating our views if appropriate.

A handwritten signature in blue ink, appearing to be 'F Ho', is located above a horizontal line.

Yours sincerely,  
Francis Ho  
Convenor, HKACT

c/o CLP Holdings Limited  
8 Laguna Verde Avenue  
Hung Hom, Kowloon



19 January, 2016

Hong Kong Monetary Authority  
55/F Two International Financial Centre  
8 Finance Street  
Central, Hong Kong

Attention: Mr Enoch Fung/Kyle Hung, Market Development Department

Dear Sirs:

**Re: Consultation on Corporate Treasury Centre**

In response to your request for comments from members on the proposed Profits Tax Concession for Qualifying Corporate Treasury Centres, I would like to provide my view as Group Treasurer of the CK Hutchison Group.

Hong Kong is well-served by facilitating and improving its role as the key international financial centre for the internationalisation of the RMB. It is therefore viewed as beneficial to offer incentives for companies from the PRC and elsewhere to establish Regional Treasury Centres in Hong Kong. Hong Kong's allowance of free capital movement and transparency offer considerable benefits to the growing international needs of PRC multinationals. Furthermore, this will deepen the market for trading in the RMB.

We are in a competitive environment, both for the international clearing of RMB trade flows and as a destination as a Regional Treasury Centre. I am in favour of Hong Kong remaining competitive in these areas. I believe that by establishing an attractive incentive and environment, Hong Kong will see enhancements in:

- Increased Foreign Exchange dealing
- Increase in the need for derivative products and trading
- Improvements in cash management for both cash concentration and cash pooling
- Better asset and liability management

I see this as benefitting both Hong Kong and PRC Corporates.

The increasing use of the RMB as a trade currency and continuing restrictions on the flow of capital in and out of China provide Hong Kong with an opportunity to render a valuable service. The HKMA and TMA have laid out various conditions under which a Corporation can qualify under the proposed bill and I would add my support to the proposals. I would stress that the HKMA should try and make the qualifications for establishing and maintaining a Regional Corporate Treasury Centre as straightforward, transparent and easy to comply with as possible.

Aside from PRC companies, establishing tax and other incentives for other international companies particularly from the Pacific Rim can offer advantages over other competing regional treasury centres. The advantage in proximity to the West Coast of North America and of course the growing role of the

PRC make Hong Kong a natural contender. It offers deeper equity and debt capital markets as well as a better knowledge of the PRC market than other regional competing centres.

As a domestic Hong Kong corporate, Hutchison will not benefit directly from the proposed incentives but we see the advantages to enhancing the depth of Hong Kong's FX and money markets while providing a valuable role in the internationalisation of the RMB. We look forward to working with the TMA and the HKMA to make that a reality.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'John Mulcahy', with a large, stylized flourish underneath.

John Mulcahy

Group Treasurer

CK Hutchison Holdings Limited