LC Paper No. CB(1)1446/16-17(01)

Bills Committee on Inland Revenue (Amendment) (No. 4) Bill 2017

List of follow-up actions arising from the discussion at the meeting on 20 July 2017

The Administration was requested to provide the following information:

(a) elaboration on the rationale for imposing the following conditions on the profits tax exemption for onshore privately offered open-ended fund companies ("OFCs"):

(i) Condition 2: The OFC must be "non-closely held";
(ii) Condition 3: The OFC must invest in permissible asset classes specified by the Securities and Futures Commission, but with a degree of flexibility (i.e. 10% de minimis limit); and
(iii) Condition 4: Transactions of the OFC must be carried out through or arranged by a qualified person.

(b) the rationale for not offering profits tax exemption to onshore privately offered funds/OFCs under the current taxation regime;

(c) projection of the financial and economic implications of the extension of profits tax exemption to onshore privately offered OFCs, such as the number of privately offered OFCs expected to be established in Hong Kong, the number of jobs expected to be created in the financial services industry, etc; and

(d) with reference to the Departmental Interpretation and Practice Notes of the Inland Revenue Department and the proposed section 20AJ(3), elaboration on the taxability of carried interest (including the dividends derived from it) received by fund executives.

Council Business Division 1
Legislative Council Secretariat
29 September 2017