

**Inland Revenue (Amendment) (No. 2) Bill 2017**  
**Debate and voting arrangements**

- Object of the Bill :** To amend the Inland Revenue Ordinance (Cap. 122) to:
- (a) give profits tax concessions to qualifying aircraft lessors and qualifying aircraft leasing managers;
  - (b) make provisions for profits tax purposes about businesses in connection with aircraft; and
  - (c) make consequential and minor textual amendments.

<b>First debate</b>	<b>: Clauses with no amendment – Clauses 1,2,3,5,6,7,9 and 11 to 16</b>
<b>Voting</b>	<b>: To vote on the above clauses standing part of the Bill together</b>
<b>Second debate</b>	<b>: Clauses with amendments proposed by the Secretary for Transport and Housing (“STH”) – Clauses 4, 8 and 10</b>
<p>Joint debate on the original clauses and the above amendments.</p> <ul style="list-style-type: none"> <li>- At present, companies leasing aircraft to a Hong Kong aircraft operator (i.e onshore aircraft leasing activities) are entitled under the Inland Revenue Ordinance to obtain depreciation allowance in respect of the subject aircraft (“the current tax regime”). The proposed aircraft leasing regime under the Bill (“the proposed new tax regime”) aims to provide profits tax concessions in respect of offshore aircraft leasing activities. That is, to be eligible for profits tax concessions, the lessor’s aircraft must be leased to a “non-Hong Kong aircraft operator”, which does not include local aircraft operators and offshore aircraft operators having aircraft flying to Hong Kong.</li> <li>- In response to the industry’s request, the Administration proposes to amend clauses 4, 8 and 10 of the Bill and add new clause 5A to extend the new tax regime to cover all onshore aircraft leasing activities. The proposed CSAs may provide all local airlines with an additional option for their taxation arrangement. They can compare the pros and cons of the current and new tax regimes in accordance with their own business consideration/strategy, and elect for assessment under the new tax regime or remain under the current tax regime.</li> </ul>	
<b>Voting</b>	<b>: To vote on the above amendments together, and then the original clauses or the clauses as amended standing part of the Bill</b>
<b>Third debate</b>	<b>: New clause proposed by STH – New clause 5A</b>
<p>Debate on the above new clause.</p> <p><b>New clause 5A</b></p> <ul style="list-style-type: none"> <li>- In view of the aforementioned objectives of the amendments, to add new clause 5A to amend section 16 (ascertainment of chargeable profits) of the Inland Revenue Ordinance.</li> </ul>	
<b>Voting</b>	<b>: To vote on the above new clause standing part of the Bill</b>

**STH’s amendments**

(set out in LC Paper No. CB(3) 690/16-17 issued on 16 June 2017)