

香港特別行政區政府

商務及經濟發展局
工商及旅遊科

香港添馬添美道二號
政府總部西翼二十三樓



COMMERCE, INDUSTRY AND TOURISM BRANCH
**COMMERCE AND ECONOMIC
DEVELOPMENT BUREAU**

GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION

23/F, WEST WING
CENTRAL GOVERNMENT OFFICES
2 TIM MEI AVENUE
TAMAR, HONG KONG

Your Ref:
Our Ref: CITB CR 81/45/2

Tel : (852) 2810 2862
Fax : (852) 2147 3065

28 March 2018

Mr Desmond LAM
Clerk to Panel on Commerce and Industry
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road, Central

Dear Mr LAM,

Legislative Council Panel on Commerce and Industry

**Follow-up to the discussion on “Legislative proposal to expand
the scope of tax deduction for capital expenditure incurred
for the purchase of intellectual property rights”**

We briefed the Panel on Commerce and Industry on 15 November 2016 on the legislative proposal to expand the scope of profits tax deduction for capital expenditure incurred for the purchase of intellectual property rights (“IPRs”). The Panel supported the Administration's legislative proposal in principle, which would expand the scope of tax deduction to cover three additional types of IPRs (namely layout-design (topography) of integrated circuits, plant varieties and rights in performances). At the meeting, a Member asked the Government about the assessment on the economic benefits expected to be generated by the proposed expansion of the scope of tax deduction.

To take forward the above legislative proposal, we have recently completed the preparation of the relevant bill (namely the Inland Revenue (Amendment) (No. 2) Bill 2018), and issued a relevant Legislative Council brief on 21 March 2018. Regarding the economic benefits expected to be generated, it is our assessment (as set out in the brief) that the proposal, whilst only an extension of the prevailing tax exemption scheme, should encourage businesses to further consider using and purchasing the three types of newly added IPRs. This would bring about some positive effects to the development of the IP industry in Hong Kong and also our status as a premier intellectual property trading hub in Asia. Furthermore, despite the insignificant amount of revenue foregone arising from the proposed expansion, this proposal, together with other R&D-related initiatives, should likewise help contribute to a more favourable environment for innovation in Hong Kong.

Yours sincerely,



(Miss Alice CHOI)

for Secretary for Commerce and Economic Development

c.c. Commissioner of Inland Revenue
(Attn: Mr KK CHIU)

Director of Intellectual Property
(Attn: Ms Michelle CHONG)