

財經事務及庫務局



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FINANCIAL SERVICES AND THE
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4 January 2017

Clerk to Panel on Financial Affairs
(Attn: Mr Hugo CHIU)
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr CHIU,

Panel on Financial Affairs
Follow-up to meeting on 14 December 2016

Item I: Consultation on measures to counter
Base Erosion and Profit Shifting

I refer to your letter dated 14 December 2016 and provide the information requested by the Panel.

As set out in paragraph 4.4 of our consultation paper attached to the paper issued to the Panel, the Government recommends that enterprises which satisfy any two of the three proposed conditions are not required to prepare the master and local files –

- (a) total annual revenue not more than HK\$100 million;
- (b) total assets not more than HK\$100 million;
- (c) no more than 100 employees.

The Panel asked for information on the number of enterprises in Hong Kong which can meet both criteria (a) and (c).

The Inland Revenue Department (“IRD”) processed some 204 000 profits tax returns annually on average over the past three years of assessment (i.e. 2012/13 - 2014/15)¹. According to IRD’s rough estimate based on the information available from these returns, about 147 000 enterprises (or about 72% of the cases processed) could meet both criteria (a) and (c) above.

As we explained at the Panel meeting, IRD does not have information on value of assets held by enterprises and we cannot provide information in this aspect.

Yours sincerely,

A handwritten signature in blue ink that reads "Fatman".

(Kelvin LO)

for Secretary for Financial Services and the Treasury

c.c. Commissioner of Inland Revenue (Attn: Mr. Benjamin CHAN)

¹ It is the practice of IRD not to call for the annual submission of profits tax returns in instances where the trade, profession or business carried on does not give rise to assessable profits or where the trade, profession or business has not commenced or has ceased.