

立法會
Legislative Council

LC Paper No. LS23/17-18

**Paper for the House Committee Meeting
on 19 January 2018**

**Legal Service Division Report on
Subsidiary Legislation Gazetted on 12 January 2018**

Tabling in LegCo : Council meeting of 17 January 2018

Amendment to be made by : Council meeting of 7 February 2018 (or that of 21 March 2018 if extended by resolution)

Exemption from Profits Tax (Non-Renminbi Sovereign Bonds) Order (L.N. 2)

L.N. 2 was made by the Chief Executive in Council under section 87 of the Inland Revenue Ordinance (Cap. 112). It exempts a person from the payment of profits tax chargeable under Part 4 of Cap. 112 for the years of assessment commencing on or after 1 April 2017 in respect of sums received by, or accrued to, the person as interest or profits arising from non-Renminbi sovereign bonds, i.e. bonds denominated in any currency other than the Renminbi ("RMB") issued in Hong Kong by the Central People's Government ("CPG").

2. The legal effect of L.N. 2 is that the profits tax exemption currently available to RMB sovereign bonds issued by the CPG in Hong Kong by virtue of the Exemption from Profits Tax (Renminbi Sovereign Bonds) Order (Cap. 112BH) is extended to cover sovereign bonds denominated in currencies other than RMB issued in Hong Kong by the CPG.

3. According to paragraph 5 of the Legislative Council Brief (File Reference: MA/2/1/4C(2017)) issued by the Financial Services and the Treasury Bureau on 12 January 2018, the exemption provided in L.N. 2 will help ensure that Hong Kong continues to be the premier platform facilitating the internationalization of RMB and the Mainland to "go global" by maintaining Hong Kong's competitiveness and attractiveness as the preferred location for the CPG to issue sovereign bonds regardless of the currencies denominated. According to paragraph 7 of the LegCo Brief, given that USD denominated sovereign bonds were issued in Hong Kong by the CPG in the year of assessment commencing on 1 April 2017, the

Administration proposes that the exemption is to apply to the year of assessment commencing on 1 April 2017 and for all subsequent years of assessment.

4. As advised by the Clerk to the Panel on Financial Affairs, the Panel has not been consulted on L.N. 2. The Administration provided an information paper on L.N. 2 to the Panel (LC Paper No. CB(1)475/17-18(01) on 12 January 2018, which was circulated to Panel members on the same day.

5. L.N. 2 comes into operation on 30 March 2018.

6. No difficulties have been identified in the legal and drafting aspects of L.N. 2.

Prepared by

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