

香港特別行政區政府

創新及科技局

香港添馬添美道二號  
政府總部西翼二十樓



INNOVATION AND  
TECHNOLOGY BUREAU

THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

20/F, West Wing, Central Government Offices,  
2 Tim Mei Avenue, Tamar, Hong Kong

**By email**

2 May 2018

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

Dear Mr LAM,

**Panel on Commerce and Industry  
Proposal for an enhanced tax deduction for research  
and development expenses**

At the meeting held on 16 January 2018 on the subject agenda item, the Panel passed the motion below moved by Dr Hon CHIANG Lai-wan.

“This Panel urges the Government to enhance and improve policies on “enhanced tax deduction for research and development (“R&D”) expenses”, and the specific measures include:

- (a) implementing expeditiously policies on “enhanced tax deduction for R&D expenses” and simplifying the application procedures for enterprises as far as possible, so as to assist enterprises to save time and costs; and

- (b) further clarifying the requirements of “designated local research institutions” for “qualifying R&D” and striving to extend the coverage to private enterprises with R&D capacity, so as to encourage more enterprises to conduct R&D activities.”

The Innovation and Technology Bureau noted the Panel’s suggestions and would like to provide the reply below.

2. Since the Chief Executive announced in the Policy Address in October last year to provide enhanced tax deduction for R&D expenditure incurred by enterprises, the Administration has been working expeditiously, with a view to introducing the relevant legislative proposals to the Legislative Council for scrutiny as soon as possible. Upon passage of the bill on the proposed enhanced tax deduction, Inland Revenue Department (“IRD”) will issue a “Departmental Interpretation and Practice Note” at suitable juncture to assist the industry in understanding the relevant practices and documentation requirements. To enjoy enhanced tax deduction for R&D expenditure, enterprises only need to submit claims to the IRD in their annual tax returns as usual.

3. Pursuant to the existing Inland Revenue Ordinance (Cap. 112), apart from in-house R&D conducted by an enterprise itself, payments made by an enterprise to “approved research institutes” for out-sourced R&D are also eligible for tax deduction. According to the new proposal, private enterprises meeting specified requirements (for example, with R&Ds talents in the relevant technological fields employed, with relevant R&D equipment installed in premises, with proof of possession of relevant R&D experience and businesses, etc.) may apply to become “designated local research institutions”. The Administration will make reference to overseas experience in drawing up a framework that will meet our local needs.

Yours sincerely,



(Ricky CHONG)

for Secretary for Innovation and Technology

c.c. Innovation and Technology Commission (Attn.: Mr WONG Wang Wah)