

**Bills Committee on
Inland Revenue (Amendment) (No. 7) Bill 2018**

Committee Stage Amendments Proposed by the Government

Purpose

The Government proposes to introduce Committee Stage Amendments (“CSAs”) to the Inland Revenue (Amendment) (No. 7) Bill 2018 (“Bill”) to improve clarity and provide more flexibility. This paper invites Members to consider the proposed CSAs.

Committee Stage Amendments

Equivalent Accounting Standard

2. A written submission received by the Bills Committee suggested that the definition of “specified financial reporting standard” under the proposed section 18G be expanded to include the accounting/financial reporting standards adopted by other overseas jurisdictions that are a local equivalent of International Financial Reporting Standard (“IFRS”) 9. We consider that providing taxpayers who adopt an accounting standard equivalent to IFRS 9 (mainly overseas companies) an election to have financial instruments taxed on a fair value basis could facilitate them in preparing tax returns in Hong Kong. We therefore propose that clause 3 of the Bill be amended so that the definition of *specified financial reporting standard* in the proposed section 18G(1) would include a financial reporting standard that is adopted by a relevant authority in a jurisdiction other than Hong Kong, as in force from time to time, and is in the opinion of the Commissioner of Inland Revenue equivalent to IFRS 9.

Chinese Text

3. While the tag-definition “(有關條文)” under the proposed section 18G(2)(b) can shorten the provision, there may be ambiguities as to whether it refers to “本條或第 18H、18I、18J、18K 或 18L 條” or only “第 18H、18I、18J、18K 或 18L 條” in the proposed section 18G(2)(b). We therefore propose that the proposed section 18G(2)(b) in the Chinese text of clause 3 be amended to remove the tag definition.

Definition of “Governmental Entity”

4. We propose to remove “political subdivision of the jurisdiction” in paragraph (d) of the definition of *governmental entity* under the proposed section 16(3) in clause 4(2) of the Bill to avoid duplication with paragraph (b) in that definition. The definition of *governmental entity* under the proposed section 16(3) is modelled on the definition of *governmental entity* in the existing section 50A(1) of the IRO. A similar amendment is also proposed to be made to the definition in section 50A(1) of the IRO for consistency.

Advice Sought

5. Members are invited to comment on the draft CSAs¹ at **Annex**.

**The Treasury Branch
Financial Services and the Treasury Bureau
January 2019**

¹ The proposed CSAs are subject to any subsequent necessary refinements.

Inland Revenue (Amendment) (No. 7) Bill 2018

Committee Stage

Amendments to be moved by the Secretary for Financial Services and the
Treasury

<u>Clause</u>	<u>Amendment Proposed</u>
3	<p>In the proposed section 18G(1), in the definition of <i>specified financial reporting standard</i>—</p> <p>(a) in paragraph (a)(i), by deleting “or”;</p> <p>(b) in paragraph (a), by adding—</p> <p> “(iii) a financial reporting standard that—</p> <p> (A) is adopted by a relevant authority in a jurisdiction other than Hong Kong, as in force from time to time; and</p> <p> (B) is, in the Commissioner’s opinion, equivalent to the standard referred to in subparagraph (ii); or”;</p> <p>(c) in paragraph (b), by deleting “(a)(i) or (ii)” and substituting “(a)(i), (ii) or (iii)”.</p>
3	<p>In the proposed section 18G(2)(b), in the Chinese text—</p> <p>(a) by deleting “(有關條文)”;</p> <p>(b) by deleting “有關條文” and substituting “本條或第 18H、18I、18J、18K 或 18L 條”.</p>
4(2)	<p>In the proposed definition of <i>governmental entity</i>, in paragraph (d), by deleting “, controlled entity or political subdivision” and substituting “or controlled entity”.</p>

By adding—

“(2A) Section 50A(1), definition of *governmental entity*, paragraph (d)—

Repeal

“, controlled entity or political subdivision”

Substitute

“or controlled entity”.”.