

Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022

Proposed Committee Stage Amendments

Purpose

This note sets out the Government’s proposed Committee Stage Amendments (“CSAs”) (at **Annex**) to the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (“the Bill”), taking into account the views/comments of Members of the Bills Committee and deputations.

Central management and control of eligible single family offices and family-owned investment holding vehicles

2. Sections 2(1), 9(2) and 9(4) in the proposed Schedule 16E under the Bill provide that the central management and control (“CMC”) of eligible single family offices (“ESF Offices”) and family-owned investment holding vehicles (“FIHVs”) is exercised in Hong Kong (“CMC requirement”). Comments have been raised that some wealthy families based outside Hong Kong may find it difficult to exercise the CMC of their ESF Offices/FIHVs at all times in Hong Kong, particularly in the year of assessment in which they are relocating the operations of their ESF Offices/FIHVs to Hong Kong.

3. Having regard to the comments and the need to avoid the proposed tax concession regime from being regarded as de facto ring fenced, the Government proposes to replace the CMC requirement with provisions that ESF Offices and FIHVs are required to be normally managed or controlled in Hong Kong (“NMC requirement”).

4. The concept of the NMC requirement has been adopted as a test of Hong Kong tax residence for foreign-established entities under a number of comprehensive avoidance of double taxation agreements entered into by Hong Kong with other jurisdictions. The NMC requirement will provide more flexibility for families to exercise either the management¹ or control²

¹ “Management” refers to management of daily business operations, or implementation of the decisions made by top management, etc.

² “Control” refers to control of the whole business at the top level, including formulating the central policy of the business, making strategic policies of the company, choosing business financing, evaluating business performance, etc.

of their ESF Offices/FIHVs in Hong Kong having regard to their operations. It will facilitate more FIHVs (including those established outside Hong Kong) fulfilling the conditions specified under the Bill to enjoy the profits tax exemption.

Ownership of ESF Offices and FIHVs

5. Sections 1(4), 2(2) and 5(a) in the proposed Schedule 16E under the Bill provide that one or more than one member of a family must have at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in an ESF Office and FIHV during the basis period for the year of assessment. The remaining 5% can be held by other persons (including charitable organisations). Suggestions have been raised that these provisions are not able to cater for families' culture of philanthropy that ESF Offices and/or FIHVs may be held not only by family members but also charitable organisations (whether or not associated with the family members) having more than 5% of the beneficial interest in the ESF Offices and/or FIHVs.

6. Having considered the suggestions, the Government proposes that a charitable institution or trust of a public character that is exempt from tax under section 88 of the Inland Revenue Ordinance ("IRO") (Cap. 112) may have up to 25% of beneficial interest (whether direct or indirect) in an ESF Office and/or an FIHV. This is subject to the conditions that (i) at least 75% of the beneficial interest of the ESF Office and/or FIHV must be held by family members; and (ii) the percentage of beneficial interest that an unrelated person³ has in the ESF Office and/or FIHV, or if there is more than one unrelated person, the total percentage of such beneficial interest, does not exceed 5%. This will cater for families' philanthropic purposes.

Specified trusts

7. Section 8 in the proposed Schedule 16E under the Bill provides that, if the aggregate percentage in value of the relevant estate of a "specified trust" is at least 95%, members of the family concerned who are "qualified

³ "Unrelated person" in relation to a particular family means: (a) an entity in which no member of the family has a beneficial interest (whether direct or indirect); or (b) a natural person who is not a member of the family. An "unrelated person" does not include a charitable entity.

beneficiaries”⁴ of the trust, and those other family members who are entitled to benefit from the trust estate, are taken to have at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in the “specified trust”. Comments have been raised that section 8 may not be able to cater for holding structures involving multiple “specified trusts” or multiple layers of “specified trusts”.

8. When considering the comments, the Government acknowledges that it would not be practicable to exhaustively set out all possible holding structures involving “specified trusts” which can be regarded as satisfying the abovementioned 95% requirement. The Government therefore proposes to add provisions under section 8 to provide flexibility for considering holding structures involving “specified trusts”. Specifically, for holding structures involving one or more than one “specified trust” and it is not possible to rely on the deeming provisions specified under section 8, a family member(s) will be taken to have fulfilled the 95% beneficial interest requirement for the ESF Office/FIHV concerned provided that the Commissioner of Inland Revenue is satisfied, after having regard to all the circumstances of the case particularly the relationship between the entities in the structure, that it is highly probable that one or more than one family member will have at least 95%, in aggregate, of the beneficial interest in the ESF Office/FIHV.

Transactions in private companies by FIHVs and family-owned special purpose entities

9. Pursuant to sections 9 and 16 respectively in the proposed Schedule 16E under the Bill, FIHVs and family-owned special purpose entities (“FSPEs”) fulfilling relevant requirements⁵ will enjoy profits tax exemption for assessable profits arising from qualifying transactions in (among other assets provided for in Schedule 16C to the IRO) shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, a private company.

⁴ Under certain trust structures, a family member will only be able to benefit from the trust estate if the trustee exercises a discretionary power under the trust instrument in the favour of the family member, or if the conditions (e.g. upon the family member reaching a certain age) specified under the trust instrument are met.

⁵ Including the provisions concerning the immovable property, holding period, control and short-term assets tests (“the tests”) under sections 12, 13, 17 and 18 in the proposed Schedule 16E.

10. Questions have been raised on whether an FIHV/FSPE's any transaction in a private company failing to meet the relevant requirements would render the FIHV/FSPE's other qualifying transactions ineligible for the profits tax exemption. The Government would like to clarify that the FIHV/FSPE's qualifying transactions will not be so affected by the non-qualifying transactions. To provide certainty, the Government proposes drafting amendments to the effect that the tests concerned under sections 12, 13, 17 and 18 in the proposed Schedule 16E will only target the non-qualifying transaction(s) in a particular private company, but not other tax-exempt qualifying transaction(s) of an FIHV/FSPE.

**Financial Services and the Treasury Bureau
Inland Revenue Department
April 2023**

Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022

Proposed Committee Stage Amendments

<u>Clause</u>	<u>Amendment Proposed</u>
4	In the proposed section 40AV(2) and (3), by adding “16FA,” after “16F,”.
6(2)	In the English text, by deleting “16E & 17A” and substituting “16E & 17A”.
7	In the proposed Schedule 16E, by adding “16FA,” before “16G, 16H, 16I & 16J”.
7	In the proposed Schedule 16E, in section 1(4), by deleting “(because of section 8 of this Schedule)”.
7	In the proposed Schedule 16E, in section 2(1)(a), by deleting “the central management and control of the company is exercised” and substituting “the company is normally managed or controlled”.
7	In the proposed Schedule 16E, in section 2(2), by adding “(<i>particular family</i>)” after “a family”.
7	In the proposed Schedule 16E, in section 2, by adding— “(2A) Without limiting subsection (2)(a), if both Condition 1 and Condition 2 are met with respect to the family office, the members of the particular family are taken to have at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in the family office. (2B) Condition 1 is that one or more than one member of the particular family has at least 75%, but less than 95%, in aggregate, of the beneficial interest (whether direct or indirect) in the family office.

Clause

Amendment Proposed

- (2C) Condition 2 is—
- (a) that one or more than one charitable entity has a beneficial interest (whether direct or indirect) in the family office; and
 - (b) that—
 - (i) no unrelated person has a beneficial interest (whether direct or indirect) in the family office; or
 - (ii) the total percentage of the beneficial interest (whether direct or indirect) that an unrelated person has in the family office or, if there is more than one unrelated person, the total percentage of the beneficial interest (whether direct or indirect) that those unrelated persons have in that office does not exceed 5%.
- (2D) For the purposes of subsection (2C)(b)(i), an unrelated person is not regarded as having a beneficial interest in the family office if the unrelated person has the beneficial interest only because a charitable entity has a beneficial interest (whether direct or indirect) in the office.
- (2E) For the purposes of subsection (2C)(b)(ii), in determining the extent of the beneficial interest (whether direct or indirect) that an unrelated person has in the family office, any beneficial interest (whether direct or indirect) that the unrelated person has—
- (a) in a charitable entity that has a beneficial interest (whether direct or indirect) in the family office; or
 - (b) in any other unrelated person that is an entity and that has a beneficial interest (whether direct or indirect) in the office,
- is not to be taken into account.”.

Clause

Amendment Proposed

- definition of *specified person*, in paragraph (d), by deleting the full stop and substituting a semicolon.
- 7 In the proposed Schedule 16E, in section 2(3), by adding in alphabetical order—
- “*charitable entity* (慈善實體) means a charitable institution or trust of a public character that is exempt from tax under section 88;
 - unrelated person* (無關連人士), in relation to a particular family—
 - (a) means—
 - (i) an entity in which no member of the particular family has a beneficial interest (whether direct or indirect); or
 - (ii) a natural person who is not a member of the family; and
 - (b) does not include a charitable entity.”.
- 7 In the proposed Schedule 16E, by renumbering section 5 as section 5(1).
- 7 In the proposed Schedule 16E, in section 5(1)(a), by adding “(*particular family*)” after “a family”.
- 7 In the proposed Schedule 16E, in section 5, by adding—
- “(2) Without limiting subsection (1)(a), if both Condition 1 and Condition 2 are met with respect to Entity A, the members of the particular family are taken to have at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in Entity A.
 - (3) Condition 1 is that one or more than one member of the particular family has at least 75%, but less than 95%, in aggregate, of the beneficial interest (whether direct or indirect) in Entity A.
 - (4) Condition 2 is—

Clause

Amendment Proposed

- (a) that one or more than one charitable entity has a beneficial interest (whether direct or indirect) in Entity A; and
 - (b) that—
 - (i) no unrelated person has a beneficial interest (whether direct or indirect) in Entity A; or
 - (ii) the total percentage of the beneficial interest (whether direct or indirect) that an unrelated person has in Entity A or, if there is more than one unrelated person, the total percentage of the beneficial interest (whether direct or indirect) that those unrelated persons have in Entity A does not exceed 5%.
- (5) For the purposes of subsection (4)(b)(i), an unrelated person is not regarded as having a beneficial interest in Entity A if the unrelated person has the beneficial interest only because a charitable entity has a beneficial interest (whether direct or indirect) in Entity A.
- (6) For the purposes of subsection (4)(b)(ii), in determining the extent of the beneficial interest (whether direct or indirect) that an unrelated person has in Entity A, any beneficial interest (whether direct or indirect) that the unrelated person has—
- (a) in a charitable entity that has a beneficial interest (whether direct or indirect) in Entity A; or
 - (b) in any other unrelated person that is an entity and that has a beneficial interest (whether direct or indirect) in Entity A,
- is not to be taken into account.
- (7) In this section—
- charitable entity*** (慈善實體) means a charitable institution or trust of a public character that is exempt from tax under section 88;

Clause

Amendment Proposed

unrelated person (無關連人士), in relation to a particular family—

(a) means—

(i) an entity in which no member of the particular family has a beneficial interest (whether direct or indirect); or

(ii) a natural person who is not a member of the family; and

(b) does not include a charitable entity.”.

7 In the proposed Schedule 16E, in section 8, in the heading, by deleting “**for sections 2(2) and 5 of this Schedule**”.

7 In the proposed Schedule 16E, in section 8(1), by deleting “, subject to this section,”.

7 In the proposed Schedule 16E, in section 8(1), by deleting “5 of this Schedule (***subject entity***)” and substituting “5(1) of this Schedule”.

7 In the proposed Schedule 16E, in section 8, by adding—

“(1A) Schedule 16FA applies, for the purposes of sections 2(2C)(b)(ii) and 5(4)(b)(ii) of this Schedule, in determining the extent of the beneficial interest that an unrelated natural person has in a subject entity.

(1B) Schedule 16G applies, for the purposes of sections 2(2C)(b)(ii) and 5(4)(b)(ii) of this Schedule, in determining the extent of the beneficial interest that an unrelated entity has in a subject entity.

(1C) If it is not practicable to determine the extent, in aggregate, of the beneficial interest that one or more than one member of a family has in a subject entity, subsection (2) or (3) (as the case requires) applies.”.

7 In the proposed Schedule 16E, in section 8(3), by deleting “only”.

Clause

Amendment Proposed

- 7 In the proposed Schedule 16E, in section 8, by adding—
- “(8A) Subsection (8H) applies in relation to a subject entity and a family if—
- (a) Condition 1 or Condition 2 is met;
 - (b) it is not practicable to apply Schedule 16F or 16G, or both; and
 - (c) none of the deeming provisions can be relied on.
- (8B) Condition 1 is that the subject entity is a specified trust (*Trust A*) and one or more than one member of a family—
- (a) is a specified beneficiary under Trust A; or
 - (b) has a connection with the subject entity through—
 - (i) another specified trust; or
 - (ii) a series of 2 or more entities in which there is one or more than one specified trust.
- (8C) Condition 2 is that the subject entity is not a specified trust but one or more than one member of a family has a connection with the subject entity through—
- (a) a specified trust (*Trust B*); or
 - (b) a series of 2 or more entities in which there is one or more than one specified trust.
- (8D) For the purposes of subsection (8B)(b)(i), a member of a family has a connection with Trust A through a specified trust if—
- (a) the specified trust is related to the family; and
 - (b) the specified trust—
 - (i) is a specified beneficiary under Trust A; or
 - (ii) has a beneficial interest (whether direct or indirect) in Trust A.
- (8E) For the purposes of subsection (8B)(b)(ii), a member of a family has a connection with Trust A through a series of 2 or more entities—

Clause

Amendment Proposed

- (a) if—
 - (i) the member of the family has a beneficial interest (whether direct or indirect) in the first entity in the series;
 - (ii) each entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in the next following entity in the series (*next following interposed entity*); or
 - (B) if the next following interposed entity is a specified trust—is a specified beneficiary under the trust; and
 - (iii) the last entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in Trust A; or
 - (B) is a specified beneficiary under Trust A; or
 - (b) if—
 - (i) the first entity in the series is a specified trust related to the family;
 - (ii) each entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in the next following interposed entity; or
 - (B) if the next following interposed entity is a specified trust—is a specified beneficiary under the trust; and
 - (iii) the last entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in Trust A; or
 - (B) is a specified beneficiary under Trust A.
- (8F) For the purposes of subsection (8C)(a), a member of a family has a connection with the subject entity through Trust B if—

Clause

Amendment Proposed

- (a) Trust B is related to the family; and
 - (b) Trust B has a beneficial interest (whether direct or indirect) in the subject entity.
- (8G) For the purposes of subsection (8C)(b), a member of a family has a connection with the subject entity through a series of 2 or more entities—
- (a) if—
 - (i) the member of the family has a beneficial interest (whether direct or indirect) in the first entity in the series;
 - (ii) each entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in the next following entity in the series (*next following entity*); or
 - (B) if the next following entity is a specified trust—is a specified beneficiary under the trust; and
 - (iii) the last entity in the series has a beneficial interest (whether direct or indirect) in the subject entity; or
 - (b) if—
 - (i) the first entity in the series is a specified trust related to the family;
 - (ii) each entity in the series—
 - (A) has a beneficial interest (whether direct or indirect) in the next following entity; or
 - (B) if the next following entity is a specified trust—is a specified beneficiary under the trust; and
 - (iii) the last entity in the series has a beneficial interest (whether direct or indirect) in the subject entity.
- (8H) If the Commissioner is satisfied that it is highly probable that one or more than one member of the

Clause

Amendment Proposed

family will have at least 95%, in aggregate, of the beneficial interest in the subject entity—

- (a) the Commissioner may regard the extent requirement as having been complied with in relation to the family and the subject entity; and
- (b) one or more than one member of the family is taken to have at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in the subject entity.

(8I) In considering whether it is highly probable that one or more than one member of a family would have at least 95%, in aggregate, of the beneficial interest in a subject entity, regard is to be had to all the circumstances of the case, including the following—

- (a) the extent of the beneficial interest (whether direct or indirect) that a member of the family has in one or more than one entity;
- (b) the extent of the beneficial interest (whether direct or indirect) that an entity has in one or more than one other entity;
- (c) the value, in aggregate, of the trust estate, or each part of the trust estate, of one or more than one specified trust related to the family that a member of the family would be able to benefit if—
 - (i) the trustee of the trust exercises a discretionary power under the trust instrument in favour of the member or a specified beneficiary under the trust; or
 - (ii) the conditions under the trust instrument that are applicable to the member or a specified beneficiary under the trust are met;
- (d) the value, in aggregate, of the trust estate, or each part of the trust estate, of one or more than one specified trust that an entity would be able to benefit if—
 - (i) the trustee of the trust exercises a discretionary power under the trust

<u>Clause</u>	<u>Amendment Proposed</u>
	instrument in favour of the entity or a specified beneficiary under the trust; or (ii) the conditions under the trust instrument that are applicable to the entity or a specified beneficiary under the trust are met.”.
7	In the proposed Schedule 16E, in section 8(9), in the definition of <i>specified trust</i> , by deleting the full stop and substituting a semicolon.
7	In the proposed Schedule 16E, in section 8(9), by adding in alphabetical order— <i>“deeming provisions</i> (推定條文) means sections 2(2A), 5(2) and 8(2), (4), (5), (6) and (7) of this Schedule; <i>extent requirement</i> (程度規定), in relation to a subject entity and a family, means the requirement that one or more than one member of the family has at least 95%, in aggregate, of the beneficial interest (whether direct or indirect) in the entity; <i>subject entity</i> (標的實體) means an entity mentioned in subsection (1); <i>unrelated entity</i> (無關連實體) means an entity that is an unrelated person under section 2 or 5 of this Schedule; <i>unrelated natural person</i> (無關連自然人) means a natural person who is an unrelated person under section 2 or 5 of this Schedule.”.
7	In the proposed Schedule 16E, in the Chinese text, in section 8(12)(a), by adding “的” after “該信託”.
7	In the proposed Schedule 16E, in section 9(2), by deleting “at all times during the basis period”.
7	In the proposed Schedule 16E, in section 9(4), by deleting paragraph (a) and substituting—

<u>Clause</u>	<u>Amendment Proposed</u>
	“(a) that the FIHV is normally managed or controlled in Hong Kong during the basis period; and”.
7	In the proposed Schedule 16E, in section 9(4)(b), by adding “, at all times during the basis period,” after “that”.
7	In the proposed Schedule 16E, in section 12(2), by deleting “specified in section 9(3) of this Schedule (<i>section 9(3) transactions</i>)”.
7	In the proposed Schedule 16E, in section 12(3), by deleting “section 9(3)”.
7	In the proposed Schedule 16E, in section 12(4)(a) and (b), by deleting “specified securities” and substituting “subject securities”.
7	In the proposed Schedule 16E, in section 12(7), in the definition of <i>short-term asset</i> , in paragraph (c), by deleting the full stop and substituting a semicolon.
7	In the proposed Schedule 16E, in section 12(7), by adding in alphabetical order— <div style="margin-left: 40px;">“<i>subject securities</i> (標的證券), in relation to a relevant company, means the specified securities of, or issued by, the company.”.</div>
7	In the proposed Schedule 16E, in section 13(2), by deleting “specified in section 9(3) of this Schedule”.
7	In the proposed Schedule 16E, in section 13(3)(a) and (b), by deleting “specified securities” and substituting “subject securities”.
7	In the proposed Schedule 16E, in section 13(6), in the definition of <i>short-term asset</i> , by deleting the full stop and substituting a semicolon.

<u>Clause</u>	<u>Amendment Proposed</u>
7	In the proposed Schedule 16E, in section 13(6), by adding in alphabetical order— <p style="margin-left: 40px;">“subject securities (標的證券), in relation to a relevant company, means the specified securities of, or issued by, the company.”.</p>
7	In the proposed Schedule 16E, in section 17(2), by deleting “specified in section 16(3) of this Schedule (section 16(3) transactions)”.
7	In the proposed Schedule 16E, in section 17(3), by deleting “section 16(3)”.
7	In the proposed Schedule 16E, in section 17(4)(a) and (b), by deleting “specified securities” and substituting “subject securities”.
7	In the proposed Schedule 16E, in section 17(7), in the definition of short-term asset , in paragraph (c), by deleting the full stop and substituting a semicolon.
7	In the proposed Schedule 16E, in section 17(7), by adding in alphabetical order— <p style="margin-left: 40px;">“subject securities (標的證券), in relation to a relevant company, means the specified securities of, or issued by, the company.”.</p>
7	In the proposed Schedule 16E, in section 18(2), by deleting “specified in section 16(3) of this Schedule”.
7	In the proposed Schedule 16E, in section 18(3)(a) and (b), by deleting “specified securities” and substituting “subject securities”.
7	In the proposed Schedule 16E, in section 18(6), in the definition of short-term asset , by deleting the full stop and substituting a semicolon.

<u>Clause</u>	<u>Amendment Proposed</u>
7	In the proposed Schedule 16E, in section 18(6), by adding in alphabetical order— <p style="margin-left: 40px;"><i>“subject securities (標的證券), in relation to a relevant company, means the specified securities of, or issued by, the company.”</i></p>
7	By adding—

“Schedule 16FA

[s. 40AV & Sch. 16E]

Provisions for Determining Extent of Beneficial Interest Unrelated Natural Person has in Particular Entity (Section 8 of Schedule 16E)

Part 1

1. In this Schedule—
 - direct beneficial interest* (直接實益權益) has the meaning given by section 7 of Schedule 16E;
 - entity* (實體) has the meaning given by section 1(1) of Schedule 16E;
 - indirect beneficial interest* (間接實益權益) has the meaning given by section 7 of Schedule 16E;
 - unrelated natural person* (無關連自然人) has the meaning given by section 8(9) of Schedule 16E.

Part 2

2. For an unrelated natural person having a direct beneficial interest in an entity (*Entity A*), the extent of the beneficial interest of the person in Entity A is—
 - (a) if Entity A is a corporation—

Clause

Amendment Proposed

- (i) the percentage of the issued share capital (however described) of the corporation held by the person; or
 - (ii) (if the corporation does not have any issued share capital) the percentage of the voting rights in the corporation that the person is entitled to exercise or the exercise of which the person is entitled to control;
- (b) if Entity A is a partnership—
- (i) the percentage of the profits of the partnership to which the person is entitled; or
 - (ii) (if the partners in the partnership are neither entitled to the profits of the partnership nor entitled to a distribution of the assets of the partnership on its dissolution) the percentage of the voting rights in the partnership that the person is entitled to exercise or the exercise of which the person is entitled to control;
- (c) if Entity A is a trust—the percentage in value of the trust estate in which the person is interested; and
- (d) if Entity A is an entity that does not fall within any of paragraphs (a), (b) and (c)—
- (i) the percentage of the capital of the entity to which the person is entitled;
 - (ii) (if subparagraph (i) is not applicable in relation to the entity) the percentage of the ownership interests that the person has in the entity;
 - (iii) (if neither subparagraph (i) nor (ii) is applicable in relation to the entity) the percentage of the profits of the entity to which the person is entitled; or

Clause

Amendment Proposed

- (iv) (if none of subparagraphs (i), (ii) and (iii) is applicable in relation to the entity) the percentage of the voting rights in the entity that the person is entitled to exercise or the exercise of which the person is entitled to control.
3. Section 7(5), (6) and (7) of Schedule 16E applies for the purposes of section 2 of this Schedule.
4. For an unrelated natural person having an indirect beneficial interest in an entity (*Entity B*), the extent of the beneficial interest of the person in Entity B is—
- (a) if there is only one interposed entity—the percentage arrived at by multiplying the percentage representing the extent of the beneficial interest of the person in the interposed entity by the percentage representing the extent of the beneficial interest of the interposed entity in Entity B; or
 - (b) if there is a series of 2 or more interposed entities—the percentage arrived at by multiplying the percentage representing the extent of the beneficial interest of the person in the first interposed entity in the series by—
 - (i) the percentage representing the extent of the beneficial interest of each interposed entity (other than the last interposed entity) in the series in the next interposed entity in the series; and
 - (ii) the percentage representing the extent of the beneficial interest of the last interposed entity in the series in Entity B.
5. For the purposes of section 4 of this Schedule—
- (a) section 2 of this Schedule applies in determining the extent of the beneficial

Clause

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interest of an unrelated natural person in an interposed entity as if the references to Entity A in that section were references to an interposed entity;

- (b) section 2 of this Schedule applies in determining the extent of the beneficial interest of an interposed entity in Entity B as if—
 - (i) the references to an unrelated natural person in that section were references to an interposed entity; and
 - (ii) the references to Entity A in that section were references to Entity B; and
- (c) section 2 of this Schedule applies in determining the extent of the beneficial interest of an interposed entity (***Interposed Entity A***) in another interposed entity (***Interposed Entity B***) as if—
 - (i) the references to an unrelated natural person in that section were references to Interposed Entity A; and
 - (ii) the references to Entity A in that section were references to Interposed Entity B.”.