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Replies to supplementary questions raised by Legislative Council Members in examining the Estimates of Expenditure 2022-23

Director of Bureau : Secretary for Financial Services and the Treasury
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Examination of Estimates of Expenditure 2022-23

Reply Serial No.

S-FSTB(Tsy)01

CONTROLLING OFFICER'S REPLY

(Question Serial No. S0015)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Referring to the reply to the original question, will the Government inform this Committee of the following:

1. As the implementation of BEPS 2.0 would undermine the tax advantages of Hong Kong, what measures will the Government take to enhance Hong Kong's advantages and attractiveness for business?

2. Regarding the recommendations of the Advisory Panel on BEPS 2.0, will the Government reinforce communication with the industry and various stakeholders so as to avoid confusion on, in particular, how the compliance burden can be minimised and whether there will be any fundamental changes in the territorial source principle of taxation?

Asked by: Hon LAM Chi-yuen, Nelson

<u>Reply</u>:

1. The global minimum effective tax rate under BEPS 2.0 only targets large multinational enterprise (MNE) groups with annual turnover exceeding 750 million euros, and it will not affect local small and medium enterprises. By and large, the headline tax rate of Hong Kong's profits tax at 16.5% is competitive internationally. After BEPS 2.0 is implemented, the tax concessions provided by Hong Kong to certain industries will continue to benefit all eligible enterprises, including those not covered by BEPS 2.0, so as to promote the development of the relevant industries. Following the implementation of BEPS 2.0, the effectiveness for tax jurisdictions to introduce tax exemption or extremely low preferential tax rate as a means to increase their competitiveness will be reduced in future. Hong Kong will be able to reinforce its competitive advantages under a more level playing field in terms of taxation. Moreover, upon the implementation of BEPS 2.0, the MNEs will focus more on reduction of the compliance burden, and the competitive advantages of Hong Kong's tax regime in terms of simplicity, transparency and certainty will become more prominent.

   With Hong Kong's unique advantages under "One Country, Two Systems" and the Mainland's "14th Five-Year Plan", the Government will continue to improve the business environment of Hong Kong and strive to enhance the attractiveness for MNEs to invest in Hong Kong. The Government will also continue to step up promotion of Hong Kong's advantages to investors through Invest Hong Kong and the Economic and Trade Offices set up in the Mainland and overseas.

2. The Government has been exchanging views with the affected MNEs on matters relating to the implementation of BEPS 2.0, and reaffirmed that we would preserve the advantages of Hong Kong's tax regime in terms of its simplicity, certainty and transparency, maintain our the territorial source principle of taxation as well as minimise the compliance burden on MNEs. This is in line with the recommendations of the Advisory Panel on BEPS 2.0. In particular, the Financial Services and the Treasury Bureau and the Inland Revenue Department (IRD) jointly held a number of engagement sessions from December 2021 to January 2022 to brief the MNE groups on the rules of BEPS 2.0 and the impact on them, as well as the compliance requirements. The Government will maintain communication with the relevant MNEs.

   To enable MNE groups to familiarise themselves with the new tax rules under BEPS 2.0 as soon as possible, the IRD will increase manpower and set up a dedicated team to strengthen the provision of technical assistance in tax matters. The IRD has also set up a dedicated email account and an enquiry hotline since January 2022 to answer enquiries from MNEs on BEPS 2.0.

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Examination of Estimates of Expenditure 2022-23

Reply Serial No.

S-FSTB(Tsy)02

CONTROLLING OFFICER'S REPLY

(Question Serial No. SV002)

Head:	(147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury)
Subhead (No. & title):	()
Programme:	(2) Revenue and Financial Control
Controlling Officer:	Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)
Director of Bureau:	Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(FS)015 regarding the Financial Secretary's proposal to provide tax concessions for eligible family investment management entities managed by single-family offices, would the Government consider providing remission of stamp duty payable on sale and purchase of foreign assets by local companies?

Asked by: Hon NG Kit-chong, Johnny

Reply:

The Stamp Duty Ordinance (Cap. 117) does not require the payment of Hong Kong stamp duty on instruments for the sale and purchase of foreign assets, including immovable properties situated outside Hong Kong and non-Hong Kong stocks (i.e. the stocks the transfer of which is not required to be registered in Hong Kong).

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