Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Bill 2026

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A BILL

To

Amend the Inland Revenue Ordinance to adjust the profits tax exemption for funds and related entities; to adjust the profits tax concessions for family-owned investment holding vehicles and related entities; to adjust the profits tax and salaries tax concessions for carried interest; and to provide for related matters.

Enacted by the Legislative Council.

1. Short title

This Ordinance may be cited as the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026.

2. Inland Revenue Ordinance amended

The Inland Revenue Ordinance (Cap. 112) is amended as set out in sections 3 to 31.

3. Section 20AM amended (what *fund* means in sections 20AN, 20AO, 20AP, 20AQ, 20AR, 20AS, 20AT, 20AU, 20AV, 20AW, 20AX and 20AY and Schedules 15C, 15D and 16C)

(1) Section 20AM, heading, after "**sections**"—

Add

"**20AMA,**".

(2) Section 20AM, heading—

Repeal

"**and 20AY**"

Substitute

"**, 20AY, 20AZ, 20AZA and 20AZB**".

(3) Section 20AM(1), after "sections"—

Add

"20AMA,".

(4) Section 20AM(1)—

Repeal

"and 20AY"

Substitute

", 20AY, 20AZ, 20AZA and 20AZB".

(5) Section 20AM—

Repeal subsection (4)

Substitute

"(4) Each of the following is also a ***fund***—

(a) an arrangement (commonly known as a sovereign wealth fund) that is established and funded by a state or government (or any political subdivision or local authority of a state or government) for the purposes of—

(i) carrying out financial activities; and

(ii) holding and managing a pool of assets,

for the benefit of the state or government (or the political subdivision or local authority);

(b) an arrangement (commonly known as a pension fund) that is—

(i) established and operated in a jurisdiction exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals; and

(ii) regulated as such by the jurisdiction (or any political subdivision or local authority of the jurisdiction);

(c) an arrangement (commonly known as an endowment fund) that is established and funded by a charitable entity for the purposes of—

(i) carrying out financial activities; and

(ii) holding and managing a pool of assets,

for the benefit of the charitable entity;

(d) an arrangement funded by one of the following entities as its sole participating person—

(i) a governmental entity;

(ii) a central bank;

(iii) an organization to which section 2 of the International Organizations and Diplomatic Privileges Ordinance (Cap. 190) applies;

(iv) an international organization that enjoys a status, privilege or immunity pursuant to a provision of an international agreement or arrangement (as the case requires) that has the force of law in Hong Kong under an order made under section 3 of the International Organizations (Privileges and Immunities) Ordinance (Cap. 558);

(e) an arrangement—

(i) that is funded by only one participating person who does not have day-to-day control over the management of the property in respect of which the arrangement is made (whether or not that person has the right to be consulted on, or to give directions in respect of, the management); and

(ii) the value of assets falling within a class specified in Schedule 16C under management in which is not less than $240,000,000.

(4A) In subsection (4)—

central bank (中央銀行)—

(a) means an institution in a jurisdiction that is, by law or government sanction, the principal authority in the jurisdiction, other than the government of the jurisdiction itself, issuing instruments intended to circulate as currency, and includes an instrumentality that is separate from the government of the jurisdiction, whether or not owned, in whole or in part, by the government of the jurisdiction; but

(b) does not include an institution that carries on a trade or business;

charitable entity (慈善實體) means a charitable institution or trust of a public character that is exempt from tax under section 88;

governmental entity (政府實體) means an entity that meets all of the following criteria—

(a) it is part of or wholly owned by the government of a jurisdiction (including any political subdivision or local authority of the government);

(b) it does not carry on a trade or business and has the principal purpose of—

(i) fulfilling a government function; or

(ii) managing or investing the government's or jurisdiction's assets through the making and holding of investments, asset management, and related investment activities for the government's or jurisdiction's assets;

(c) it is accountable to the government on its overall performance, and provides annual information reporting to the government;

(d) its assets vest in the government on dissolution and to the extent it distributes net earnings, such net earnings are distributed solely to the government with no portion of its net earnings inuring to the benefit of any private person.

(4B) For the purposes of subsection (4)(e)(ii), the value of assets under management is to be determined in the manner specified by the Commissioner.".

(6) Section 20AM(5)(b)—

Repeal

"persons participating in the arrangement (***participating persons***)"

Substitute

"participating persons".

(7) After section 20AM(5)—

Add

"(5A) Subsection (5)(c) does not apply if the fund is an arrangement mentioned in subsection (4)(b).".

(8) Section 20AM(7)(c)—

Repeal

"or property holding"

Substitute

"in Hong Kong or property holding in Hong Kong".

(9) After section 20AM(7)—

Add

"(8) For the purposes of subsection (6), a business undertaking is not to be regarded as a business undertaking for general commercial or industrial purposes only because it carries out transactions in or derives profits from—

(a) if it is not an open-ended fund company—any assets of a class specified in Schedule 16C; or

(b) if it is an open-ended fund company—any assets, regardless of whether the assets fall within a class specified in Schedule 16C.".

4. Section 20AMA added

After section 20AM—

Add

“20AMA. Application of exemption under section 20AN to funds

(1) Section 20AN applies to a fund for a year of assessment if the conditions specified in subsection (2) are satisfied in relation to the fund.

(2) The conditions are—

(a) that the average number of qualified employees during the basis period for the year of assessment—

(i) is adequate in the opinion of the Commissioner; and

(ii) is in any event not less than 2; and

(b) that the total amount of operating expenditure incurred in Hong Kong for carrying out investment management activities during the basis period—

(i) is adequate in the opinion of the Commissioner; and

(ii) is in any event not less than $2,000,000.

(3) For the purposes of subsection (2)(a), a person is a qualified employee in relation to a fund during the basis period if the person, during the basis period—

(a) is a full-time employee in Hong Kong;

(b) carries out an investment management activity for the fund in Hong Kong; and

(c) has the qualifications necessary for carrying out the activity mentioned in paragraph (b).

(4) In this section—

investment management activity (投資管理活動), in relation to a fund, includes—

(a) seeking funds for the fund;

(b) researching and advising on potential investments to be made for the fund;

(c) acquiring, managing or disposing of property or investments for the fund; and

(d) acting for the fund with a view to assisting an entity in which the fund has made an investment to raise funds.”.

5. Section 20AN amended (certain profits of certain funds exempt from payment of profits tax)

(1) Section 20AN—

Repeal subsection (1).

(2) Section 20AN(2)—

Repeal

“at all times”.

(3) Section 20AN(2)—

Repeal

“subject to sections 20AP and 20AQ”

Substitute

“subject to subsection (3A) and sections 20AP, 20AQ and 20AS”.

(4) Section 20AN(2)—

Repeal

“earned”

Substitute

“derived”.

(5) Section 20AN(2)—

Repeal paragraphs (a) and (b)

Substitute

"(a) if the fund is not an open-ended fund company—any assets of a class specified in Schedule 16C; or

(b) if the fund is an open-ended fund company—any assets, regardless of whether the assets fall within a class specified in Schedule 16C.".

(6) Section 20AN(2)—

Repeal paragraph (c).

(7) Section 20AN(2A)—

Repeal

"subsection (2)(a)"

Substitute

"subsection (2)".

(8) Section 20AN(2A)—

Repeal

"and transactions in such assets may be carried out by the entity on behalf of the fund".

(9) Section 20AN(3)—

Repeal paragraphs (a) and (b)

Substitute

"(a) that the assets of the fund that fall within a class specified in Schedule 16C are—

(i) primarily managed in Hong Kong; and

(ii) managed by or through a specified person; or

(b) that, at all times during the basis period, the fund—

(i) falls within the description in section 20AM(4)(a), (b), (c), (d) or (e); or

(ii) is a qualified investment fund.”.

(10) After section 20AN(3)—

Add

“(3A) However, subsection (2) does not exempt a fund from the payment of tax chargeable in respect of those of its assessable profits for the basis period that are income specified in Schedule 16L.”.

(11) Section 20AN—

Repeal subsection (4).

(12) Section 20AN(5), after “16C”—

Add

“or 16L”.

(13) Section 20AN(6)—

Repeal the definition of *control*

Substitute

“***control*** (控制), in relation to an entity (***Party A***), means the power of a person or another entity (***Party B***) to secure—

(a) by means of the holding of interests or the possession of voting power in or in relation to Party A or any other entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating Party A or any other entity,

that the affairs of Party A are conducted in accordance with the wishes of Party B;”.

(14) Section 20AN(6)—

Add in alphabetical order

"***entity*** (實體) means a body of persons (corporate or unincorporate) or a legal arrangement, and includes—

(a) a corporation;

(b) a partnership; and

(c) a trust;".

6. Section 20AO amended (certain profits of special purpose entities exempt from payment of profits tax)

(1) Section 20AO—

Repeal subsection (1)

Substitute

"(1) This section applies to a special purpose entity if—

(a) a fund that is exempt from the payment of tax under section 20AN in respect of its assessable profits for a year of assessment has a beneficial interest (whether direct or indirect) in the special purpose entity; and

(b) (if the beneficial interests in the special purpose entity are not wholly held by the fund) any of the persons making capital contribution to the special purpose entity does not have day-to-day control over the management of the property of the special purpose entity (whether or not that person has the right to be consulted on, or to give directions in respect of, the management).".

(2) Section 20AO(2)—

Repeal

"to the extent provided by subsection (3)".

(3) Section 20AO(2)—

Repeal

"earned"

Substitute

"derived".

(4) Section 20AO(2)(a) and (b)—

Repeal

"transactions in".

(5) Section 20AO(2)(c)—

Repeal

"transactions in".

(6) Section 20AO(2)(c), after "securities;"—

Add

"and".

(7) Section 20AO(2)(d)—

Repeal

"transactions in".

(8) Section 20AO(2)(d)—

Repeal

"Schedule 16C; and"

Substitute

"Schedule 16C.".

(9) Section 20AO(2)—

Repeal paragraph (e).

(10) After section 20AO(2)—

Add

"(2A) However, subsection (2) does not exempt a special purpose entity from the payment of tax chargeable in respect of those of its assessable profits for the year of assessment that are income specified in Schedule 16L.".

(11) Section 20AO—

Repeal subsection (3).

(12) Section 20AO(4), definition of ***interposed special purpose entity***, after paragraph (b)—

Add

"(c) in relation to a special purpose entity that has an indirect beneficial interest in any assets of a class specified in Schedule 16C through an interposed person that is a special purpose entity—the interposed person;

(d) in relation to a special purpose entity that has an indirect beneficial interest in any assets of a class specified in Schedule 16C through a series of 2 or more interposed persons each of which is a special purpose entity—any of the interposed persons;".

(13) Section 20AO(4), English text, definition of ***special purpose entity***—

Repeal

"entity that—"

Substitute

"entity—".

(14) Section 20AO(4), definition of ***special purpose entity***—

Repeal paragraphs (a) and (b)

Substitute

“(a) the beneficial interests in which are wholly or partially held by a fund;

(b) that is established solely—

(i) for acquiring, holding (whether directly or indirectly), administering or disposing of either or both of the following—

(A) one or more investee private companies;

(B) any assets of a class specified in Schedule 16C; or

(ii) for the purpose mentioned in subparagraph (i) and for carrying out an activity incidental to that purpose;”.

(15) Section 20AO(4), English text, definition of ***special purpose entity***, paragraph (c)—

Repeal

“is”

Substitute

“that is”.

(16) Section 20AO(4), English text, definition of ***special purpose entity***, paragraph (d)—

Repeal

“does”

Substitute

“that does”.

(17) Section 20AO(4), definition of ***special purpose entity***, paragraph (d)(i)—

Repeal

“holding (whether directly or indirectly) and administering”

Substitute

"acquiring, holding (whether directly or indirectly), administering or disposing of".

(18) Section 20AO(4), definition of ***special purpose entity***, paragraph (d)(ii)—

Repeal

"holding (whether directly or indirectly) and administering"

Substitute

"acquiring, holding (whether directly or indirectly), administering or disposing of any".

(19) Section 20AO(4), definition of ***special purpose entity***, paragraph (d)(ii)—

Repeal

"Schedule 16C; or"

Substitute

"Schedule 16C;".

(20) Section 20AO(4), definition of ***special purpose entity***, paragraph (d)(iii)—

Repeal

"paragraph (a); and"

Substitute

"paragraph (a); or".

(21) Section 20AO(4), definition of ***special purpose entity***, after paragraph (d)(iii)—

Add

"(iv) carrying out an activity incidental to the purpose mentioned in subparagraph (i) or (ii); and".

(22) Section 20AO(4), English text, definition of ***special purpose entity***, paragraph (e)—

Repeal

"is"

Substitute

"that is".

7. Section 20AP amended (when does exemption under section 20AN or 20AO not apply to specified body holding immovable property through another company)

(1) Section 20AP, heading—

Repeal

"**company**"

Substitute

"**entity**".

(2) Section 20AP(1)—

Repeal paragraphs (a) and (b)

Substitute

"(a) a specified body carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) holds (whether directly or indirectly) one or more of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.”.

(3) Section 20AP(2)—

Repeal

“and share capital”

Substitute

“and the shares, stocks or equity interests described in subsection (1)(b)(ii) or (iii)”.

(4) Section 20AP(2), after “relevant company”—

Add

“or relevant entity”.

(5) Section 20AP(2)(a) and (b)—

Repeal

“earned from the transactions”

Substitute

"derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)".

(6) Section 20AP(3)(a), after "securities"—

Add

"of, or issued by, the relevant company or equity interests in the relevant entity".

(7) Section 20AP(3)(a), after "over the relevant company"—

Add

"or relevant entity".

(8) Section 20AP(3)(b), after "securities"—

Add

"of, or issued by, the relevant company or equity interests in the relevant entity".

(9) Section 20AP(3)(b)(i), after "relevant company"—

Add

"or relevant entity".

(10) Section 20AP(3)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(11) Section 20AP(3)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(12) Section 20AP(4), Chinese text, definition of ***短期資產***, paragraph (c)—

Repeal

"3 年。"

Substitute

"3 年；".

(13) Section 20AP(4)—

Add in alphabetical order

"***entity*** (實體) has the meaning given by section 20AN(6);

equity interest (股權權益), in relation to an entity, means an interest that—

(a) carries rights to the profits, capital or reserves of the entity; and

(b) is accounted for as equity, in the financial statements of the entity, under applicable accounting principles;".

8. Section 20AQ amended (when does exemption under section 20AN or 20AO not apply to specified body not holding immovable property through another company)

(1) Section 20AQ, heading—

Repeal

"**company**"

Substitute

"**entity**".

(2) Section 20AQ(1)—

Repeal paragraphs (a) and (b)

Substitute

"(a) a specified body carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) does not hold (whether directly or indirectly) any of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.”.

(3) Section 20AQ(2)—

Repeal

“earned from the transactions”

Substitute

“derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)”.

(4) Section 20AQ(3)(a), after “securities”—

Add

“of, or issued by, the relevant company or equity interests in the relevant entity”.

(5) Section 20AQ(3)(a), after “over the relevant company”—

Add

“or relevant entity”.

(6) Section 20AQ(3)(b), after “securities”—

Add

"of, or issued by, the relevant company or equity interests in the relevant entity".

(7) Section 20AQ(3)(b)(i), after "relevant company"—

Add

"or relevant entity".

(8) Section 20AQ(3)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(9) Section 20AQ(3)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(10) Section 20AQ(4), Chinese text, definition of ***短期資產***—

Repeal

"涵義。"

Substitute

"涵義；".

(11) Section 20AQ(4)—

Add in alphabetical order

"***entity*** (實體) has the meaning given by section 20AN(6);

equity interest (股權權益) has the meaning given by section 20AP(4);".

9. Section 20AS substituted

Section 20AS—

Repeal the section

Substitute

"20AS. When does exemption under section 20AN not apply to open-ended fund companies

If, during the basis period for a year of assessment, an open-ended fund company carries on a direct trading or direct business undertaking in Hong Kong in assets of a class that is not specified in Schedule 16C, the company is not exempt from the payment of tax chargeable under this Part in respect of its assessable profits for the basis period derived from the trading or business undertaking.".

10. Section 20AU amended (losses sustained by funds (other than open-ended fund companies) and special purpose entities)

(1) Section 20AU(2)—

Repeal

"a transaction referred to in section 20AN(2)(a) or (b)"

Substitute

"the management of any assets referred to in section 20AN(2)(a)".

(2) Section 20AU(3)—

Repeal

"a transaction referred to in section 20AO(2)"

Substitute

"the management of any property under section 20AO(2)".

11. Section 20AV amended (losses sustained by open-ended fund companies)

(1) Section 20AV(2)—

Repeal

"a transaction referred to in section 20AN(2)(a), (b) or (c)"

Substitute

"the management of any assets referred to in section 20AN(2)(b)".

(2) Section 20AV(3)—

Repeal

"earned"

Substitute

"derived".

(3) Section 20AV(4), definition of ***specified activity***—

Repeal

", a direct business undertaking or utilization of assets"

Substitute

"or a direct business undertaking".

12. Section 20AW amended (interpretation of sections 20AX and 20AY and Schedules 15C and 15D)

After section 20AW(9)—

Add

"(10) A person has control over a fund or special purpose entity (as defined by section 20AO(4)) if the fund or special purpose entity is accustomed or under an obligation (whether express or implied, and whether or not enforceable or intended to be enforceable by legal proceedings) to act, in relation to the investment or business affairs of the fund or special purpose entity, in accordance with the directions, instructions or wishes of the person.

(11) A person has significant influence over a fund or special purpose entity (as defined by section 20AO(4)) if—

(a) the person has power to participate in the financial and operating policy decision of the fund or special purpose entity; or

(b) the person holds, directly or indirectly, 20% or more of the voting power in the fund or special purpose entity.".

13. Section 20AX amended (assessable profits of funds regarded as assessable profits of resident persons)

(1) Section 20AX, heading, after "**persons**"—

Add

"**etc.**".

(2) After section 20AX(4)—

Add

"(4A) Without limiting subsections (1) and (3), if, in a year of assessment commencing on or after 1 April 2025—

(a) a person—

(i) has, during any period of time, a beneficial interest (whether direct or indirect or both) in a fund to the extent set out in subsection (4B); or

(ii) has, during any period of time, a beneficial interest (whether direct or indirect or both) in a fund, and—

(A) has control or significant influence over the fund; or

(B) is an associate of the fund;

(b) the fund is exempt from the payment of tax under section 20AN; and

(c) the person is—

(i) a financial institution;

(ii) an insurance company; or

(iii) a money lender,

the assessable profits of the fund derived from a loan for the period of time that would have been chargeable to tax under this Part but for that section are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from a trade, profession or business carried on by the person in Hong Kong.

(4B) The extent of a person's beneficial interest in a fund mentioned in subsection (4A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the fund is a corporation that is not a trustee of a trust estate—holds or is interested in not less than 20% of the issued share capital (however described) of the corporation;

(b) if the fund is a partnership that is not a trustee of a trust estate—is entitled to not less than 20% of the profits of the partnership;

(c) if the fund is a trustee of a trust estate—is interested in not less than 20% in value of the trust estate; or

(d) if the fund is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 20% of the ownership interests in the fund.

(4C) For the purposes of subsection (4A), if—

(a) the person is an insurance company that carries on life insurance business (as defined by section 22D) and any other trade, profession or business; and

(b) the assessable profits from the life insurance business of the person is determined under section 23(1)(a),

the assessable profits of the fund mentioned in that subsection are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from the other trade, profession or business carried on by the person in Hong Kong.

(4D) Subsection (4A) applies in relation to a person irrespective of whether the person has received or will receive (whether directly or indirectly) from the fund concerned any money or other property representing the profits of the fund for the relevant year of assessment.”.

(3) Section 20AX(5)—

Repeal

"resident" (wherever appearing).

(4) Section 20AX(6)—

Repeal

"resident".

(5) Section 20AX(7)—

Repeal

"resident".

(6) Section 20AX(7)—

Repeal

"subsection (1) or (3)"

Substitute

"subsection (1), (3) or (4A)".

(7) After section 20AX(8)—

Add

"(8A) For a year of assessment commencing on or after 1 April 2025, subsections (1), (3) and (4A) do not apply to a person in relation to a period of time if, at all times during the period—

(a) the person is a natural person;

(b) the person is a fund exempt from the payment of tax under section 20AN;

(c) the person would not have been chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C or whose assessable profits would not have included those profits under a provision of this Ordinance, if the assets had been held, or the transactions in the assets had been undertaken, directly by the person; or

(d) the person is an entity—

(i) that is not a business undertaking for general commercial or industrial purpose;

(ii) that does not carry on any trade or business in Hong Kong (other than a trade or business of investing in a fund or special purpose entity that is exempt from the payment of tax under section 20AN or 20AO); and

(iii) at least 95% of the beneficial interest (whether direct or indirect or both) in which is owned by—

(A) a non-resident person;

(B) a person mentioned in paragraph (a), (b) or (c); or

(C) a combination of 2 or more of persons mentioned in sub-subparagraphs (A) and (B).

(8B) For a year of assessment commencing on or after 1 April 2025, for the purposes of subsections (1) and (4A), the Commissioner may, on application by a person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in a fund to the extent set out in subsection (2) or (4B) (as the case requires) if the Commissioner is of the opinion that the person would, in the ordinary course of business of the fund, not have had a beneficial interest in the fund to such extent.”.

(8) Section 20AX(9)(a)—

Repeal

“resident”.

(9) Section 20AX(9)(a)—

Repeal

“subsection (1) or (3)”

Substitute

“subsection (1), (3) or (4A)”.

(10) Section 20AX(9)(b)—

Repeal

“resident”.

(11) Section 20AX(9)(b)—

Repeal

“subsection (1) or (3)”

Substitute

“subsection (1), (3) or (4A)”.

(12) Section 20AX(9)—

Repeal

"the resident"

Substitute

"the".

(13) After section 20AX(9)—

Add

"(9A) If—

(a) the assessable profits of a fund are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an amount that is attributable to those assessable profits of the fund is distributed to the person during the basis period for a year of assessment; and

(c) the person would have been chargeable to tax in respect of that amount for the year of assessment mentioned in paragraph (b) but for this subsection,

the person is not chargeable to tax in respect of that amount for the year of assessment mentioned in that paragraph.

(9B) If—

(a) the assessable profits of a fund are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an election made by the person under section 18H(2) has effect for the year of assessment;

(c) the increase in the value of the person's beneficial interests in the fund is recognized in determining any profit, gain, loss, income or expense of the person in respect of the beneficial interests for the year of assessment; and

(d) the increase in the value is included in the person's assessable profits for the year of assessment,

the amount of the increase in the value is to be reduced by the amount of the assessable profits of the fund to be regarded as the assessable profits of the person for the year of assessment under this section.".

(14) Section 20AX(10), definition of ***associate***—

Repeal

"section 20AN(6)."

Substitute

"section 20AN(6);".

(15) Section 20AX(10)—

Add in alphabetical order

"***insurance company*** (保險公司) means an insurer authorized under the Insurance Ordinance (Cap. 41);

loan (貸款)—

(a) has the meaning given by section 2(1) of the Money Lenders Ordinance (Cap. 163); but

(b) does not include securities as defined by section 1 of Part 2 of Schedule 16C;

money lender (放債人) means a person who carries on a money-lending business in Hong Kong or an intra-group financing business as defined by section 14C(1) in Hong Kong.".

14. Section 20AY amended (assessable profits of special purpose entities held by funds regarded as assessable profits of resident persons)

(1) Section 20AY, heading, after "**persons**"—

Add

"**etc.**".

(2) After section 20AY(2)—

Add

"(2A) If, in a year of assessment commencing on or after 1 April 2025—

(a) a resident person has, during any period of time, a beneficial interest (whether direct or indirect or both) in a special purpose entity to the extent set out in subsection (2B); and

(b) the special purpose entity is exempt from the payment of tax under section 20AO,

the assessable profits of the special purpose entity for the period of time that would have been chargeable to tax under this Part but for that section are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the resident person for the year of assessment from a trade, profession or business carried on by the resident person in Hong Kong.

(2B) The extent of a resident person's beneficial interest in a special purpose entity mentioned in subsection (2A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the special purpose entity is a corporation that is not a trustee of a trust estate—holds or is interested in not less than 30% of the issued share capital (however described) of the corporation;

(b) if the special purpose entity is a partnership that is not a trustee of a trust estate—is entitled to not less than 30% of the profits of the partnership;

(c) if the special purpose entity is a trustee of a trust estate—is interested in not less than 30% in value of the trust estate; or

(d) if the special purpose entity is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 30% of the ownership interests in the special purpose entity.

(2C) If, in a year of assessment commencing on or after 1 April 2025, the assessable profits of a special purpose entity would have been regarded as the assessable profits of the same resident person under subsections (1) and (2A) but for this subsection, the assessable profits of that special purpose entity are to be regarded as the assessable profits of that resident person under subsection (2A) but not under subsection (1).

(2D) If, in a year of assessment commencing on or after 1 April 2025—

(a) a resident person has, during any period of time, a beneficial interest (whether direct or indirect or both) in a special purpose entity;

(b) the special purpose entity is exempt from the payment of tax under section 20AO; and

(c) the special purpose entity is an associate of the resident person,

the assessable profits of the special purpose entity for the period of time that would have been chargeable to tax under this Part but for that section are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the resident person for the year of assessment from a trade, profession or business carried on by the resident person in Hong Kong.

(2E) If, in a year of assessment commencing on or after 1 April 2025, the assessable profits of a special purpose entity would have been regarded as the assessable profits of the same resident person under subsections (2) and (2D) but for this subsection, the assessable profits of that special purpose entity are to be regarded as the assessable profits of that resident person under subsection (2D) but not under subsection (2).”.

(3) Section 20AY(3)—

Repeal

“and (2)”

Substitute

“, (2), (2A) and (2D)”.

(4) After section 20AY(3)—

Add

“(3A) Without limiting subsections (2A) and (2D), if, in a year of assessment commencing on or after 1 April 2025—

(a) a person—

(i) has, during any period of time, a beneficial interest (whether direct or indirect or both) in a special purpose entity to the extent set out in subsection (3B); or

(ii) has, during any period of time, a beneficial interest (whether direct or indirect or both) in a special purpose entity, and—

(A) has control or significant influence over the special purpose entity; or

(B) is an associate of the special purpose entity;

(b) the special purpose entity is exempt from the payment of tax under section 20AO; and

(c) the person is—

(i) a financial institution;

(ii) an insurance company; or

(iii) a money lender,

the assessable profits of the special purpose entity derived from a loan for the period of time that would have been chargeable to tax under this Part but for that section are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from a trade, profession or business carried on by the person in Hong Kong.

(3B) The extent of a person's beneficial interest in a special purpose entity mentioned in subsection (3A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the special purpose entity is a corporation that is not a trustee of a trust estate—holds or is interested in not less than 20% of the issued share capital (however described) of the corporation;

(b) if the special purpose entity is a partnership that is not a trustee of a trust estate—is entitled to not less than 20% of the profits of the partnership;

(c) if the special purpose entity is a trustee of a trust estate—is interested in not less than 20% in value of the trust estate; or

(d) if the special purpose entity is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 20% of the ownership interests in the special purpose entity.

(3C) For the purposes of subsection (3A), if—

(a) the person is an insurance company that carries on life insurance business (as defined by section 22D) and any other trade, profession or business; and

(b) the assessable profits from the life insurance business of the person is determined under section 23(1)(a),

the assessable profits of the special purpose entity mentioned in that subsection are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from the other trade, profession or business carried on by the person in Hong Kong.

(3D) Subsection (3A) applies in relation to a person irrespective of whether the person has received or will receive (whether directly or indirectly) from the special purpose entity concerned any money or other property representing the profits of the special purpose entity for the relevant year of assessment.”.

(5) Section 20AY(4)—

Repeal

“resident” (wherever appearing).

(6) After section 20AY(5)—

Add

“(5A) For the purposes of subsections (2B) and (3B), the extent of a person’s beneficial interest in a special purpose entity is to be determined in accordance with Part 2 of Schedule 15D, as if a reference to a fund in that Part were a reference to the person.”.

(7) Section 20AY(6)—

Repeal

“resident”.

(8) Section 20AY(6)—

Repeal

“or (2)”

Substitute

“, (2), (2A), (2D) or (3A)”.

(9) After section 20AY(7)—

Add

"(7A) For a year of assessment commencing on or after 1 April 2025, subsections (1), (2), (2A), (2D) and (3A) do not apply to a person in relation to a period of time if, at all times during the period—

(a) the person is a natural person;

(b) the person is a fund exempt from the payment of tax under section 20AN;

(c) the person would not have been chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C or whose assessable profits would not have included those profits under a provision of this Ordinance, if the assets had been held, or the transactions in the assets had been undertaken, directly by the person; or

(d) the person is an entity—

(i) that is not a business undertaking for general commercial or industrial purpose;

(ii) that does not carry on any trade or business in Hong Kong (other than a trade or business of investing in a fund or special purpose entity that is exempt from the payment of tax under section 20AN or 20AO); and

(iii) at least 95% of the beneficial interest (whether direct or indirect or both) in which is owned by—

(A) a non-resident person;

(B) a person mentioned in paragraph (a), (b) or (c); or

(C) a combination of 2 or more of persons mentioned in sub-subparagraphs (A) and (B).

(7B) For a year of assessment commencing on or after 1 April 2025, for the purposes of subsection (1), the Commissioner may, on application by a resident person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in a fund to the extent set out in section 20AX(2) if the Commissioner is of the opinion that the person would, in the ordinary course of business of the fund, not have had a beneficial interest in the fund to such extent.

(7C) For a year of assessment commencing on or after 1 April 2025, for the purposes of subsections (2A) and (3A), the Commissioner may, on application by a person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in a special purpose entity to the extent set out in subsection (2B) or (3B) (as the case requires) if the Commissioner is of the opinion that the person would, in the ordinary course of business of the special purpose entity, not have had a beneficial interest in the special purpose entity to such extent.".

(10) Section 20AY(8)(a)—

Repeal

"resident".

(11) Section 20AY(8)(a)—

Repeal

"or (2)"

Substitute

“, (2), (2A), (2D) or (3A)”.

(12) Section 20AY(8)(b)—

Repeal

“resident”.

(13) Section 20AY(8)(b)—

Repeal

“or (2)”

Substitute

“, (2), (2A), (2D) or (3A)”.

(14) Section 20AY(8)—

Repeal

“the resident”

Substitute

“the”.

(15) After section 20AY(8)—

Add

“(8A) If—

(a) the assessable profits of a special purpose entity are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an amount that is attributable to those assessable profits of the special purpose entity is distributed to the person during the basis period for a year of assessment; and

(c) the person would have been chargeable to tax in respect of that amount for the year of assessment mentioned in paragraph (b) but for this subsection,

the person is not chargeable to tax in respect of that amount for the year of assessment mentioned in that paragraph.

(8B) If—

(a) the assessable profits of a special purpose entity are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an election made by the person under section 18H(2) has effect for the year of assessment;

(c) the increase in the value of the person's beneficial interests in the special purpose entity is recognized in determining any profit, gain, loss, income or expense of the person in respect of the beneficial interests for the year of assessment; and

(d) the increase in the value is included in the person's assessable profits for the year of assessment,

the amount of the increase in the value is to be reduced by the amount of the assessable profits of the special purpose entity to be regarded as the assessable profits of the person for the year of assessment under this section.".

(16) Section 20AY(9), Chinese text, definition of ***特定目的實體***—

Repeal

"涵義。"

Substitute

"涵義；".

(17) Section 20AY(9)—

Add in alphabetical order

"***insurance company*** (保險公司) has the meaning given by section 20AX(10);

loan (貸款) has the meaning given by section 20AX(10);

money lender (放債人) has the meaning given by section 20AX(10);".

15. Sections 20AZ to 20AZE added

Part 4, Division 9, Subdivision 3, after section 20AY—

Add

"20AZ. Reporting requirements for funds: interpretation and application

(1) For the purposes of this section and sections 20AZA, 20AZB, 20AZD and 20AZE—

(a) a fund is a specified fund for a year of assessment if the fund—

(i) is exempt from the payment of tax under section 20AN for that year of assessment; or

(ii) has a beneficial interest in a special purpose entity that is exempt from the payment of tax under section 20AO for that year of assessment; and

(b) a person is a specified person of a specified fund for a year of assessment if the person is responsible for the management or administration of the fund or any part of the fund in that year of assessment.

(2) In sections 20AZA, 20AZB, 20AZC, 20AZD and 20AZE—

annual notification (周年通知書) means a written notice required to be filed under section 20AZB(1);

designated person (指定人士), in relation to a specified fund, means a person designated by the fund under section 20AZA(3);

designated system (指定系統) means a system designated under section 20AZC(1);

initial notification (初步通知書) means a written notice required to be filed under section 20AZA(1), (4), (6) or (9).

(3) Sections 20AZA and 20AZB do not apply to a specified person of a specified fund for a year of assessment if—

(a) the fund is chargeable to profits tax for that year of assessment;

(b) the fund furnishes a return for that year of assessment under section 51(1); or

(c) subject to subsection (4), the fund is a limited partnership fund or open-ended fund company.

(4) For a year of assessment, if a specified fund is a limited partnership fund or open-ended fund company, and—

(a) the fund does not have any assessable profits other than those in respect of which the fund is exempt from the payment of tax under section 20AN; or

(b) both of the following events occur—

(i) the fund has a beneficial interest in a special purpose entity;

(ii) the special purpose entity does not have any assessable profits other than those in respect of which the special purpose entity is exempt from the payment of tax under section 20AO,

the fund may make an election in writing that sections 20AZA and 20AZB apply to a specified person of the fund for that year of assessment.

(5) An election made under subsection (4)—

(a) is irrevocable; and

(b) (if, before the election is made, a notice has been given under section 51(1) requiring the fund to furnish a return for a year of assessment) may only be made before the expiry of the time limited by that notice.

(6) An election made under subsection (4) in accordance with subsection (5)(b) relieves the obligation of the fund to comply with the requirements of the notice mentioned in subsection (5)(b) given before the election is made.

20AZA. Reporting requirements for funds: initial notification

(1) Subject to subsection (9), a specified person of a specified fund must file a written notice in respect of the fund with the Commissioner within a period of 6 months beginning on the date on which the person begins to manage or administer the fund or part of the fund.

(2) However, the specified person is not required to file an initial notification under subsection (1) if the condition specified in subsection (8) is met.

(3) A specified fund may designate a specified person of the fund in Hong Kong for the purposes of this section.

(4) On a designation under subsection (3), the designated person must file a written notice in respect of the specified fund with the Commissioner within a period of 6 months beginning on the date on which the designation is made (***designation date***).

(5) However, the designated person is not required to file an initial notification under subsection (4) if—

(a) at any time before the designation date, the designated person files an initial notification in respect of the specified fund; or

(b) at any time before the expiry of the period mentioned in that subsection, the designated person files an initial notification in respect of any other specified fund.

(6) If a specified person of a specified fund ceases to be a designated person of the fund, any other specified person of the fund must file a written notice with the Commissioner within a period of 6 months beginning

on the date on which the cessation takes place (***cessation date***).

(7) However, the other specified person is not required to file an initial notification under subsection (6) if—

(a) at any time before the cessation date, the other specified person files an initial notification in respect of the specified fund; or

(b) the condition specified in subsection (8) is met.

(8) For the purposes of subsection (2) or (7)(b), the condition is that—

(a) at any time before the expiry of the period mentioned in subsection (1) or (6) (as the case requires), the specified person of the specified fund files an initial notification in respect of any other specified fund; or

(b) all of the following events occur—

(i) at any time before the expiry of the period mentioned in subsection (1) or (6) (as the case requires), the specified fund designates any other specified person of the fund under subsection (3);

(ii) at any time before the expiry of the period—

(A) the other specified person files an initial notification in respect of the fund under subsection (4); or

(B) the other specified person is not required to file an initial notification in respect of the fund under subsection (5);

(iii) on the expiry of the period, the designation is in effect.

(9) If a person is a specified person of a specified fund for a year of assessment beginning on 1 April 2025 or 1 April 2026, the person must file a written notice with the Commissioner within a period of 12 months beginning on the date on which section 15 of the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026 (of 2026) comes into operation.

(10) However, the specified person is not required to file an initial notification under subsection (9) if—

(a) the specified person files an initial notification in respect of any other specified fund within the period mentioned in that subsection; or

(b) both of the following events occur—

(i) within the period mentioned in that subsection—

(A) the specified fund designates any other specified person of the fund under subsection (3); and

(B) the other specified person files an initial notification in respect of the fund or any other specified fund;

(ii) on the expiry of the period, the designation is in effect.

(11) An initial notification must be filed in an electronic record that—

(a) is sent by using the designated system; and

(b) contains all information specified by the Board of Inland Revenue.

20AZB. Reporting requirements for funds: annual notification

(1) An assessor may give a written notice to a specified person of a specified fund for a year of assessment requiring the person within the time stated in that notice to file another written notice in respect of the fund for that year of assessment.

(2) On receiving a written notice given by an assessor under subsection (1), the specified person must, within the time stated in that notice, file an annual notification in an electronic record that—

(a) is sent by using the designated system; and

(b) contains all information specified by the Board of Inland Revenue.

20AZC. Reporting requirements for funds: designated system

(1) For the purposes of sections 20AZA(11)(a) and 20AZB(2)(a), the Commissioner may designate a system for communication with the Commissioner.

(2) The Commissioner may, by notice published in the Gazette, specify requirements as to—

(a) the way of generating or sending an electronic record for the purposes of section 20AZA(11) or 20AZB(2) or any attachment required to be given with such electronic record;

(b) how a digital signature is to be affixed to an initial notification or annual notification; and

(c) the software and communication in relation to any attachment required to be given with an electronic record.

(3) The Commissioner may, either generally or in a particular case, accept an initial notification or annual notification, despite a requirement under section 20AZA(11) or 20AZB(2) not being complied with in respect of the notification.

(4) A notice under subsection (2) is not subsidiary legislation.

20AZD. Reporting requirements for funds: records to be kept

(1) Section 51C applies, with the modifications specified in subsection (2), to a specified person of a specified fund.

(2) The specified person must—

(a) keep sufficient records to enable the accuracy and completeness of an initial notification or annual notification filed under section 20AZA or 20AZB by the specified person to be readily ascertained; and

(b) retain the records for a period of not less than 7 years after the end of the year of assessment within which the initial notification or annual notification is filed.

(3) Section 80 applies to a failure to comply with section 51C, as modified by subsection (2), in the same way section 80 applies to a failure to comply with section 51C.

20AZE. Reporting requirements for funds: engagement of service provider

(1) A service provider may be engaged for or on behalf of a specified person of a specified fund to file an initial notification or annual notification.

(2) To avoid doubt, even if a service provider has been engaged under subsection (1) to comply with any requirement under section 20AZA or 20AZB, the specified person is not relieved from his or her obligations under that section.”.

16. Section 40AD amended (power to amend Schedule 16D)

Section 40AD(1), after “sections 2,”—

Add

“4(2)(c),”.

17. Section 40AV amended (Schedule 16E: tax treatment of family-owned investment holding vehicle and family-owned special purpose entity)

(1) Section 40AV(2)—

Repeal

“16I, 16J and 16K”

Substitute

“16J, 16K and 16L”.

(2) Section 40AV(3)—

Repeal

“16I, 16J and 16K”

Substitute

“16J, 16K and 16L”.

(3) Section 40AV(3)—

Repeal

“2022”

Substitute

“2025”.

(4) After section 40AV(3)—

Add

“(4) This section and Schedules 16E, 16F, 16G, 16H, 16I, 16J and 16K, as in force immediately before the date on which section 17 of the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026 (of 2026) comes into operation, apply in respect of a year of assessment commencing on or after 1 April 2022 and before 1 April 2025.”.

18. Section 51C amended (business records to be kept)

After section 51C(5)(aa)—

Add

“(aab) section 20AZD (reporting requirements for funds: records to be kept);”.

19. Section 80 amended (penalties for failure to make returns, making incorrect returns, etc.)

(1) Section 80(2T)—

Repeal

“section 10(2)”

Substitute

“section 10(1) or (3)”.

(2) Before section 80(3)—

Add

“(2ZF) A person who, without reasonable excuse, fails to comply with section 20AZA(1), (4), (6) or (9) or 20AZB(2) commits an offence and is liable on conviction to a fine at level 3.

(2ZG) For subsection (2ZF), engaging a service provider under section 20AZE does not in itself constitute a reasonable excuse.

(2ZH) If a person is convicted of an offence under subsection (2ZF) for failing to do an act, the court may order the person to do the act within a time specified in the order.

(2ZI) A person who fails to comply with an order of the court under subsection (2ZH) commits an offence and is liable on conviction to a fine at level 4.”.

20. Section 80Y added

Before section 81—

Add

“80Y. Offences of service provider in relation to filing written notice under section 20AZA or 20AZB

(1) This section applies to a service provider who is engaged by a specified person of a specified fund to file, for or on behalf of the person, a written notice under section 20AZA(1), (4), (6) or (9) or 20AZB(2).

(2) If the service provider fails to cause a written notice to be filed as required by section 20AZA(1), (4), (6) or (9) or 20AZB(2), the service provider commits an offence and is liable on conviction to a fine at level 3.

(3) In this section—

specified fund (指明基金) means a fund within the meaning of section 20AZ(1)(a);

specified person (指明人士) means a person within the meaning of section 20AZ(1)(b).”.

21. Section 89 amended (transitional provisions or other provisions having effect for purposes of amendments to this Ordinance)

Section 89—

Add

“(35) Schedule 68 sets out the provisions that have effect for the purposes of the amendments to this Ordinance made by the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026 (of 2026).”.

22. Schedule 15C amended (provisions for ascertaining amount of assessable profits of resident person under section 20AX)

(1) Schedule 15C, heading—

Repeal

“**of Resident Person**”.

(2) Schedule 15C—

Repeal

“Sch. 15D]”

Substitute

“Schs. 15D & 68]”.

(3) Schedule 15C, Part 1, section 1—

Repeal

"resident" (wherever appearing).

(4) Schedule 15C, Part 1, section 2—

Repeal

"resident".

(5) Schedule 15C, Part 1, after section 2—

Add

"3. In applying section 1 of this Part to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 20AX—

(a) if the person's direct beneficial interest in a fund consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the fund under the variable B in the formula set out in section 2 of this Part does not include the specified beneficial interest; and

(b) if the person holds an indirect beneficial interest in a fund through an exempted person, the person's beneficial interest in the fund under the variable B in the formula set out in section 2 of this Part does not include that indirect beneficial interest.

4. In this Part—

exempted person (豁免人士)—

(a) means a person who would not be chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C, or whose assessable profits would not include those profits under a provision of this Ordinance if the assets are held, or transactions in the assets are undertaken, directly by the person; but

(b) does not include a person who falls within the description in section 20AX(8A)(b) or (d).”.

(6) Schedule 15C, Part 2, sections 1 and 2—

Repeal

“resident” (wherever appearing).

(7) Schedule 15C, Part 2, section 3(a), (b) and (c)(i)—

Repeal

“resident”.

23. Schedule 15D amended (provisions for ascertaining amount of assessable profits of resident person under section 20AY)

(1) Schedule 15D, heading—

Repeal

“**of Resident Person**”.

(2) Schedule 15D—

Repeal

“20AY]”

Substitute

“20AY & Sch. 68]”.

(3) Schedule 15D, Part 1, section 1—

Repeal

"resident" (wherever appearing).

(4) Schedule 15D, Part 1, section 2—

Repeal

"resident".

(5) Schedule 15D, Part 1, after section 2—

Add

"2A. In applying section 1 of this Part to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 20AY (other than subsection (2A), (2D) or (3A) of that section)—

(a) if the person's direct beneficial interest in a fund consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the fund under the variable B1 in the formula set out in section 2 of this Part does not include the specified beneficial interest; and

(b) if the person holds an indirect beneficial interest in a fund through an exempted person, the person's beneficial interest in the fund under the variable B1 in the formula set out in section 2 of this Part does not include that indirect beneficial interest.

2B. In applying section 1 of this Part to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 20AY(2A), (2D) or (3A), the exempt profits of a special purpose entity for a particular day in the year of assessment are to be ascertained in accordance with the formula set out in section 2 of this Part with the following modifications—

(a) the variable B1 is removed;

(b) the variable B2 means the extent of the person's beneficial interest in the special purpose entity (whether direct or indirect or both) on the particular day, expressed as a percentage determined in accordance with Part 2 of this Schedule; and

(c) the modifications specified in sections 2C and 2D of this Part.

2C. If the person's direct beneficial interest in the special purpose entity consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the special purpose entity under the variable B2 in the formula (as modified by section 2B(b) of this Part) does not include the specified beneficial interest.

2D. If the person holds an indirect beneficial interest in the special purpose entity through an exempted person, the person's beneficial interest in the special purpose entity under the variable B2 in the formula (as modified by section 2B(b) of this Part) does not include that indirect beneficial interest.

2E. In this Part—

exempted person (豁免人士)—

(a) means a person who would not be chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C, or whose assessable profits would not include those profits under a provision of this Ordinance if the assets are held, or transactions in the assets are undertaken, directly by the person; but

(b) does not include a person who falls within the description in section 20AY(7A)(b) or (d).”.

24. Schedule 16C amended (classes of assets specified for transactions for purposes of sections 20AN and 20AO and Schedule 16E)

(1) Schedule 16C, heading—

Repeal

“**for Transactions for Purposes of Sections**”

Substitute

“**for Purposes of Sections 20AM,**”.

(2) Schedule 16C—

Repeal

“& 20AS & Schs. 16D, 16E & 17A]”

Substitute

“, 20AQ, 20AS, 20AX & 20AY & Schs. 15C, 15D, 16E, 16J, 16K, 17A & 68]”.

(3) Schedule 16C, Part 1, after item 1—

Add

“1A. Insurance-linked securities”.

(4) Schedule 16C, Part 1, after item 2—

Add

"2A. Direct or indirect equity interests in an entity that is not a corporation".

(5) Schedule 16C, Part 1, after item 8—

Add

"8A. Precious metals, at the value not exceeding 20% of the investment portfolio during the basis period of a year of assessment".

(6) Schedule 16C, Part 1, after item 10—

Add

"10A. Commodities in connection with and incidental to the trading of OTC derivative products (as defined by Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571)) or futures contracts, at the trade volume not exceeding 15% of the total trade volume of the commodities and the OTC derivative products or futures contracts traded during the basis period of a year of assessment".

(7) Schedule 16C, Part 1, after item 11—

Add

"12. Loans

13. Immovable property situated outside Hong Kong

14. Digital assets

15. Emission allowance

16. Emission derivatives

17. Carbon credits".

(8) Schedule 16C, Part 2, section 1, definition of ***futures contract***, paragraph (b)(i)—

Repeal

everything after "listed"

Substitute

"or traded on any stock exchange or futures exchange;".

(9) Schedule 16C, Part 2, section 1—

Add in alphabetical order

"***carbon credit*** (碳信用) means an instrument that represents the reduction, removal or avoidance of greenhouse gases and is traded on—

(a) a trading platform for climate-related products operated by an affiliate of a recognized exchange controller within the meaning of the Securities and Futures Ordinance (Cap. 571); or

(b) a trading platform for climate-related products recognized by the Secretary for Financial Services and the Treasury under section 2 of this Part;

commodity (商品) means aluminium, aluminium metal, aluminium oxide, barley, bitumen, canola, coal, cobalt, cocoa, coffee, copper, corn, cotton, crude oil, diesel, ethanol, fuel oil, gold ore and concentrates, hot-rolled coils, iron ore, jute, lead, lithium, methanol, molybdenum, naphtha, natural gas, nickel, oat, oil seeds and vegetable oils, palm olein, petroleum, rice, rough rice, rubber, soybean, spodumene, stainless steel, steel, sugar, timber, tin, urea, wheat, wood pulp, wool or zinc;

digital asset **(數字資產)**—

(a) means a VA as defined by section 53ZRA(1) of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615);

(b) includes a digital representation of value that is excluded from the definition of ***VA*** in that section by operation of section 53ZRA(2)(a)(i) of that Ordinance; but

(c) does not include a cryptographically secured digital representation of value that provides its holder with an interest in any underlying asset other than Hong Kong dollar or an asset of a class specified in Part 1 of this Schedule;

emission allowance (排放限額) means an instrument—

(a) that conveys a right to emit greenhouse gases; and

(b) that is traded on a trading platform for climate-related products recognized by the Secretary for Financial Services and the Treasury under section 2 of this Part;

emission derivative (排放權衍生工具) means a derivative the payoffs of which are wholly or substantially linked to the payoffs or performance of the underlying emission allowance or carbon credit;

entity (實體) has the meaning given by section 20AN(6);

equity interest (股權權益) has the meaning given by section 20AP(4);

insurance-linked securities (保險相連證券) has the meaning given by section 129A(4) of the Insurance Ordinance (Cap. 41);

loan (貸款) has the meaning given by section 20AX(10);

precious metal (貴金屬) means gold, silver, platinum, iridium, osmium, palladium, rhodium or ruthenium, in a manufactured or unmanufactured state, except any exchange-traded commodity;".

(10) Schedule 16C, Part 2, after section 1—

Add

"2. For the purposes of paragraph (b) of the definition of ***carbon credit*** and paragraph (b) of the definition of ***emission allowance*** in section 1 of this Part, the Secretary for Financial Services and the Treasury may recognize a trading platform for climate-related products.

3. For the purposes of item 8A of Part 1 of this Schedule, the value of precious metal, and the investment portfolio, during the basis period of a year of assessment are to be determined in the manner specified by the Commissioner.".

25. Schedule 16D amended (eligible carried interest and its tax treatment)

(1) Schedule 16D—

Repeal

"80]"

Substitute

"80 & Sch. 68]".

(2) Schedule 16D, section 1—

Repeal the definition of *control*

Substitute

"***control*** (控制), in relation to an entity (***Party A***), means the power of a person or another entity (***Party B***) to secure—

(a) by means of the holding of interests or the possession of voting power in or in relation to Party A or any other entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating Party A or any other entity,

that the affairs of Party A are conducted in accordance with the wishes of Party B;".

(3) Schedule 16D, section 1, definition of ***external investor***—

Repeal

"certified investment".

(4) Schedule 16D, section 1, definition of ***investment management services***—

Repeal

"certified investment".

(5) Schedule 16D, section 1, definition of ***investment management services***, paragraph (a)—

Repeal

"from external investors or potential external investors".

(6) Schedule 16D, section 1—

(a) definition of ***associated corporation***;

(b) definition of ***associated partnership***;

(c) definition of ***certified investment fund***—

Repeal the definitions.

(7) Schedule 16D, section 1—

Add in alphabetical order

"***closely related entity*** (密切相關實體)—see section 2A of this Schedule;

fund (基金)—see section 2 of this Schedule;".

(8) Schedule 16D, section 2, heading—

Repeal

"***certified investment***".

(9) Schedule 16D, section 2, definition of ***qualifying payer***—

Repeal paragraphs (a) and (b)

Substitute

"(a) a fund;

(b) a closely related entity of a fund; or".

(10) Schedule 16D, section 2—

Repeal the definition of *certified investment fund*.

(11) Schedule 16D, section 2—

Add in alphabetical order

"***fund*** (基金)—

(a) has the meaning given by section 20AM; but

(b) does not include a specified entity;".

(12) Schedule 16D, after section 2—

Add

"**2A. Meaning of *closely related entity***

An entity is a closely related entity of another entity if—

(a) one of them has control over the other; or

(b) both of them are under the control of the same person or entity.".

(13) Schedule 16D, section 3—

Repeal subsection (1)

Substitute

“(1) Eligible carried interest—

(a) is a sum received by, or accrued to, a qualifying person from a qualifying payer by virtue of a specified right held directly or indirectly by the qualifying person in respect of the profits of a fund or a specified entity, by way of profit-related return from the provision of investment management services in Hong Kong by the qualifying person for the fund or specified entity; and

(b) for the purposes of Parts 3, 4, 5 and 6 (except section 15) of this Schedule—also includes a sum received by, or accrued to, a qualifying employee of a qualifying person or of a closely related entity of a qualifying person from a qualifying payer by virtue of a specified right held directly or indirectly by the qualifying employee in respect of the profits of a fund or a specified entity, by way of profit-related return from the provision of investment management services in Hong Kong by the qualifying employee for, or on behalf of, the qualifying person for the fund or specified entity.

(1A) For the purposes of subsection (1), a qualifying person or a qualifying employee holds a specified right in respect of the profits of a fund or a specified entity if—

(a) the qualifying person or qualifying employee is entitled to receive, whether directly or indirectly, a share of the profits; and

(b) the entitlement—

(i) is determined in accordance with an agreement governing the operation of the fund or entity, or any other agreement in relation to the provision of investment management services for the fund or entity;

(ii) is not attributable to the capital contribution of the qualifying person or qualifying employee to the fund or entity; and

(iii) is not discretionary but may allow a degree of flexibility concerning the amount, timing, manner of payment or otherwise of the distribution of the share of the profits.".

(14) Schedule 16D, section 3(2)—

Repeal

"person"

Substitute

"qualifying person or a qualifying employee".

(15) Schedule 16D, section 3(2)—

Repeal

"governing the operation of the certified investment fund or the specified entity"

Substitute

"mentioned in subsection (1A)(b)(i)".

(16) Schedule 16D, section 3(2)(a)—

Repeal

everything after "payment"

Substitute

"or accrual of a return on investments in the fund or the specified entity;".

(17) Schedule 16D, section 3(3)—

Repeal

"person"

Substitute

"qualifying person or a qualifying employee".

(18) Schedule 16D, section 3(4)(a)—

Repeal

"a person from a certified investment fund"

Substitute

"a qualifying person or a qualifying employee from a fund".

(19) Schedule 16D, section 3(4)(b)—

Repeal

"person"

Substitute

"qualifying person or qualifying employee".

(20) Schedule 16D, after section 3(4)—

Add

"(4A) For the purposes of subsection (4)(b), the risk is to be assessed with regard to the circumstances of the case including—

(a) the terms of the arrangement for the minimum amount to be received by, or accrued to, a qualifying person or a qualifying employee; and

(b) the investment volatility of the fund or the specified entity.”.

(21) Schedule 16D, section 3(5)(a)—

Repeal

“the person from the certified investment fund”

Substitute

“the qualifying person or qualifying employee from the fund”.

(22) Schedule 16D, section 3(5)(b)—

Repeal

“person”

Substitute

“qualifying person or qualifying employee”.

(23) Schedule 16D, section 3(6), after “subsection (4)(b),”—

Add

“in respect of a qualifying person,”.

(24) Schedule 16D, section 3(6)(a)—

Repeal

“certified investment”.

(25) Schedule 16D, Chinese text, section 3(6)(b), after “之時；”—

Add

"及".

(26) Schedule 16D, after section 3(6)—

Add

"(6A) For the purposes of subsection (4)(b), in respect of a qualifying employee, the risk is also to be assessed as at the latest of—

(a) the time when the employee enters into an agreement for the provision of investment management services for, or on behalf of, the qualifying person;

(b) the time when the employee begins to carry out investment management services for, or on behalf of, the qualifying person directly or indirectly for the fund or the specified entity; and

(c) the time when a change is made to the agreement referred to in paragraph (a) so far as relating to the amount of the sums that are to be, or may be, received by or accrued to the employee.".

(27) Schedule 16D, section 3(7) and (8)—

Repeal

"person"

Substitute

"qualifying person or a qualifying employee".

(28) Schedule 16D, section 3(9)—

Repeal

"person"

Substitute

"qualifying person or qualifying employee".

(29) Schedule 16D, section 3(10)—

Repeal

"(5), (6),"

Substitute

"(4A), (5), (6), (6A),".

(30) Schedule 16D, section 3(10)—

Repeal

"person"

Substitute

"qualifying person or a qualifying employee".

(31) Schedule 16D, section 3—

Repeal subsection (11).

(32) Schedule 16D, section 4(2)—

Repeal paragraph (c)

Substitute

"(c) the eligible carried interest arises from—

(i) profits in respect of which a fund or a special purpose entity is exempt from the payment of tax under section 20AN or 20AO;

(ii) profits that are not chargeable to tax under Part 4 for reasons other than the exemption from the payment of tax under section 20AN or 20AO; or

(iii) any other profits that are chargeable to tax under Part 4.".

(33) Schedule 16D, section 4(2)—

Repeal paragraph (d).

(34) Schedule 16D, section 4(3)(b)—

Repeal

"a certified investment fund that"

Substitute

"a fund that falls within the description in section 20AM(4)(a), (b), (c), (d) or (e) or that".

(35) Schedule 16D, section 5(1)—

Repeal

"certified investment".

(36) Schedule 16D, section 5(4), definition of ***applicable period***—

Repeal

"certified investment".

(37) Schedule 16D, section 8(2)—

Repeal

"certified investment".

(38) Schedule 16D, after section 8(2)—

Add

"(2A) For the purposes of this section, income of the qualifying employee accrued from the employment includes eligible carried interest accrued to the employee directly from the relevant qualifying payer.".

(39) Schedule 16D, section 8(3)—

Repeal

"$A = B – (C \times D)$"

Substitute

"A = B – (C + D) × E".

(40) Schedule 16D, English text, section 8(3)—

Repeal

"for the year" (wherever appearing)

Substitute

"in the year".

(41) Schedule 16D, section 8(3)—

Repeal

"C means that part of B paid out of the eligible carried interest received by, or accrued to, a qualifying person and to which section 4(1) of this Schedule applies for the assessment of that eligible carried interest for profits tax;

D means the percentage specified in section 9 of this Schedule."

Substitute

"C means that part of B paid out of the eligible carried interest (within the meaning of section 3(1)(a) of this Schedule)—

(a) that is received by, or accrued to, a qualifying person; and

(b) in relation to which section 4(1) of this Schedule applies for the assessment of that eligible carried interest for profits tax;

D means that part of B—

(a) that is eligible carried interest (within the meaning of section 3(1)(b) of this

Schedule) accrued to the qualifying employee directly or indirectly from a qualifying payer and not paid out of the eligible carried interest received by, or accrued to, a qualifying person; and

(b) in relation to which section 4(1) of this Schedule would have applied for the assessment for profits tax had it been received by, or accrued to, a qualifying person;

E means the percentage specified in section 9 of this Schedule.".

(42) Schedule 16D, section 8(4), definition of ***qualifying employee***, paragraph (a)—

Repeal subparagraphs (i) and (ii)

Substitute

"(i) a qualifying person who satisfies the conditions in section 5(2) and (3) of this Schedule; or

(ii) a closely related entity of a qualifying person who satisfies the conditions in section 5(2) and (3) of this Schedule;".

(43) Schedule 16D, Part 3, after section 9—

Add

"9A. Related tax treatment for receipt of eligible carried interest by entity for or on behalf of qualifying employee

(1) This section applies if—

(a) an entity (***subject entity***) is partly or wholly owned by a qualifying employee of a qualifying person or of a closely related entity of a qualifying person; and

(b) eligible carried interest is received by, or accrued to, the subject entity, directly or indirectly from a qualifying payer, for or on behalf of the employee.

(2) For the purposes of section 11B, and section 8 of this Schedule, the eligible carried interest is taken to have been received by, or accrued to, the qualifying employee.

(3) For the purposes of Part 4, the eligible carried interest is to be disregarded in the ascertainment of assessable profits or adjusted loss of the subject entity.”.

(44) Schedule 16D—

Repeal section 10

Substitute

“10. Obligations of qualifying person: information and records

(1) A qualifying person must take reasonable steps to ascertain whether eligible carried interest is or will be received by, or accrued to, a qualifying employee of the person or of a closely related entity of the person in a year of assessment as a result of the provision of investment management services in Hong Kong by the employee for, or on behalf of, the person.

(2) Part 9 and section 80 apply, with the modifications specified in this section, to a qualifying person if either or both of the following apply—

(a) the person makes a claim to the Commissioner that eligible carried interest received by, or accrued to, the person is to be assessed for profits tax in accordance with section 4(1) of this Schedule for a year of assessment;

(b) a qualifying employee of the person or of a closely related entity of the person makes a claim to the Commissioner that—

(i) eligible carried interest is received by, or accrued to, the employee as a result of the provision of investment management services in Hong Kong for, or on behalf of, the person in a year of assessment; and

(ii) the eligible carried interest mentioned in subparagraph (i) is to be assessed for salaries tax in accordance with section 8 of this Schedule for the year of assessment.

(3) A qualifying person to whom Part 9 and section 80 apply pursuant to subsection (2) (***relevant qualifying person***) must provide the following information to the Commissioner in the person's return or in other manner or form that may be required by the Commissioner—

(a) if the person makes a claim mentioned in subsection (2)(a)—

(i) the amount of eligible carried interest received by, or accrued to, the person for the year of assessment;

(ii) details of the qualifying payer from which the eligible carried interest was received by, or accrued to, the person for the year of assessment; and

(iii) any other information relating to the eligible carried interest, as specified by the Commissioner; and

(b) if a qualifying employee of the person or of a closely related entity of the person makes a claim mentioned in subsection (2)(b), subject to subsection (4)—

(i) the employee's name;

(ii) the employee's address;

(iii) the employee's Hong Kong Identity Card number (or the number and issuing country of the employee's passport);

(iv) the amount of eligible carried interest received by, or accrued to, the employee in the year of assessment;

(v) details of the qualifying payer from which the eligible carried interest was received by, or accrued to, the employee in the year of assessment; and

(vi) any other information relating to the eligible carried interest, as specified by the Commissioner.

(4) The relevant qualifying person is not required to provide to the Commissioner the information under subsection (3)(b) if the Commissioner is satisfied that the information has been provided by the relevant qualifying payer under section 11 of this Schedule.

(5) For the purposes of section 51C, in addition to keeping and retaining records of income and expenditure under that section—

(a) a relevant qualifying person must, if eligible carried interest received by, or accrued to, a qualifying employee of the person or of a closely related entity of the person is paid out of the eligible carried interest received by, or accrued to, the person—

(i) keep sufficient records to enable the accuracy and completeness of the receipt of the eligible carried interest by, or the accrual of the eligible carried interest to, the employee to be readily ascertained; and

(ii) retain the records for a period of not less than 7 years after the date of the receipt of the eligible carried interest by, or the accrual of the eligible carried interest to, the employee, whichever is the later; and

(b) a relevant qualifying person must, if eligible carried interest is received by, or accrued to, a qualifying employee of the person or of a closely related entity of the person in any other way—

(i) keep records of the information under subsection (3)(b); and

(ii) retain the records for a period of not less than 7 years after the date of the receipt or the accrual of the eligible carried interest, whichever is the later.

(6) Section 80 applies to a failure to comply with section 51C, as modified by subsection (5), in the same way section 80 applies to a failure to comply with section 51C.”.

(45) Schedule 16D, section 11(1)—

Repeal paragraphs (a) and (b)

Substitute

“(a) a person—

(i) makes a claim to the Commissioner that—

(A) the person is a qualifying person; and

(B) eligible carried interest received by, or accrued to, the person is to be assessed for profits tax in accordance with section 4(1) of this Schedule for a year of assessment; or

(ii) makes a claim to the Commissioner that—

(A) the person is a qualifying employee; and

(B) eligible carried interest received by, or accrued to, the person is to be assessed for salaries tax in accordance with section 8 of this Schedule for a year of assessment; and

(b) the eligible carried interest was paid or accrued to the person by the qualifying payer.”.

(46) Schedule 16D, section 11(4)(b)—

Repeal

everything after “interest”

Substitute

“—

(i) for a claim mentioned in subsection (1)(a)(i)—is not to be assessed for profits tax in accordance with section 4(1) of this Schedule; or

(ii) for a claim mentioned in subsection (1)(a)(ii)—is not to be assessed for salaries tax in accordance with section 8 of this Schedule.”.

(47) Schedule 16D, section 12(2)(b)—

Repeal

“interest;”

Substitute

“interest; and”.

(48) Schedule 16D, section 12(2)—

Repeal paragraph (c).

(49) Schedule 16D, section 13(4), definition of ***management fee***—

Repeal

“certified investment”.

(50) Schedule 16D, section 14(3), definition of ***associated loss***—

Repeal

“a transaction”

Substitute

“any profits”.

(51) Schedule 16D, after section 15(3)—

Add

“(4) This section is subject to other provisions of this Part.”.

(52) Schedule 16D, after section 15—

Add

"16. Application of amendments under Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026

(1) The amended Schedule applies to eligible carried interest received by, or accrued to, a qualifying person or a qualifying employee on or after 1 April 2025 for any year of assessment commencing on or after that date.

(2) To avoid doubt, the amended Schedule does not apply to—

(a) eligible carried interest received by, or accrued to, a qualifying person before 1 April 2025 but falling within the basis period for a year of assessment commencing on or after that date; and

(b) eligible carried interest accrued to a qualifying employee before 1 April 2025 but received by the employee on or after that date.

(3) For any year of assessment mentioned in subsection (1), the amended Schedule applies to eligible carried interest received by, or accrued to, a qualifying person or a qualifying employee in the period beginning on 1 April 2025 and ending on the day immediately before the commencement date, as the amended Schedule applies to eligible carried interest received or accrued after that period.

(4) In this section—

amended Schedule (經修訂附表) means this Schedule as amended by section 25 of the Amendment Ordinance;

Amendment Ordinance (《修訂條例》) means the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026 (of 2026);

commencement date (生效日期) means the date on which section 25 of the Amendment Ordinance comes into operation.”.

26. Schedule 16E amended (tax treatment of family-owned investment holding vehicle and family-owned special purpose entity)

(1) Schedule 16E—

Repeal

“16I, 16J & 16K]”

Substitute

“16J, 16K, 16L & 68]”.

(2) Schedule 16E, section 1(1)—

Add in alphabetical order

“***equity interest*** (股權權益), in relation to an entity, means an interest that—

(a) carries rights to the profits, capital or reserves of the entity; and

(b) is accounted for as equity, in the financial statements of the entity, under applicable accounting principles;”.

(3) Schedule 16E, section 6(2)(b)—

Repeal subparagraphs (i) and (ii)

Substitute

“(i) for acquiring, holding (whether directly or indirectly), administering or disposing of either or both of the following—

(A) one or more investee private companies;

(B) any Schedule 16C assets; or

(ii) for the purpose mentioned in subparagraph (i) and for carrying out an activity incidental to that purpose;”.

(4) Schedule 16E, section 6(2)(b)—

Repeal subparagraph (iii).

(5) Schedule 16E, section 6(2)—

Repeal paragraph (c)

Substitute

“(c) Entity B does not carry on any trade or activity except for the purpose of—

(i) acquiring, holding (whether directly or indirectly), administering or disposing of one or more investee private companies;

(ii) acquiring, holding (whether directly or indirectly), administering or disposing of any Schedule 16C assets;

(iii) executing a legal document relating to an activity mentioned in subparagraph (i) or (ii) on behalf of the relevant FIHV; or

(iv) carrying out an activity incidental to the purpose mentioned in subparagraph (i) or (ii); and”.

(6) Schedule 16E, after section 6(4)—

Add

“(5) If an FSPE has an indirect beneficial interest in any Schedule 16C assets through an interposed entity that is an FSPE in which the relevant FIHV has an indirect beneficial interest, the interposed entity is an IFSPE of the relevant FIHV.

(6) If an FSPE has an indirect beneficial interest in any Schedule 16C assets through a series of 2 or more interposed entities each of which is an FSPE in which the relevant FIHV has an indirect beneficial interest, each of the interposed entities is an IFSPE of the relevant FIHV.”.

(7) Schedule 16E, section 9(2)—

Repeal

“earned from the transactions”.

(8) Schedule 16E, section 9—

Repeal subsection (3)

Substitute

“(3) The assessable profits are profits derived from Schedule 16C assets but do not include income specified in Schedule 16L.”.

(9) Schedule 16E, section 9(4)—

Repeal paragraph (b)

Substitute

“(b) that, during the basis period, the Schedule 16C assets are—

(i) primarily managed in Hong Kong; and

(ii) managed by or through an ESF Office of the family that manages the FIHV.”.

(10) Schedule 16E, section 9—

Repeal subsection (5).

(11) Schedule 16E, section 10(1)(a)—

Repeal

"NAV"

Substitute

"Assets Value".

(12) Schedule 16E, section 11, heading—

Repeal

"**NAV**"

Substitute

"**Assets Value**".

(13) Schedule 16E, section 11(1)—

Repeal

"NAV"

Substitute

"Assets Value".

(14) Schedule 16E, section 11(2), (4), (6), (7) and (8)—

Repeal

"NAV" (wherever appearing)

Substitute

"value".

(15) Schedule 16E, section 11—

Repeal subsection (10).

(16) Schedule 16E, English text, section 11(13)—

Repeal the definition of *NAV*.

(17) Schedule 16E, section 12(1)—

Repeal paragraphs (a) and (b)

Substitute

"(a) an FIHV carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) holds (whether directly or indirectly) one or more of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.".

(18) Schedule 16E, section 12(2)—

Repeal

"and share capital"

Substitute

"and the shares, stocks or equity interests described in subsection (1)(b)(ii) or (iii)".

(19) Schedule 16E, section 12(2), after "relevant company"—

Add

"or relevant entity".

(20) Schedule 16E, section 12(2)—

Repeal

"the company's"

Substitute

"its".

(21) Schedule 16E, section 12(2)—

Repeal

"earned from the transactions"

Substitute

"derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)".

(22) Schedule 16E, section 12(3)—

Repeal

"and share capital"

Substitute

"and the shares, stocks or equity interests described in subsection (1)(b)(ii) or (iii)".

(23) Schedule 16E, section 12(3), after "relevant company"—

Add

"or relevant entity".

(24) Schedule 16E, section 12(3)—

Repeal

"the company's"

Substitute

"its".

(25) Schedule 16E, section 12(3)—

Repeal

"earned from the transactions"

Substitute

"derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)".

(26) Schedule 16E, section 12(4)(a), after "securities"—

Add

"or subject equity interests".

(27) Schedule 16E, section 12(4)(a), after "relevant company"—

Add

"or relevant entity".

(28) Schedule 16E, section 12(4)(b), after "securities"—

Add

"or subject equity interests".

(29) Schedule 16E, section 12(4)(b)(i), after "relevant company"—

Add

"or relevant entity".

(30) Schedule 16E, section 12(4)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(31) Schedule 16E, section 12(4)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(32) Schedule 16E, English text, section 12(5), after "a company"—

Add

"or an entity (***relevant party***)".

(33) Schedule 16E, section 12(5)—

Repeal paragraphs (a) and (b)

Substitute

"(a) by means of the holding of interests or the possession of voting power in or in relation to the relevant party or any other company or entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating the relevant party or any other company or entity,".

(34) Schedule 16E, English text, section 12(5)—

Repeal

"affairs of the company"

Substitute

"affairs of the relevant party".

(35) Schedule 16E, section 12(7), definition of ***short-term asset***—

Repeal

", the shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, which are being disposed of by or for an FIHV"

Substitute

"(the shares or stocks of, or issued by, which are being disposed of by or for an FIHV) or an entity (the equity interests in which are being disposed of by or for an FIHV)".

(36) Schedule 16E, section 12(7), definition of ***short-term asset***, paragraph (c), after "company"—

Add

"or the entity".

(37) Schedule 16E, section 12(7)—

Add in alphabetical order

"***subject equity interests*** (標的股權權益), in relation to a relevant entity, means the equity interests in the entity;".

(38) Schedule 16E, section 13(1)—

Repeal paragraphs (a) and (b)

Substitute

"(a) an FIHV carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) does not hold (whether directly or indirectly) any of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.”.

(39) Schedule 16E, section 13(2)—

Repeal

“earned from the transactions”

Substitute

“derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)”.

(40) Schedule 16E, section 13(3)(a), after “securities”—

Add

“or subject equity interests”.

(41) Schedule 16E, section 13(3)(a), after “relevant company”—

Add

“or relevant entity”.

(42) Schedule 16E, section 13(3)(b), after "securities"—

Add

"or subject equity interests".

(43) Schedule 16E, section 13(3)(b)(i), after "relevant company"—

Add

"or relevant entity".

(44) Schedule 16E, section 13(3)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(45) Schedule 16E, section 13(3)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(46) Schedule 16E, English text, section 13(4), after "a company"—

Add

"or an entity (***relevant party***)".

(47) Schedule 16E, section 13(4)—

Repeal paragraphs (a) and (b)

Substitute

“(a) by means of the holding of interests or the possession of voting power in or in relation to the relevant party or any other company or entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating the relevant party or any other company or entity,”.

(48) Schedule 16E, English text, section 13(4)—

Repeal

“affairs of the company”

Substitute

“affairs of the relevant party”.

(49) Schedule 16E, section 13(6)—

Add in alphabetical order

“***subject equity interests*** (標的股權權益), in relation to a relevant entity, means the equity interests in the entity;”.

(50) Schedule 16E, section 15—

Repeal

“earned from the transactions specified in section 9(3) of this Schedule”

Substitute

“derived from Schedule 16C assets”.

(51) Schedule 16E, section 15—

Repeal

“any of those transactions”

Substitute

"the management of Schedule 16C assets".

(52) Schedule 16E, section 16—

Repeal subsection (1)

Substitute

"(1) This section applies to an FSPE for the basis period for a year of assessment if—

(a) section 9 of this Schedule applies, for that year, to an FIHV that has a beneficial interest (whether direct or indirect) in the FSPE; and

(b) (if the beneficial interests in the FSPE are not wholly held by the FIHV) any of the persons making capital contribution to the FSPE does not have day-to-day control over the management of the property of the FSPE (whether or not that person has the right to be consulted on, or to give directions in respect of, the management).".

(53) Schedule 16E, section 16(2)—

Repeal

"for the basis period earned from the transactions specified in subsection (3)"

Substitute

"specified in subsection (3) for the basis period".

(54) Schedule 16E, section 16—

Repeal subsection (3)

Substitute

"(3) The assessable profits—

(a) are profits derived from—

(i) shares, stocks, debentures, loan stocks, funds, bonds or notes (***specified securities***) of, or issued by, an investee private company or an IFSPE;

(ii) rights, options or interests (whether described in units or otherwise) in, or in respect of, the specified securities;

(iii) certificates of interest or participation in, temporary or interim certificates for, receipts for, or warrants to subscribe for or purchase, the specified securities; and

(iv) Schedule 16C assets; but

(b) do not include income specified in Schedule 16L.”.

(55) Schedule 16E, section 16—

Repeal subsections (4), (5) and (6).

(56) Schedule 16E, section 17(1)—

Repeal paragraphs (a) and (b)

Substitute

“(a) an FSPE carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) holds (whether directly or indirectly) one or more of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.”.

(57) Schedule 16E, section 17(2)—

Repeal

“and share capital”

Substitute

“and the shares, stocks or equity interests described in subsection (1)(b)(ii) or (iii)”.

(58) Schedule 16E, section 17(2), after “relevant company”—

Add

“or relevant entity”.

(59) Schedule 16E, section 17(2)—

Repeal

“the company’s”

Substitute

“its”.

(60) Schedule 16E, section 17(2)—

Repeal

“earned from the transactions”

Substitute

"derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)".

(61) Schedule 16E, section 17(3)—

Repeal

"and share capital"

Substitute

"and the shares, stocks or equity interests described in subsection (1)(b)(ii) or (iii)".

(62) Schedule 16E, section 17(3), after "relevant company"—

Add

"or relevant entity".

(63) Schedule 16E, section 17(3)—

Repeal

"the company's"

Substitute

"its".

(64) Schedule 16E, section 17(3)—

Repeal

"earned from the transactions"

Substitute

"derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)".

(65) Schedule 16E, section 17(4)(a), after "securities"—

Add

"or subject equity interests".

(66) Schedule 16E, section 17(4)(a), after "relevant company"—

Add

"or relevant entity".

(67) Schedule 16E, section 17(4)(b), after "securities"—

Add

"or subject equity interests".

(68) Schedule 16E, section 17(4)(b)(i), after "relevant company"—

Add

"or relevant entity".

(69) Schedule 16E, section 17(4)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(70) Schedule 16E, section 17(4)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(71) Schedule 16E, English text, section 17(5), after "a company"—

Add

"or an entity (***relevant party***)".

(72) Schedule 16E, section 17(5)—

Repeal paragraphs (a) and (b)

Substitute

"(a) by means of the holding of interests or the possession of voting power in or in relation to the relevant party or any other company or entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating the relevant party or any other company or entity,".

(73) Schedule 16E, English text, section 17(5)—

Repeal

"affairs of the company"

Substitute

"affairs of the relevant party".

(74) Schedule 16E, section 17(7), definition of ***short-term asset***—

Repeal

", the shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, which are being disposed of by or for an FSPE"

Substitute

"(the shares or stocks of, or issued by, which are being disposed of by or for an FSPE) or an entity (the equity interests in which are being disposed of by or for an FSPE)".

(75) Schedule 16E, section 17(7), definition of ***short-term asset***, paragraph (c), after "company"—

Add

"or the entity".

(76) Schedule 16E, section 17(7)—

Add in alphabetical order

"***subject equity interests*** (標的股權權益), in relation to a relevant entity, means the equity interests in the entity;".

(77) Schedule 16E, section 18(1)—

Repeal paragraphs (a) and (b)

Substitute

"(a) an FSPE carries out transactions in or holds—

(i) shares or stocks (***specified securities***) of, or issued by, a private company (***relevant company***); or

(ii) any direct or indirect equity interests in an entity that is not a corporation, excluding any interests in any assets of a class specified in Part 1 of Schedule 16C (except item 2A of that Part); and

(b) the relevant company or the entity mentioned in paragraph (a)(ii) (***relevant entity***) does not hold (whether directly or indirectly) any of the following—

(i) immovable property in Hong Kong;

(ii) shares or stocks of another private company that holds (whether directly or indirectly) immovable property in Hong Kong;

(iii) any equity interests in another entity falling within the description in paragraph (a)(ii) that holds (whether directly or indirectly) immovable property in Hong Kong.”.

(78) Schedule 16E, section 18(2)—

Repeal

“earned from the transactions”

Substitute

“derived from the transactions in or the holding of the specified securities or equity interests under subsection (1)(a)”.

(79) Schedule 16E, section 18(3)(a), after “securities”—

Add

“or subject equity interests”.

(80) Schedule 16E, section 18(3)(a), after “relevant company”—

Add

“or relevant entity”.

(81) Schedule 16E, section 18(3)(b), after “securities”—

Add

“or subject equity interests”.

(82) Schedule 16E, section 18(3)(b)(i), after "relevant company"—

Add

"or relevant entity".

(83) Schedule 16E, section 18(3)(b)(ii)—

Repeal

"relevant company" (wherever appearing)

Substitute

"relevant company or relevant entity".

(84) Schedule 16E, section 18(3)(b)(ii)—

Repeal

"relevant company's assets"

Substitute

"assets of the relevant company or relevant entity".

(85) Schedule 16E, English text, section 18(4), after "a company"—

Add

"or an entity (***relevant party***)".

(86) Schedule 16E, section 18(4)—

Repeal paragraphs (a) and (b)

Substitute

"(a) by means of the holding of interests or the possession of voting power in or in relation to the relevant party or any other company or entity; or

(b) by virtue of any powers conferred by an agreement or other document regulating the relevant party or any other company or entity,”.

(87) Schedule 16E, English text, section 18(4)—

Repeal

“affairs of the company”

Substitute

“affairs of the relevant party”.

(88) Schedule 16E, section 18(6)—

Add in alphabetical order

“***subject equity interests*** (標的股權權益), in relation to a relevant entity, means the equity interests in the entity;”.

(89) Schedule 16E, section 19—

Repeal

“earned from the transactions specified in section 16(3)”

Substitute

“derived from the property under section 16(3)(a)”.

(90) Schedule 16E, section 19—

Repeal

“any of those transactions”

Substitute

“the management of the property”.

(91) Schedule 16E, Part 4, heading, after “**Persons**”—

Add

“**etc.**”.

(92) Schedule 16E, Chinese text, section 20(1), definition of ***指明實體***—

Repeal

"款。"

Substitute

"款;".

(93) Schedule 16E, section 20(1)—

Add in alphabetical order

"***insurance company*** (保險公司) means an insurer authorized under the Insurance Ordinance (Cap. 41);

loan (貸款)—

(a) has the meaning given by section 2(1) of the Money Lenders Ordinance (Cap. 163); but

(b) does not include securities as defined by section 1 of Part 2 of Schedule 16C;

money lender (放債人) means a person who carries on a money-lending business in Hong Kong or an intra-group financing business as defined by section 14C(1) in Hong Kong;".

(94) Schedule 16E, after section 20(8)—

Add

"(9) A person has control over an FIHV or FSPE if the FIHV or FSPE is accustomed or under an obligation (whether express or implied, and whether or not enforceable or intended to be enforceable by legal proceedings) to act, in relation to the investment or business affairs of the FIHV or FSPE, in accordance with the directions, instructions or wishes of the person.

(10) A person has significant influence over an FIHV or FSPE if—

(a) the person has power to participate in the financial and operating policy decision of the FIHV or FSPE; or

(b) the person holds, directly or indirectly, 20% or more of the voting power in the FIHV or FSPE.”.

(95) Schedule 16E, section 21(1)—

Repeal

“sections 22(2) and (4) and 23(2)”

Substitute

“sections 22 and 23”.

(96) Schedule 16E, section 22, heading, after “**persons**”—

Add

“**etc.**”.

(97) Schedule 16E, after section 22(5)—

Add

“(5A) Without limiting subsections (1) and (4), if, in respect of a year of assessment—

(a) a person—

(i) has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FIHV to the extent prescribed in subsection (5B); or

(ii) has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FIHV, and—

(A) has control or significant influence over the FIHV; or

(B) is an associate of the FIHV;

(b) section 9 of this Schedule applies to the FIHV; and

(c) the person is—

(i) a financial institution;

(ii) an insurance company; or

(iii) a money lender,

the assessable profits of the FIHV derived from a loan for the period of time (***subsection (5A) period***) that would have been chargeable to tax under Part 4 of this Ordinance but for section 9 of this Schedule are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from a trade, profession or business carried on by the person in Hong Kong.

(5B) The extent of a person's beneficial interest in an FIHV mentioned in subsection (5A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the FIHV is a corporation—has not less than 20% of the beneficial interest in the corporation;

(b) if the FIHV is a partnership—has not less than 20% of the beneficial interest in the partnership;

(c) if the FIHV is a trust—has not less than 20% of the beneficial interest in the trust; or

(d) if the FIHV is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 20% of the beneficial interest in the entity.

(5C) For the purposes of subsection (5A), if—

(a) the person is an insurance company that carries on life insurance business (as defined by section 22D) and any other trade, profession or business; and

(b) the assessable profits from the life insurance business of the person is determined under section 23(1)(a),

the assessable profits of the FIHV mentioned in that subsection are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from the other trade, profession or business carried on by the person in Hong Kong.

(5D) Subsection (5A) applies in relation to a person irrespective of whether the person has received or will receive (whether directly or indirectly) from the FIHV any money or other property representing the profits of the FIHV for the relevant year of assessment.”.

(98) Schedule 16E, section 22(6)—

Repeal

“resident” (wherever appearing).

(99) Schedule 16E, section 22(7)—

Repeal

“resident”.

(100) Schedule 16E, section 22(7)—

Repeal

"subsection (1) or (4)"

Substitute

"subsection (1), (4) or (5A)".

(101) Schedule 16E, section 22—

Repeal subsection (8)

Substitute

"(8) However, subsection (1), (4) or (5A) does not apply to a person in relation to a subsection (1) period, subsection (4) period or subsection (5A) period (as the case requires) if, at all times during the period—

(a) the person is a specified entity in relation to the family to which the FIHV is related;

(b) the person is a trustee of a trust that is a specified entity mentioned in paragraph (a);

(c) the person is an ESF Office of the family that manages the FIHV;

(d) the person is a natural person;

(e) the person is an FIHV to which section 9 of this Schedule applies;

(f) the person would not have been chargeable to tax in respect of profits derived from Schedule 16C assets, or the person's assessable profits would not have included those profits under a provision of this Ordinance, if the assets had been held, or the transactions in the assets had been undertaken, directly by the person; or

(g) the person is an entity—

(i) that is not a business undertaking for general commercial or industrial purpose;

(ii) that does not carry on any trade or business in Hong Kong (other than a trade or business of investing in an FIHV or FSPE to which section 9 or 16 of this Schedule applies); and

(iii) at least 95% of the beneficial interest (whether direct or indirect or both) in which is owned by—

(A) a person who is not a resident person;

(B) a person mentioned in paragraph (a), (b), (c), (d), (e) or (f); or

(C) a combination of 2 or more of persons mentioned in sub-subparagraphs (A) and (B).

(8A) For the purposes of subsections (1) and (5A), the Commissioner may, on application by a person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in an FIHV to the extent prescribed in subsection (2) or (5B) (as the case requires) if the Commissioner is of the opinion that the person would, in the ordinary course of business of the FIHV, not have had a beneficial interest in the FIHV to such extent.".

(102) Schedule 16E, section 22(9)(a)—

Repeal

"resident".

(103) Schedule 16E, section 22(9)(a)—

Repeal

"subsection (1) or (4)"

Substitute

"subsection (1), (4) or (5A)".

(104) Schedule 16E, section 22(9)(b)—

Repeal

"resident".

(105) Schedule 16E, section 22(9)(b)—

Repeal

"subsection (1) or (4)"

Substitute

"subsection (1), (4) or (5A)".

(106) Schedule 16E, section 22(9)—

Repeal

"the resident"

Substitute

"the".

(107) Schedule 16E, after section 22(9)—

Add

"(10) If—

(a) the assessable profits of an FIHV are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an amount that is attributable to those assessable profits of the FIHV is distributed to the person during the basis period for a year of assessment; and

(c) the person would have been chargeable to tax in respect of that amount for the year of assessment mentioned in paragraph (b) but for this subsection, the person is not chargeable to tax in respect of that amount for the year of assessment mentioned in that paragraph.

(11) If—

(a) the assessable profits of an FIHV are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an election made by the person under section 18H(2) has effect for the year of assessment;

(c) the increase in the value of the person's beneficial interests in the FIHV is recognized in determining any profit, gain, loss, income or expense of the person in respect of the beneficial interests for the year of assessment; and

(d) the increase in the value is included in the person's assessable profits for the year of assessment,

the amount of the increase in the value is to be reduced by the amount of the assessable profits of the FIHV to be regarded as the assessable profits of the person for the year of assessment under this section.".

(108) Schedule 16E, section 23, heading, after "**persons**"—

Add

"**etc.**".

(109) Schedule 16E, after section 23(2)—

Add

"(2A) If, in respect of a year of assessment—

(a) a resident person has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FSPE to the extent prescribed in subsection (2B); and

(b) section 16 of this Schedule applies to the FSPE,

the assessable profits of the FSPE for the period of time (***subsection (2A) period***) that would have been chargeable to tax under Part 4 of this Ordinance but for section 16 of this Schedule are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the resident person for the year of assessment from a trade, profession or business carried on by the resident person in Hong Kong.

(2B) The extent of a resident person's beneficial interest in an FSPE mentioned in subsection (2A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the FSPE is a corporation—has not less than 30% of the beneficial interest in the corporation;

(b) if the FSPE is a partnership—has not less than 30% of the beneficial interest in the partnership;

(c) if the FSPE is a trust—has not less than 30% of the beneficial interest in the trust; or

(d) if the FSPE is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 30% of the beneficial interest in the entity.

(2C) If, in respect of a year of assessment, the assessable profits of an FSPE would have been regarded as the assessable profits of the same resident person under subsections (1) and (2A) but for this subsection, the assessable profits of that FSPE are to be regarded as the assessable profits of that resident person under subsection (2A) but not under subsection (1).

(2D) If, in respect of a year of assessment—

(a) a resident person has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FSPE;

(b) section 16 of this Schedule applies to the FSPE; and

(c) the FSPE is an associate of the resident person,

the assessable profits of the FSPE for the period of time (***subsection (2D) period***) that would have been chargeable to tax under Part 4 of this Ordinance but for section 16 of this Schedule are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the resident person for the year of assessment from a trade, profession or business carried on by the resident person in Hong Kong.

(2E) If, in respect of a year of assessment, the assessable profits of an FSPE would have been regarded as the assessable profits of the same resident person under subsections (2) and (2D) but for this subsection, the assessable profits of that FSPE are to be regarded as the assessable profits of that resident person under subsection (2D) but not under subsection (2).”.

(110) Schedule 16E, section 23(3)—

Repeal

“and (2)”

Substitute

“, (2), (2A) and (2D)”.

(111) Schedule 16E, after section 23(3)—

Add

"(3A) Without limiting subsections (2A) and (2D), if, in respect of a year of assessment—

(a) a person—

(i) has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FSPE to the extent prescribed in subsection (3B); or

(ii) has, during any period of time, a beneficial interest (whether direct or indirect or both) in an FSPE, and—

(A) has control or significant influence over the FSPE; or

(B) is an associate of the FSPE;

(b) section 16 of this Schedule applies to the FSPE; and

(c) the person is—

(i) a financial institution;

(ii) an insurance company; or

(iii) a money lender,

the assessable profits of the FSPE derived from a loan for the period of time (***subsection (3A) period***) that would have been chargeable to tax under Part 4 of this Ordinance but for section 16 of this Schedule are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from a trade, profession or business carried on by the person in Hong Kong.

(3B) The extent of a person's beneficial interest in an FSPE mentioned in subsection (3A) is that the person, either alone or jointly with any of the person's associates (whether a resident person or not)—

(a) if the FSPE is a corporation—has not less than 20% of the beneficial interest in the corporation;

(b) if the FSPE is a partnership—has not less than 20% of the beneficial interest in the partnership;

(c) if the FSPE is a trust—has not less than 20% of the beneficial interest in the trust; or

(d) if the FSPE is an entity that does not fall within any of paragraphs (a), (b) and (c)—has not less than 20% of the beneficial interest in the entity.

(3C) For the purposes of subsection (3A), if—

(a) the person is an insurance company that carries on life insurance business (as defined by section 22D) and any other trade, profession or business; and

(b) the assessable profits from the life insurance business of the person is determined under section 23(1)(a),

the assessable profits of the FSPE mentioned in that subsection are to be regarded as the assessable profits arising in, or derived from, Hong Kong of the person for the year of assessment from the other trade, profession or business carried on by the person in Hong Kong.

(3D) Subsection (3A) applies in relation to a person irrespective of whether the person has received or will receive (whether directly or indirectly) from the

FSPE any money or other property representing the profits of the FSPE for the relevant year of assessment.”.

(112) Schedule 16E, section 23(4)—

Repeal

“resident” (wherever appearing).

(113) Schedule 16E, after section 23(5)—

Add

“(5A) For the purposes of subsections (2B) and (3B), the extent of a person’s beneficial interest in an FSPE is to be determined in accordance with Part 3 of Schedule 16K, as if a reference to an FIHV in that Part were a reference to the person.”.

(114) Schedule 16E, section 23—

Repeal subsection (6)

Substitute

“(6) However, subsection (1), (2), (2A), (2D) or (3A) does not apply to a person in relation to a subsection (1) period, subsection (2) period, subsection (2A) period, subsection (2D) period or subsection (3A) period (as the case requires) if, at all times during the period—

(a) the person is a specified entity in relation to the family to which the FIHV is related;

(b) the person is a trustee of a trust that is a specified entity mentioned in paragraph (a);

(c) the person is an ESF Office of the family that manages the FIHV;

(d) the person is a natural person;

(e) the person is an FIHV to which section 9 of this Schedule applies;

(f) the person would not have been chargeable to tax in respect of profits derived from Schedule 16C assets, or the person's assessable profits would not have included those profits under a provision of this Ordinance, if the assets had been held, or the transactions in the assets had been undertaken, directly by the person; or

(g) the person is an entity—

(i) that is not a business undertaking for general commercial or industrial purpose;

(ii) that does not carry on any trade or business in Hong Kong (other than a trade or business of investing in an FIHV or FSPE to which section 9 or 16 of this Schedule applies); and

(iii) at least 95% of the beneficial interest (whether direct or indirect or both) in which is owned by—

(A) a person who is not a resident person;

(B) a person mentioned in paragraph (a), (b), (c), (d), (e) or (f); or

(C) a combination of 2 or more of persons mentioned in sub-subparagraphs (A) and (B).

(6A) For the purposes of subsection (1), the Commissioner may, on application by a resident person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in an FIHV to the extent prescribed in section 22(2) of this Schedule if the Commissioner is of the opinion that the person would, in the ordinary course of business of the

FIHV, not have had a beneficial interest in the FIHV to such extent.

(6B) For the purposes of subsections (2A) and (3A), the Commissioner may, on application by a person, determine that the person does not have a beneficial interest (whether direct or indirect or both) in an FSPE to the extent prescribed in subsection (2B) or (3B) (as the case requires) if the Commissioner is of the opinion that the person would, in the ordinary course of business of the FSPE, not have had a beneficial interest in the FSPE to such extent.”.

(115) Schedule 16E, section 23(7)(a)—

Repeal

“resident”.

(116) Schedule 16E, section 23(7)(a)—

Repeal

“or (2)”

Substitute

“, (2), (2A), (2D) or (3A)”.

(117) Schedule 16E, section 23(7)(b)—

Repeal

“resident”.

(118) Schedule 16E, section 23(7)(b)—

Repeal

“or (2)”

Substitute

", (2), (2A), (2D) or (3A)".

(119) Schedule 16E, section 23(7)—

Repeal

"the resident"

Substitute

"the".

(120) Schedule 16E, after section 23(7)—

Add

"(8) If—

(a) the assessable profits of an FSPE are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an amount that is attributable to those assessable profits of the FSPE is distributed to the person during the basis period for a year of assessment; and

(c) the person would have been chargeable to tax in respect of that amount for the year of assessment mentioned in paragraph (b) but for this subsection,

the person is not chargeable to tax in respect of that amount for the year of assessment mentioned in that paragraph.

(9) If—

(a) the assessable profits of an FSPE are to be regarded as the assessable profits of a person for a year of assessment under this section;

(b) an election made by the person under section 18H(2) has effect for the year of assessment;

(c) the increase in the value of the person's beneficial interests in the FSPE is recognized in determining any profit, gain, loss, income or expense of the person in respect of the beneficial interests for the year of assessment; and

(d) the increase in the value is included in the person's assessable profits for the year of assessment,

the amount of the increase in the value is to be reduced by the amount of the assessable profits of the FSPE to be regarded as the assessable profits of the person for the year of assessment under this section.".

27. Schedule 16I repealed (provisions for determining extent of FIHV's beneficial interest in FSPE (sections 11 and 16 of Schedule 16E))

Schedule 16I—

Repeal the Schedule.

28. Schedule 16J amended (provisions for ascertaining amount of assessable profits of resident person under section 22 of Schedule 16E)

(1) Schedule 16J, heading—

Repeal

"**of Resident Person**".

(2) Schedule 16J—

Repeal

"& 16K]"

Substitute

“, 16K & 68]”.

(3) Schedule 16J, English text, section 1, definition of ***indirect beneficial interest***—

Repeal

“Schedule 16E;”

Substitute

“Schedule 16E.”.

(4) Schedule 16J, Chinese text, section 1, definition of ***實體***—

Repeal

“涵義。”

Substitute

“涵義；”.

(5) Schedule 16J, section 1—

Repeal the definition of *resident person*.

(6) Schedule 16J, section 1—

Add in alphabetical order

“***exempted person*** (豁免人士)—

(a) means a person who would not be chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C, or whose assessable profits would not include those profits under a provision of this Ordinance if the assets are held, or transactions in the assets are undertaken, directly by the person; but

(b) does not include a person who falls within the description in section 22(8)(a), (b), (c), (e) or (g) of Schedule 16E;”.

(7) Schedule 16J, section 2—

Repeal

"resident" (wherever appearing).

(8) Schedule 16J, section 3—

Repeal

"resident".

(9) Schedule 16J, Part 2, after section 3—

Add

"3A. In applying section 2 of this Schedule to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 22 of Schedule 16E—

(a) if the person's direct beneficial interest in an FIHV consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the FIHV under the variable B in the formula set out in section 3 of this Schedule does not include the specified beneficial interest; and

(b) if the person holds an indirect beneficial interest in an FIHV through an exempted person, the person's beneficial interest in the FIHV under the variable B in the formula set out in section 3 of this Schedule does not include that indirect beneficial interest.".

(10) Schedule 16J, sections 4 and 6—

Repeal

"resident" (wherever appearing).

(11) Schedule 16J, section 7(a), (b) and (c)(i)—

Repeal

"resident".

29. Schedule 16K amended (provisions for ascertaining amount of assessable profits of resident person under section 23 of Schedule 16E)

(1) Schedule 16K, heading—

Repeal

"**of Resident Person**".

(2) Schedule 16K—

Repeal

"Sch. 16E]"

Substitute

"Schs. 16E & 68]".

(3) Schedule 16K, English text, section 1, definition of ***indirect beneficial interest***—

Repeal

"Schedule 16E;"

Substitute

"Schedule 16E.".

(4) Schedule 16K, Chinese text, section 1, definition of ***實體***—

Repeal

"涵義。"

Substitute

"涵義；".

(5) Schedule 16K, section 1—

Repeal the definition of *resident person*.

(6) Schedule 16K, section 1—

Add in alphabetical order

"***exempted person*** (豁免人士)—

(a) means a person who would not be chargeable to tax in respect of profits derived from assets of a class specified in Schedule 16C, or whose assessable profits would not include those profits under a provision of this Ordinance if the assets are held, or transactions in the assets are undertaken, directly by the person; but

(b) does not include a person who falls within the description in section 23(6)(a), (b), (c), (e) or (g) of Schedule 16E;".

(7) Schedule 16K, section 2—

Repeal

"resident" (wherever appearing).

(8) Schedule 16K, section 3—

Repeal

"resident".

(9) Schedule 16K, Part 2, after section 3—

Add

"3A. In applying section 2 of this Schedule to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 23 of Schedule 16E (other than subsection (2A), (2D) or (3A) of that section)—

(a) if the person's direct beneficial interest in an FIHV consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the FIHV under the variable B1 in the formula set out in section 3 of this Schedule does not include the specified beneficial interest; and

(b) if the person holds an indirect beneficial interest in an FIHV through an exempted person, the person's beneficial interest in the FIHV under the variable B1 in the formula set out in section 3 of this Schedule does not include that indirect beneficial interest.

3B. In applying section 2 of this Schedule to calculate the amount regarded as the assessable profits of a person for a year of assessment under section 23(2A), (2D) or (3A) of Schedule 16E, the concessionary profits of an FSPE for a particular day in the year of assessment are to be ascertained in accordance with the formula set out in section 3 of this Schedule with the following modifications—

(a) the variable B1 is removed;

(b) the variable B2 means the extent of the person's beneficial interest in the FSPE (whether direct or indirect or both) on the particular day, expressed as a percentage determined in accordance with Part 3 of this Schedule; and

(c) the modifications specified in sections 3C and 3D of this Schedule.

3C. If the person's direct beneficial interest in the FSPE consists of a beneficial interest attributable to the person's profits that do not form part of the person's assessable profits under a provision of this Ordinance (***specified beneficial interest***), the person's beneficial interest in the FSPE under the variable B2 in the formula (as modified by section 3B(b) of this Schedule) does not include the specified beneficial interest.

3D. If the person holds an indirect beneficial interest in the FSPE through an exempted person, the person's beneficial interest in the FSPE under the variable B2 in the formula (as modified by section 3B(b) of this Schedule) does not include that indirect beneficial interest.".

30. Schedule 16L added

After Schedule 16K—

Add

“Schedule 16L

[ss. 20AN, 20AO & 40AV & Schs. 16E & 68]

Income Specified for Purposes of Sections 20AN(3A) and 20AO(2A) and Sections 9(3) and 16(3) of Schedule 16E

1. Income that is derived from shares or stocks of a private company and is attributable to property trading or property development in respect of immovable property in Hong Kong”.

31. Schedule 68 added

The Ordinance—

Add

“Schedule 68

[s. 89(35)]

Provisions for Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest) Ordinance 2026

1. The amendments made to the existing provisions of this Ordinance by the Inland Revenue (Amendment) (Preferential Tax Regimes for Funds, Family-owned Investment Holding Vehicles and Carried Interest)

Ordinance 2026 (of 2026) (***Amendment Ordinance***) and the new provisions added to this Ordinance by the Amendment Ordinance apply to a year of assessment beginning on or after 1 April 2025.

2. In this Schedule—

existing provisions (現有條文) means sections 20AM, 20AN, 20AO, 20AP, 20AQ, 20AS, 20AU, 20AV, 20AW, 20AX, 20AY, 40AD, 40AV(2) and (3), 51C and 80 and Schedules 15C, 15D, 16C, 16D, 16E, 16I, 16J and 16K;

new provisions (新訂條文) means sections 20AMA, 20AZ, 20AZA, 20AZB, 20AZC, 20AZD, 20AZE and 80Y, this Schedule and Schedule 16L.”.

Explanatory Memorandum

The objects of this Bill are to amend the Inland Revenue Ordinance (Cap. 112) (***Ordinance***) to—

(a) adjust the profits tax exemption for funds and related entities;

(b) adjust the profits tax concessions for family-owned investment holding vehicles and related entities;

(c) adjust the profits tax and salaries tax concessions for carried interest; and

(d) provide for related matters.

2. The Bill contains 31 clauses.

3. Clause 1 sets out the short title.

4. Clause 3 amends section 20AM of the Ordinance to provide that, among other things, certain arrangements are also funds under Subdivision 3 of Division 9 of Part 4 of, and Schedules 15C, 15D and 16C to, the Ordinance, such as arrangements commonly known as pension fund or endowment fund, and certain arrangements funded by only one participating person.

5. Clause 4 adds a new section 20AMA to the Ordinance to provide for the application of profits tax exemption under section 20AN of the Ordinance to a fund.

6. Clauses 5, 6, 7 and 8 amend sections 20AN, 20AO, 20AP and 20AQ of the Ordinance respectively to adjust the profits tax exemption for funds and special purpose entities. In particular—

(a) clause 5 amends section 20AN of the Ordinance to revise the conditions for a fund to be exempt from the payment of tax chargeable under Part 4 of the Ordinance and the scope of assessable profits in respect of which a fund is exempt from the payment of the tax;

(b) clause 6 amends section 20AO of the Ordinance to revise the scope of a special purpose entity that may be exempt from the payment of tax chargeable under Part 4 of the Ordinance and the scope of assessable profits in respect of which a special purpose entity is exempt from the payment of the tax; and

(c) clauses 7 and 8 amend sections 20AP and 20AQ of the Ordinance respectively to revise the requirements as to when the exemption under section 20AN or 20AO of the Ordinance does not apply to a fund or special purpose entity holding or not holding immovable property in Hong Kong through another entity.

7. Clause 9 substitutes section 20AS of the Ordinance so that an open-ended fund company is exempt from the payment of profits tax for assessable profits derived from utilizing assets of a class not specified in Schedule 16C to the Ordinance to generate income.

8. Clause 12 amends section 20AW of the Ordinance to set out, for the purpose of interpretation of sections 20AX and 20AY of the Ordinance as amended by clauses 13 and 14 respectively, how a person has control or significant influence over a fund or special purpose entity.

9. Clauses 13 and 14 amend sections 20AX and 20AY of the Ordinance respectively to adjust the circumstances under which the assessable profits of a fund or special purpose entity are to be regarded as the assessable profits of a person. For example, the assessable profits of a fund or special purpose entity derived from a loan for a period of time are to be regarded as the assessable profits of a person if the person—

 (a) has, during the period of time, a beneficial interest in the fund or special purpose entity to a certain extent; and

 (b) is a financial institution, insurance company or money lender.

10. Clause 15 adds new sections 20AZ, 20AZA, 20AZB, 20AZC, 20AZD and 20AZE to the Ordinance to provide for the reporting requirements for funds. In particular—

 (a) the new section 20AZ provides for the interpretation and application for the reporting requirements;

 (b) the new section 20AZA provides that a person responsible for the management or administration of a fund or part of a fund (***specified person***) must, within a certain period of time, file a written notice in respect of the fund (***initial notification***) with the Commissioner of Inland Revenue (***Commissioner***);

 (c) the new section 20AZB provides that on receiving a written notice from an assessor, a specified person of a fund must file a written notice in respect of the fund for a year of assessment (***annual notification***);

 (d) the new section 20AZC provides for the designation of a system for communication with the Commissioner for the filing of an initial notification or annual notification;

(e) the new section 20AZD provides for the requirements to keep sufficient records of an initial notification or annual notification and to retain the records for a period of time; and

(f) the new section 20AZE provides that a person who is under the obligation to file an initial notification or annual notification may engage a service provider (***service provider***) to do so.

11. Clause 16 amends section 40AD of the Ordinance to enable the Secretary for Financial Services and the Treasury to amend section 4(2)(c) of Schedule 16D to the Ordinance by notice published in the Gazette.

12. Clause 17 amends section 40AV of the Ordinance to provide for, among other things, the application of the provisions of the Ordinance relating to the tax treatment of family-owned investment holding vehicle and family-owned special purpose entity.

13. Clause 19 amends section 80 of the Ordinance to create an offence of a failure to comply with section 10(1) or (3) of the amended Schedule 16D to the Ordinance, or the new section 20AZA(1), (4), (6) or (9) or 20AZB(2). It also provides that a person engaging a service provider does not in itself constitute, for the purposes of new subsection (2ZF) of section 80 of the Ordinance, a reasonable excuse for the person's failure to comply with certain requirements mentioned in that subsection.

14. Clause 20 adds a new section 80Y to the Ordinance to create an offence of a failure of a service provider to cause a written notice to be filed as required by the new section 20AZA(1), (4), (6) or (9) or 20AZB(2).

15. Clause 24 amends Schedule 16C to the Ordinance to add classes of assets specified for the purposes of sections 20AN and 20AO of, and Schedule 16E to, the Ordinance.

16. Clause 25 amends Schedule 16D to the Ordinance to adjust the profits tax and salaries tax concessions for carried interest. In particular—

   (a) a fund is no longer required to be certified by the Hong Kong Monetary Authority in order for the fund to become a qualifying payer under section 2 of that Schedule;

   (b) the requirement of hurdle rate under section 3 of that Schedule is removed;

   (c) the scope of qualifying payer under that Schedule is expanded to cover a closely related entity of a fund; and

   (d) eligible carried interest under that Schedule includes a sum directly received by, or accrued to, a qualifying employee of a qualifying person or of a closely related entity of a qualifying person from a qualifying payer under certain circumstances.

17. Clause 26 amends Schedule 16E to the Ordinance to adjust the profits tax concessions for family-owned investment holding vehicles and family-owned special purpose entities to align the concessions with the profits tax exemption for funds and special purpose entities.

18. Clauses 22, 23, 28 and 29 amend Schedules 15C, 15D, 16J and 16K to the Ordinance respectively to adjust the ascertainment of assessable profits of a person under sections 20AX and 20AY of, and sections 22 and 23 of Schedule 16E to, the Ordinance, as amended by clauses 13, 14 and 26 respectively.

19. Clause 30 adds a new Schedule 16L to the Ordinance to specify the income for the purposes of new sections 20AN(3A) and 20AO(2A) of, and the amended sections 9(3) and 16(3) of Schedule 16E to, the Ordinance.

20. Clauses 10, 11, 18 and 27 make consequential amendments to the Ordinance, including the repeal of Schedule 16I to the Ordinance.

21. The amendments made to the Ordinance by the Bill apply to a year of assessment beginning on or after 1 April 2025 (see new Schedule 68 added by clause 31).