

Government welcomes passage of Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018

The Government welcomed the passage of the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018 by the Legislative Council today (February 20). The Bill provides profits tax exemption for eligible onshore and offshore funds operating in Hong Kong.

Under the Bill, all privately offered onshore and offshore funds operating in Hong Kong, regardless of their structure, their size or the purpose that they serve, can enjoy profits tax exemption for their transactions in specified assets subject to meeting certain conditions. An eligible fund can also enjoy profits tax exemption from its investment in both overseas and local private companies. The Bill seeks to address the concerns of the Council of the European Union over the ring-fencing features of Hong Kong's tax regimes for privately offered offshore funds and enhance the competitiveness of Hong Kong's tax regimes by creating a level playing field for all funds operating in Hong Kong.

A Government spokesman said, "To minimise the risk of tax evasion, we have put in place certain anti-abuse measures, including certain requirements on a fund's investment in private companies in relation to holding of immovable property and assets, as well as holding period. Also, the current anti-round tripping provisions for resident persons will be retained.

"The Bill would help strengthen Hong Kong's position as an international asset and wealth management centre and drive demand for the related professional services in Hong Kong. Our financial services industry will benefit as a whole. Local start-ups would also benefit as the tax disincentive for funds to invest in local private companies has been removed."

The new tax regime will come into operation on April 1, 2019.