

Government welcomes passage of five amendments to Inland Revenue Ordinance

The Secretary for Financial Services and the Treasury, Mr James Lau, welcomed the passage of the Inland Revenue (Amendment) (No. 7) Bill 2018 by the Legislative Council today (February 20).

The new Ordinance gives effect to five amendments to the Inland Revenue Ordinance (IRO). These include aligning the tax treatment of financial instruments with their accounting treatment; allowing taxpayers the deduction of interest expenses payable to overseas export credit agencies; refining the provisions that implement the arrangement for automatic exchange of financial account information in tax matters (AEOI); avoiding double non-taxation of income of visiting teachers and researchers; and revising the meaning of the sibling relationship.

Mr Lau said, "Allowing taxpayers to elect to have their profits derived from financial instruments taxed on the same basis as that of their accounting treatment will facilitate their preparation of tax returns. Interest expenses payable to overseas export credit agencies are also made deductible to help foster trading activities between Hong Kong and other places.

"The Government has agreed in principle with the Mainland for the introduction of a teachers and researchers article in the comprehensive avoidance of double taxation arrangement with the Mainland as soon as possible so as to relieve the tax burden for Hong Kong teachers and researchers working there. The amendment to the Ordinance will help avoid double non-taxation of income of visiting teachers and researchers," Mr Lau added.

The Ordinance also includes refinements to the current AEOI regime to clarify the meanings of certain concepts while removing five categories of institutions from the list of non-reporting financial institutions. In addition, it revises the meaning of "brother and sister" under the IRO to cover relevant cases related to adopted persons in the eligibility criteria for dependent brother or dependent sister allowance.

The Inland Revenue Department will update the Departmental Interpretation and Practice Notes as appropriate to provide information about the relevant amendments.