

Inland Revenue (Amendment) (No. 7) Bill 2018 to be gazetted

The Inland Revenue (Amendment) (No. 7) Bill 2018 (Amendment Bill) will be gazetted on November 2. It seeks to:

- (a) align the tax treatment of financial instruments with their accounting treatment;
- (b) allow the deduction of interest expenses payable to overseas export credit agencies;
- (c) refine the provisions that implement the arrangement for automatic exchange of financial account information in tax matters (AEOI);
- (d) avoid potential double non-taxation of income of visiting teachers and researchers; and
- (e) revise the meaning of the sibling relationship.

"The current accounting standard requires certain entities to account for financial instruments on a fair value basis. The provision of an option for profits tax payers to elect to have financial instruments taxed on the same basis will facilitate their efforts in preparing the necessary tax returns. Separately, the proposal of allowing deduction of the interest expenses payable to overseas export credit agencies should help foster trading activities between Hong Kong and other places," a Government spokesman said.

The Amendment Bill also includes refinements to the AEOI regime implemented since 2017, so as to closely follow the requirements promulgated by the Organisation for Economic Co-operation and Development. "The amendments related to AEOI are particularly crucial for Hong Kong to preserve its competitiveness and reputation as an international financial and business centre," the spokesman added.

The Government has also proposed amendments to the Inland Revenue Ordinance (IRO) to avoid potential double non-taxation of income of visiting teachers and researchers arising from the introduction of tax exemption for teachers and researchers in comprehensive avoidance of double taxation agreements/arrangements (CDTAs) signed by Hong Kong. Such an exemption arrangement has already been included in the CDTA signed with Saudi Arabia, and the Government plans to include an exemption in the one with the Mainland so as to relieve tax burden for Hong Kong teachers and researchers working in the Mainland.

Moreover, to promote family support, the Amendment Bill proposes expansion of the meaning of "brother and sister" under the IRO to cover some cases related to adopted persons in determining the eligibility for dependent brother or dependent sister allowance.

The Amendment Bill will be introduced into the Legislative Council on November 14.