

Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Bill 2024 gazetted

The Government published the Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Bill 2024 in the Gazette today (March 28) to implement the "patent box" tax incentive, thereby encouraging enterprises to forge ahead with more research and development (R&D) activities and promote intellectual property (IP) trading, strengthening Hong Kong's competitiveness as a regional IP trading centre.

A spokesman for the Commerce and Economic Development Bureau said, "The relevant amendments aim to put into effect a major policy measure under the Chief Executive's 2023 Policy Address to promote the development of IP trading, which provides tax concessions for profits sourced in Hong Kong and derived from eligible IP created through R&D activities."

The 2023 Policy Address has announced that the concessionary tax rate for the "patent box" tax incentive will be set at 5 per cent, which is substantially lower than the prevailing normal profits tax rate in Hong Kong (i.e. 16.5 per cent). This aims to encourage the innovation and technology (I&T) sector to actively engage in more R&D activities and conduct commercialisation transactions making use of patents and other IP protections, and create more IPs with market potential as a catalyst for promoting I&T and IP trading activities.

In addition, to encourage and promote more filings under the local patent system (in particular the original grant patent (OGP) system) for obtaining legal protection locally, if the relevant eligible IP is a patent filed or granted outside Hong Kong, the Government proposes to additionally require that there must already be an application for or a grant of an OGP or a short-term patent (STP) in Hong Kong for the underlying invention in order to qualify for the "patent box" tax incentive. A post-grant substantive examination request must also be filed for an STP. The relevant requirement will apply to those applications for registration of an eligible IP which are filed after the period of 24 months following the commencement date of the Bill.

"The increase in IP trading activities will be conducive to creating more business and employment opportunities for relevant professional services such as legal, valuation, management, consultation and agency services, thereby further developing and strengthening the IP ecosystem. All these will help foster Hong Kong's development into an international I&T centre and a regional IP trading centre as set out in the 14th Five-Year Plan," the spokesman added.

The Bill will be introduced into the Legislative Council for first and

second readings on April 10.