

Scope of tax deductions for capital expenditure incurred for purchase of intellectual property rights expanded

The Inland Revenue (Amendment) (No. 5) Ordinance 2018 (the Amendment Ordinance) was gazetted and came into operation today (June 29) to expand the scope of profits tax deductions for capital expenditure incurred by enterprises for the purchase of intellectual property (IP) rights from five types to eight with effect from the year of tax assessment 2018/19.

The additional three types of IP rights involved are rights in layout design (topography) of integrated circuits, plant varieties and performances. The original five types of IP rights for which profits tax deductions have already been provided for the capital expenditure incurred for their purchase are patents, know-how, copyright, registered designs and registered trade marks.

"The expansion of the scope of profits tax deductions is one of our initiatives to encourage enterprises to engage in the development of IP trading business and promote Hong Kong as an IP trading hub in the Asia-Pacific region. Implementation of this initiative through the Amendment Ordinance would add new impetus to our efforts," a spokesman for the Commerce and Economic Development Bureau said.

The Amendment Bill also expands the scope of tax deductions originally provided for the registration expenses for trade marks, designs and patents, to cover plant variety rights as well.

The Amendment Ordinance was passed by the Legislative Council on June 20. With the expansion in the scope of tax deductions provided therein, capital expenditure incurred by enterprises for the purchase of various major types of IP rights, as well as the expenses for the registration of IP rights under applicable regimes, would be deductible under the Inland Revenue Ordinance (Cap. 112).