

Tax exemption for Anti-epidemic Fund

The Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order will be gazetted and take effect on May 29. The Order seeks to implement tax exemption from the year of assessment (YA) 2019-20 to most of the financial assistance or relief under the Anti-epidemic Fund (AEF) provided to businesses or individuals.

"In view of the unprecedented challenges arising from the coronavirus disease 2019 epidemic, the Government has established the AEF and two rounds of relief measures have been rolled out. Apart from certain measures that have no tax consequences in respect of the sums received under the AEF, other measures entail tax liabilities under the Inland Revenue Ordinance.

"To enable businesses and individuals to fully benefit from the assistance under the AEF, the beneficiaries shall be exempt from the payment of profits tax and salaries tax in respect of the assistance unless the sums are paid for general business activities and are not paid in a matching arrangement," a Government spokesman said.

A summary of the proposed tax treatment for the two rounds of measures under the AEF is in the Annex. The Government will adopt the same principles to provide tax exemption as and when further relief measures are rolled out under the AEF.

As most taxpayers are starting to file tax returns for YA 2019-20, commencement of the Order upon gazettal provides clarity and certainty of the tax treatment. Employers and employees need not report the sums exempted in tax returns upon commencement of the Order. Businesses or individuals that have already filed their tax returns can furnish the Inland Revenue Department with a written notification to amend relevant information. Employers should file a revised Employer's Return for the relevant employee(s).

The Order will be tabled at the Legislative Council for negative vetting on June 3.