



The 5<sup>th</sup> BRITACOF

Deepening Tax Administration Cooperation for  
High-Quality Belt and Road Development

Hong Kong, China 24-26/9/2024



# Optimizing Administration Measures in Financial Sector to Reduce Tax Compliance Costs

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# Hong Kong as an International Finance Centre





# Hong Kong's Economy and Business Environment

- World No.1 for investment environment<sup>1</sup>
- Asia-Pacific No.1 and World No.2 for enterprise conditions<sup>1</sup>
- World No.2 freest economy<sup>2</sup>
- World No.5 and Asia-Pacific No.2 for competitiveness<sup>3</sup>
- World No.2 for tax policy<sup>4</sup>

1. Legatum Institute: Legatum Prosperity Index 2023

2. Canada-based Fraser Institute: Economic Freedom of the World 2023 Annual Report

3. International Institute for Management Development (IMD): World Competitiveness Yearbook 2024

4. International Institute for Management Development (IMD): World Competitiveness Yearbook 2024





# Hong Kong's Financial Market

- World No.4 global financial centre<sup>1</sup>
- World No.4 and World No.7 for foreign direct investment inflows and outflows respectively<sup>2</sup>
- World's 8th largest and Asia's 5th largest stock market (end-April 2024)
- World No.6 for Initial Public Offering funds raised (2023)
- World's largest offshore listing venue for Mainland Chinese issuers
- World's largest offshore Renminbi hub
- Highest concentration of insurers in Asia
- 72 of the world's top 100 banks operating in Hong Kong (end-May 2024)

1. UK-based Z/Yen and China Development Institute from Shenzhen: Global Financial Centres Index released in March 2024

2. UNCTAD: World Investment Report 2023



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# Competitive Tax System for Financial Sector







# Hong Kong's General Tax System

- Territorial source principle of taxation
- Simple tax system
  - ◆ Three direct taxes only – Salaries tax, property tax and profits tax
  - ◆ No tax on Hong Kong sourced dividends
  - ◆ No tax on Hong Kong sourced capital gains
- Relatively low tax rates
  - ◆ Two-tiered profits tax rates
  - ◆ Reduced tax rates under preferential regimes
- Various profits tax and stamp duty relief





# Profits Tax and Stamp Duty Relief



## Profits Tax Relief

- Corporate treasury centres
- Qualified debt instruments
- Insurance
- Funds
- Carried interest
- Family-owned investment holding vehicles
- Islamic finance schemes
- Foreign-sourced income exemption relief for regulated financial entities



## Stamp Duty Relief

- Stock borrowing and lending transactions
- In-kind allotment and redemption of units in collective investment schemes
- Real estate investment trust units
- Islamic finance schemes
- Exchange traded funds
- Option markets makers
- Dual-counter market makers





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# Business Friendly Tax Administration





## Simple Tax Reporting

- Single profits tax return
- Supplementary forms for various tax incentives

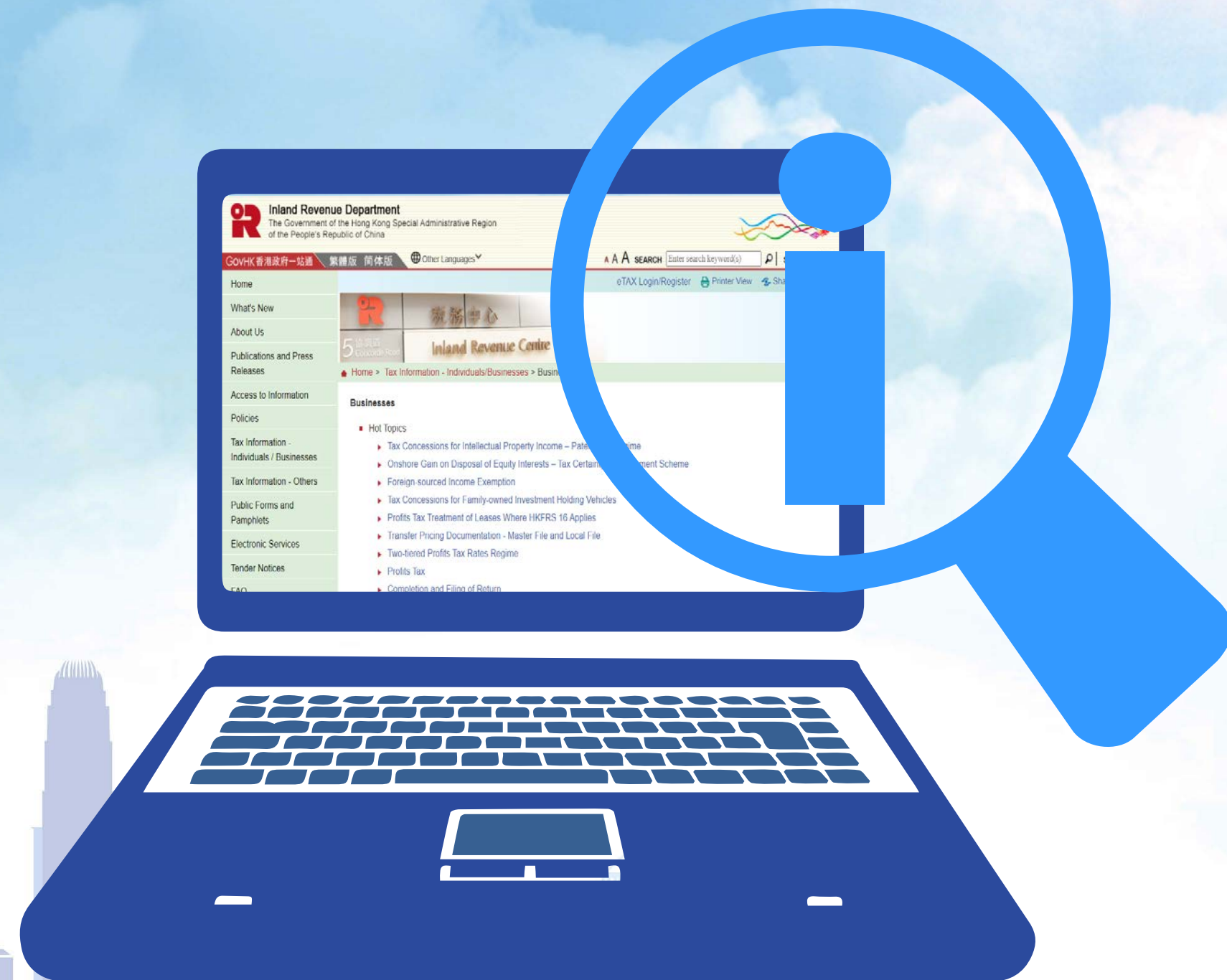






# Transparent Tax Interpretation and Tax Practices

- Regular promulgation of guidance on new tax issues, common arrangements or transactions
- Delivery of updates on tax developments through seminars, conferences and meetings with tax profession and business sectors







## Digitalization of Tax Services

- Electronic filing of profits tax returns
  - ◆ iXBRL format for filing of financial statements
  - ◆ IRD Taxonomy Package for tagging of financial statements and tax computations
- Three new tax portals to facilitate the handling of tax matters by taxpayers and tax representatives
  - ◆ Individual Tax Portal
  - ◆ Business Tax Portal
  - ◆ Tax Representative Portal

New Era of Profits Tax Filing

**Go Forward  
Go Digital**







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# Effective Tax Compliance Programme





## Client-Focused Approach

- To handle tax files of constituent entities of large enterprise groups on a group basis
- Relationship management approach
  - ◆ Designated assessing officers/teams to handle tax files of the same group
  - ◆ Regular engagement with taxpayers to:
    - discuss the tax and compliance issues relating to the taxpayer
    - alert taxpayers to any new or forthcoming tax development that may concern the taxpayer
    - understand any changes to the taxpayer's operation that may have implications





# Promotion of Self-compliance

- Advise taxpayers to put in place proper system to ensure the accuracy of tax reporting
- Encourage voluntary disclosure of any matters of non-compliance identified





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# Close Dialogue with Stakeholders

- Regular briefings and engagement sessions with stakeholders to gather views on tax-related matters







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# Enhanced Tax Certainty





# Advance Rulings



- IRD's confirmation on tax treatments in relation to contemplated arrangements or transactions
- Publications of rulings that are of general importance
- Commissioner's opinions may be provided for proposed tax measures







# Advance Pricing Arrangements (APA)



- Agreement between IR D and taxpayers on the application of transfer pricing principles to related party transactions
- Wide scope of transactions to which APAs can apply (including financial transactions)
- APAs can be unilateral, bilateral or multilateral







# The 5<sup>th</sup> Belt and Road Initiative Tax Administration Cooperation Forum



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**Thank you**

