

TAX UPDATES – JANUARY 2021

1. Zero Tax Rate on Carried Interest (附帶權益稅務優惠更新)

On 31 December 2020, the Legislative Council Panel on Fiscal Affairs released its discussion paper on the proposed tax concession regime for carried interest (“Carry”). It is proposed that Qualifying Carry would be taxed at **0%** Profits Tax rate. For individuals deriving assessable income from employment with qualifying institutions, 100% of the eligible Carry (with certain requirements) would also be exempt from Salaries Tax. Subject to the approval of the Legislative Council, the proposed tax concession is expected to be applied retrospectively to eligible Carry received by or accrued to qualifying Carry recipients on or after **1 April 2020**.

Substance requirements are imposed on the fund managers in Hong Kong. It must i) employ at least 2 investment professionals; and ii) incur at least HK\$2 million operating expenses annually. To qualify for the tax concession, the fund will need to apply to **Hong Kong Monetary Authority** to certify that whether investments and local substance requirements are likely to be met. In addition, an external auditor will need to be appointed to verify that the substance requirement is fulfilled.

Points to Note

Considering the huge difference in the tax rate of Carry (0%) and other principal income (8.25% or 16.5%) of the taxpayer, we expect the Inland Revenue Department to enforce strict requirements on classifications of expenses attributable to Carry and other principal income in the Profits Tax computation. Expenses attributable to Carry are not tax-deductible on the basis that they are not incurred in the production of profits chargeable to Hong Kong Profits Tax.

立法會財政事務委員會於2020年12月31日發布了有關擬定附帶權益稅務優惠的諮詢文件，合資格的附帶權益可享受**0%**的香港利得稅稅率，即完全免稅，個人從僱傭所獲取合資格附帶權益也不用繳納薪俸稅。經立法會批准後，稅務優惠追溯適用合資格附帶權益收取人在**2020年4月1日**或之後收取或計提的合資格附帶權益。

合資格附帶權益必須符合特定的條件如滿足實質活動要求，包括i) 基金必須聘用不少於2名投資專業人士及ii) 每年在香港有不少於200萬港元的本地營運開支。相關基金需要得到香港金融管理局的核准，並委任外部審計師證明其附帶權益收取人滿足以上實質活動要求。

值得留意的事項

由於附帶權益的優惠稅率 (0%) 與主要收入的香港利得稅稅率 (8.25% 或 16.5%) 差異甚大，我們預計稅務局將會在利得稅計算表中對附帶權益和主要收入所產生的支出類別進行嚴格的審查。因附帶權益所產生的費用將因為該費用並非為賺取應評稅利潤而不可獲准扣除。

Reference Link 參考資料

Discussion paper on Tax concession for carried interest by LegCo Panel on Financial Affairs
立法會財經事務委員會有關附帶權益稅務寬減的討論文件

Cheng & Cheng Limited is currently the principal auditor of the following listed entities engaged in asset management services:

鄭鄭會計師事務所有限公司目前是下列從事資產管理服務之上市公司的審計師：

- 0231 - Ping An Securities Group (Holdings) Limited 平安證券集團(控股)有限公司
- 8168 - Amasse Capital Holdings Limited 寶積資本控股有限公司
- SWH - Sunwah International Limited (Canada) 新華國際有限公司(加拿大)

2. Stamp Duty Update (印花稅稅率更新)

On 25 November 2020, the Government announced that the **Double Ad Valorem Stamp Duty** (“DSD”) rates on non-residential property transactions will be **abolished**. The non-residential property transactions after 26 November 2020 will be charged under the rates at Scale 2 (1.5% to 4.25% of consideration or value of the property, whichever is the higher).

The abolition of DSD could facilitate corporations to cash out by selling non-residential property to address their financial needs because of the economic downturn. Given the tight housing supply and that residential property prices remain beyond the reach of the average households, the Government has no plan to adjust any of the stamp duty rates concerning residential properties.

Points to Note

We do not expect the policy can stimulate the non-residential property market given the increasing trend of home office arrangement and the lack of tourists under COVID-19.

From tax perspective, we are aware that a significant portion of non-residential property transactions are done via company share transfer instead of direct property transfer. We expect the trend will continue as the Stamp Duty Rate of 0.2% on company transfer remain to be much lower than the rates at Scale 2, even though legal and finance due diligence are needed to protect your interests in company share transfer.

政府在2020年11月25日宣佈撤銷適用於非住宅物業的雙重「從價印花稅」，從2020年11月26日或以後簽立以買賣或轉讓非住宅物業的文書的「從價印花稅」會以第2標準稅率徵收(物業成交價或物業價值的1.5% to 4.25%，以較高者計算)。

撤銷非住宅物業雙倍從價印花稅可便利企業出售非住宅物業套現，應付因經濟不景而出現的財政問題。在現時房屋供應緊絀的情況下，住宅物業價格仍處於難以負擔的水準，政府並無計劃調整住宅物業的各項印花稅安排。

值得留意的事項

受到疫情影響，在家工作的安排成為大趨勢，加上旅客大減，我們認為該政策對於刺激非住宅房地產市場不會有太大影響。

從稅務角度來看，我們理解大部分的非住宅物業交易都是通過公司股份轉讓而非直接物業轉讓。雖然透過公司股份轉讓將需要聘請律師或會計師作法律和財務盡職調查，但由於股份轉讓中的0.2%印花稅率仍遠遠低於現時的第2標準稅率，我們預計非住宅物業交易將會繼續通過公司股份方式來轉讓。

3. Main Board Profit Requirement Update (最新主板盈利規定)

According to recent consultation paper published by HKEx on 27 November 2020, it is proposed that the Profit Requirement under Main Board Rule to be increased as shown in below table:

Current Profit Requirement	Proposed Profit Requirement
Aggregate profits in last 3 years \geq HK\$50 million (with HK\$20 million in the most recent year and HK\$30 million in the preceding two years)	Aggregate profits in last 3 years \geq HK\$125 – 150 million (with HK\$50 - 60 million in the most recent year and HK\$75 - 90 million in the preceding two years)

Points to Note

The proposed increase in profit requirement for Main Board Listing may not be favourable to the companies with marginal profits. We expect there may be fewer IPO applications in the coming years as those companies may choose to be listed in overseas stock exchange with lower profit requirement.

香港交易所於2020年11月27日發表了最新諮詢文件，建議增加主板盈利的規定，要求如下：

現時的盈利規定	建議的盈利規定
三年累計盈利 \geq 5千萬港元 (最近一年為2千萬港元， 而前兩年為3千萬港元)	三年累計盈利 \geq 1.25 – 1.5億港元 (最近一年為 5 – 6千萬港元 ， 而前兩年為 7.5 - 9千萬港元)

值得留意的事項

調高主板上市的盈利規定對一些邊緣盈利的申請人有一定程度的影響，它們可能會選擇在一些盈利規定較寬鬆的股票交易所上市。因此，我們預計未來數年的上市申請有可能會下跌。

Reference Link 參考資料

Fact sheet re Listing in Hong Kong by Cheng & Cheng

Consultation paper on The Main Board Profit Requirement by HKEx

香港交易所有關主板盈利規定的諮詢文件

Cheng & Cheng Limited was the reporting accountant of the following listed entities during the Initial Public Offering process:

鄭鄭會計師事務所有限公司是下列上市公司首次公開募股的申報會計師：

- 2122 - Kidsland International Holdings Limited 凱知樂國際控股有限公司
- 8365 - VBG International Holdings Limited 建泉國際控股有限公司

Contact Us 聯絡我們

For further information regarding the above, please feel free to contact us.
如有任何查詢，歡迎隨時與我們聯絡。

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