



Hong Kong Tax Newsflash

Tax exemption for subsidies under the Anti-epidemic Fund



The Government has established the Anti-epidemic Fund (AEF) in February 2020 and rolled out two rounds of relief measures to help individuals and businesses tide over financial difficulties during the COVID-19 epidemic. Grant, subsidy or similar financial assistance in connection with the carrying on of a business are generally subject to profits tax under section 15(1)(c) of the Inland Revenue Ordinance, except sums in connection with capital expenditure. Nevertheless, the Government is prepared to grant tax exemption to most of the financial assistance or relief under the AEF provided to businesses or individuals. The relevant Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order (the Order) is gazetted today.

Measures Covered by Tax Exemption

Under the Order, a person benefitted from the grant of financial assistance, provision of relief, goods or services, works and projects (or a combination of any of them) and any other forms under AEF (fund programme) is exempt from the payment of salaries tax and profits tax in respect of sums received by, or accrued to, the person under the fund programme.

There are 47 measures (see [Annex](#)) under the AEF which are covered by the tax exemption, e.g. subsidy to employers and self-employed persons under the Employment Support Scheme, Retail Sector Subsidy Scheme.

Employers and employees need not to report the sums exempted in tax returns upon commencement of the Order. If businesses or individuals have already filed their tax returns and reported the sums as taxable income, they can furnish the Inland Revenue Department with a written notification to amend the relevant information. Employers should file a revised Employer's Return for the relevant employee(s).

Measures NOT Covered by Tax Exemption

Notwithstanding the above, the exemption does not apply to sums received by, or accrued to, a person as receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong. It also excludes proceeds of sale of goods, consideration for provision of services, monies received from the letting, sub-letting or licensing of any premises or portion of any premises.

Nevertheless, there are 10 measures (see [Annex](#)) under the AEF which will be subject to tax, including payment from orders from the Government and/or non-Government parties under Local Mask Production Subsidy Scheme, reimbursements to the Hong Kong Cyberport Management Company Limited and landlords or operators of arts spaces for providing rental waivers.

The Order is scheduled to be tabled at the Legislative Council for negative vetting on 3 June 2020. Upon completion of the approval procedures, the tax exemption will apply starting from the year of assessment 2019/20.

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