Deloitte.
德勤

China
Tax – National Technical Centre

Hong Kong Tax News

Bill passed to lower tax of captive insurers
Company fined for failure to notify chargeability

Issue 14
25 March 2014

Reducing captive insurers' tax rate by half

The Legislative Council passed the Inland Revenue (Amendment) (No. 3) Bill 2013 on 19 March 2014 to provide a tax concession for captive insurers to enjoy a 50% reduction in the profits tax on their insurance business of offshore risk. The concession will take effect from the year of assessment 2013/14 onwards.

Captive insurance companies are insurance companies established with the specific objective of insuring risks of companies within the same group. This is becoming a popular means of risk management nowadays. The Central People's Government promulgated a policy in June 2012 encouraging Mainland enterprises to form captive insurers in Hong Kong to enhance their risk management. The aim of this tax concession is to establish Hong Kong as a domicile of captive insurance. This would reinforce Hong Kong's status as a regional insurance hub, while making Hong Kong's risk management services more diversified and promoting the development of other relational services including reinsurance, accounting, actuarial and legal services.

Property investment company fined for failure to notify chargeability to tax

A property investment company owned a block of commercial building in Causeway Bay and derived rental income during the years of assessment 2006/07, 2007/08, 2008/09 and 2010/11. Pursuant to Section 51(2) of the Inland Revenue Ordinance ("IRO"), the company should inform the Commissioner of Inland Revenue of its chargeability to tax in writing not later than four months after the end of the basis period for each of the above years of assessment, but it had failed to do so. The total amount of assessable profits for the four years was more than HK$50 million and the total tax involved was about HK$8.5 million. On 19 March 2014, the company was convicted for failing, without reasonable excuse, to inform its chargeability under Sections 51(2) and 80(2)(e) of the IRO. The defendant was fined HK$16,000 for four charges and a further fine of HK$8.3 million, equivalent to 98% of the tax involved.

Tax News is published for the clients and professionals of the Hong Kong office of Deloitte Touche Tohmatsu. The contents are of a general nature only. Readers are advised to consult their tax advisors before acting on any information contained in this newsletter. For more information or advice on the above subject or analysis of other tax issues, please contact **Davy Yun** or **Doris Chik**

35/F One Pacific Place
88 Queensway
Hong Kong