



Hong Kong Tax Newsflash

Passage of foreign-sourced income exemption (FSIE) regime

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The *Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Bill 2022* (Bill) on Hong Kong's FSIE regime was passed by the Legislative Council today. The Bill provides that specified foreign-sourced income would be deemed taxable in Hong Kong unless certain conditions are met. The FSIE regime will be effective from 1 January 2023.

As a recap, the key features of the FSIE regime are summarized as follows:

- **Covered taxpayers** – An entity that is part of a multinational enterprise group and carries on a business in Hong Kong.
- **Covered income** – Foreign-sourced interest, dividends, disposal gains on equity interest and income from intellectual property (IP) that are received in Hong Kong.
- Covered income will continue to be exempt from tax if certain conditions are met.
- **Exemption conditions** –
 - Economic substance requirement (for interest, dividends and disposal gains)

- Participation exemption (additional pathway for dividends and disposal gains)
- Nexus requirement (for IP income)
- Where no exemption applies, double taxation relief is available.

For details of the FSIE regime, please refer to our [summary diagram](#), [Hong Kong Tax Analysis Issue H110/2022](#), [Hong Kong Tax Newsflash \(Issue 163\)](#) and [Hong Kong Tax Newsflash \(Issue 165\)](#).

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If you have any questions, please contact our professionals:

Authors

Doris Chik

Tax Partner

+852 2852 6608

dchik@deloitte.com.hk

Carmen Cheung

Tax Manager

+852 2740 8660

carmcheung@deloitte.com.hk

Kiwi Fung

Tax Manager

+852 2258 6162

kifung@deloitte.com.hk

Global Business Tax Services

National Leader

Andrew Zhu

Tax Partner

+86 10 8520 7508

andzhu@deloitte.com.cn

Hong Kong

Raymond Tang

Tax Partner

+852 2852 6661

raytang@deloitte.com.hk

International and M&A Tax

National Leader

Vicky Wang

Tax Partner

+86 21 6141 1035

vicwang@deloitte.com.cn

Hong Kong

Anthony Lau

Tax Partner

+852 2852 1082

antlau@deloitte.com.hk

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