



Hong Kong Tax Newsflash: The Banking LAC Tax Ordinance in Effect

Inland Revenue (Amendment) Ordinance 2019 regarding tax treatment of loss-absorbing capacity (LAC) debt instruments and regulatory capital securities (RCS) was enacted on 15 February 2019.

Key subject matters

The new legislation seeks to:

1. treat certain LAC debt instruments as debt securities for profits tax purposes;
2. allow deduction of interest on money borrowed by LAC banking entities in respect of RCS;
3. deem certain sums received by LAC banking entities in respect of a RCS as trading receipts.

For details, please see our [Tax Newsflash \(Issue 79\)](#) published on 1 November 2018.

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If you have any questions, please contact one of the following professionals:

Jonathan Culver

Tax Partner

+852 2852 6683

joculver@deloitte.com.hk

Doris Chik

Tax Senior Manager

+852 2852 6608

dchik@deloitte.com.hk



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