

FSDC releases report on boosting corporate groups' investment activities in Hong Kong

The Financial Services Development Council (FSDC) today (September 11) released a report entitled “A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong”. The report proposes tax refinements with a view to encouraging corporate groups to undertake investment activities in Hong Kong.

The Chairman of the FSDC, Mrs Laura M Cha, said, “A competitive corporate tax regime can provide businesses with a suitable environment to innovate, invest and grow. Allowing the transfer of tax losses among group companies would bring Hong Kong in line with other major international financial centres such as the United Kingdom, the United States and Singapore.

“Alongside its study on the implementation of a two-tier tax system, the Government could consider the feasibility of introducing a group tax loss relief regime, which could drive more business activities in the Hong Kong financial services industry, in particular the banking sector.”

The report describes the need for group tax loss relief in Hong Kong and sets out the various forms that the relief could take. The report suggests that the Government should consider allowing unutilised tax losses of one company to be transferred to and set off against the taxable income of another company within the same wholly owned corporate group. Among other proposed features, group tax loss relief would require the companies within the wholly owned group to have the same accounting year. For the tax losses to be grouped and offset, the tax losses should also arise and be transferred during the time that the companies are in the same wholly owned group. Specific anti-avoidance measures may also need to be implemented.

The full version of the report can be downloaded from the FSDC website: www.fsd.org.hk.

About the FSDC

The Hong Kong Special Administrative Region Government established the FSDC in 2013 as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of Hong Kong's financial services industry and to map out the strategic direction for development.

The FSDC set up five committees, namely the Policy Research Committee, the Mainland Opportunities Committee, the New Business Committee, the Market Development Committee and the Human Capital Committee, as the five streams of its work.

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