

FSDC releases report on promoting Hong Kong as preferred financial origination and trading centre

The Financial Services Development Council (FSDC) today (December 29) released a report entitled “A Paper on Tax Issues Affecting Hong Kong to Become a Preferred Location for Regional and International Financial Institutions to Originate and Trade International Financial Products”. The report sets out some key areas in Hong Kong’s tax regime for the Government to consider for enhancing the attractiveness of Hong Kong to financial institutions.

The Chairman of the FSDC, Mrs Laura M Cha, said, “Hong Kong has long been renowned for its favourable and simple tax regime that encourages businesses to establish operations. To further strengthen the competitiveness of Hong Kong as a leading international financial centre, ongoing reviews and refinements of the taxation rules are necessary.

“It is now an appropriate time to introduce these tax rule refinements as many overseas financial institutions are considering whether to relocate their origination and trading locations amidst recent changes of regulatory landscapes in their home jurisdictions.”

The report reviews a number of key challenges that the Hong Kong tax regime is facing. It also discusses the corresponding key tax considerations that the Government could take into account so as to promote Hong Kong as a preferred location to establish regional and international origination and trading activities. These challenges and considerations mainly cover the following areas: (i) interest deductibility; (ii) regulated capital requirements and total loss absorption capacity; (iii) Hong Kong sourcing rules and offshore claims; (iv) base erosion and profit shifting and transfer pricing; and (v) double tax treaties with tax jurisdictions where financial products are issued or where clients are resident.

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 has 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.

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