

## Hong Kong enacts new legislation providing tax incentives for insurance-related businesses

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Hong Kong enacted the Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Bill 2019 (the New Law) on 24 July 2020.<sup>1</sup> The New Law provides that the assessable profits in respect of sums received by or accrued to the following specified persons will be taxed at the concessionary tax rate of 8.25% (50% of the normal corporate tax rate of 16.5%):

- ▶ Profits derived by a specified insurer<sup>2</sup> from their general insurance business, other than profits derived from certain local-demand driven business.
- ▶ Profits derived from the general reinsurance business of a specified insurer.<sup>3</sup>
- ▶ Profits of a licensed insurance broker that relate to a contract of insurance effected by (a) a professional reinsurer; or (b) a specified insurer in the course of the insurer carrying on a business that is eligible for the concessionary tax rate under the New Law.

### Anti-avoidance provision

The 8.25% concessionary tax rate will not be applicable if the main purpose or one of the main purposes, of the specified insurer in entering into the transaction or the series of transactions is to avoid or postpone the liability to pay tax or reduce the amount of liability.

### Substantial activities requirement

The activities which generate the profits eligible for the concessionary tax rate must be carried out in Hong Kong, or are arranged to be carried out in Hong Kong, by the taxpayers concerned.



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