

L.N. 4 of 2021

Inland Revenue (Profits Tax Concessions for Insurance-related Businesses) (Threshold Requirements) Notice

(Made by the Commissioner of Inland Revenue under section 26AB of the Inland Revenue Ordinance (Cap. 112))

1. Commencement

This Notice comes into operation on 19 March 2021.

2. Threshold requirements for activities producing assessable profits falling within section 14B(1)(c) of Ordinance

- (1) The threshold requirements for determining whether, for the purposes of section 14B(2)(a) of the Ordinance, an activity producing the assessable profits of a corporation that fall within section 14B(1)(c) of the Ordinance is carried out in Hong Kong by the corporation or is arranged by the corporation to be carried out in Hong Kong for a year of assessment are specified in subsections (2) and (3).
- (2) During the basis period for the year of assessment concerned, the average number of full time employees in Hong Kong who carry out the activity and have the qualifications necessary for doing so must be—
 - (a) in the opinion of the Commissioner, adequate for the corporation for that year of assessment; and
 - (b) in any event not less than—
 - (i) if the corporation is a mutual insurance corporation—4; or

- (ii) if the corporation is not a mutual insurance corporation—7.
 - (3) During the basis period for the year of assessment concerned, the amount of operating expenditure incurred by the corporation in Hong Kong for the activity must be—
 - (a) in the opinion of the Commissioner, adequate for the corporation for that year of assessment; and
 - (b) in any event not less than—
 - (i) if the corporation is a mutual insurance corporation—\$2,000,000; or
 - (ii) if the corporation is not a mutual insurance corporation—\$4,000,000.

3. Threshold requirements for activities producing assessable profits falling within section 14B(1)(d) of Ordinance

- (1) The threshold requirements for determining whether, for the purposes of section 14B(2)(a) of the Ordinance, an activity producing the assessable profits of a corporation that fall within section 14B(1)(d) of the Ordinance is carried out in Hong Kong by the corporation or is arranged by the corporation to be carried out in Hong Kong for a year of assessment are specified in subsections (2) and (3).
- (2) During the basis period for the year of assessment concerned, the average number of full time employees in Hong Kong who carry out the activity and have the qualifications necessary for doing so must be—
 - (a) in the opinion of the Commissioner, adequate for the corporation for that year of assessment; and
 - (b) in any event not less than 3.

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- (3) During the basis period for the year of assessment concerned, the amount of operating expenditure incurred by the corporation in Hong Kong for the activity must be—
- (a) in the opinion of the Commissioner, adequate for the corporation for that year of assessment; and
 - (b) in any event not less than \$1,000,000.

TAM Tai-pang
Commissioner of Inland Revenue

11 January 2021

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Explanatory Note
Paragraph 1

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Explanatory Note

This Notice prescribes the threshold requirements under section 26AB(1) of the Inland Revenue Ordinance (Cap. 112) (*Ordinance*) for determining whether, for the purposes of section 14B(2)(a) of the Ordinance, certain activities producing the assessable profits of a corporation that fall within section 14B(1)(c) or (d) of the Ordinance are carried out in Hong Kong by the corporation or are arranged by the corporation to be carried out in Hong Kong for a year of assessment.