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By Email
(smwlo@legco.gov.hk)

9 April 2025

Clerk to Bills Committee
(Attn: Miss Sharon LO)
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Miss LO,

Inland Revenue (Amendment)
(Minimum Tax for Multinational Enterprise Groups) Bill 2024 ("the Bill")

Thank you for your emails of 5, 18, 20 and 21 February 2025 regarding the eight submissions on the Bill received by the Bills Committee.

2. Having carefully considered the comments and suggestions in the submissions, we have largely taken them on board and will propose the following Committee Stage Amendments –

(a) apply the sole or dominant purpose test under section 61A of the Inland Revenue Ordinance ("IRO") with modifications as the general anti-avoidance rule instead of the main purpose test;

(b) provide for a fixed time limit for raising top-up tax assessment (8 years for non-evasion cases; and 12 years for evasion cases);

(c) extend the time limit for taxpayers' application to correct errors or omissions in top-up tax returns and that for claiming refund of tax paid in excess of the amount of top-up tax chargeable from 6 years to 8 years;

(d) shorten the record-keeping period from 12 years to 9 years after the completion of the transactions, acts or operations to which the records relate;

(e) reduce compliance burden by extending the time limit for filing Global Anti-base Erosion ("GloBE") information returns from 30 days to at least 60 days if the exchange mechanisms fail, and relieving a HK constituent entity from the relevant filing requirement under certain conditions;

(f) remove the proposed section 80Q on offences by directors, etc., and provide for a time limit (8 years) for initiating proceedings under the proposed sections 80O and 80P on offences by Part 4AA entities and service providers respectively;

(g) include the requirement that no prosecution in respect of an offence under the proposed section 80O may be initiated except with the sanction of the Commissioner of Inland Revenue;

(h) extend the proposed section 25A on reimbursement for top-up tax to cover top-up tax under the Income Inclusion Rule ("IIR") and relax the reimbursement limit subject to certain conditions;

(i) provide the necessary clarity on application of the GloBE rules, commentaries and administrative guidances promulgated by the Organisation for Economic Co-operation and Development ("OECD"), such as safe harbours and calculation of the Hong Kong minimum top-up tax ("HKMTT"), and the possibility of using the qualified domestic minimum top-up tax ("QDMTT") payable in other jurisdictions as a tax credit in Hong Kong; and

(j) incorporate the requirement of mandatory e-filing for profits tax returns into the Bill.

3. The Government's responses to the comments and suggestions raised in the eight submissions are set out at **Annex**.

Yours sincerely,

(Ms Ingrid WONG)
for Secretary for Financial Services
and the Treasury

c.c.
Commissioner of Inland Revenue (Attn: Ms Florence LAM)
Secretary for Justice (Attn: Miss Betty CHEUNG)

Annex

Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 ("the Bill")

The Government's Responses to Comments / Suggestions Raised in Eight Submissions

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
A. Tax Compliance and Administration			
1.	The main purpose test ("MPT") (i.e. the general anti-avoidance rule ("GAAR") for the Global Anti-base Erosion ("GloBE") and Hong Kong minimum top-up tax ("HKMTT") regimes) under the proposed section 26AH of the Bill should be removed. The following suggestions have been made if the MPT is not removed – (i) raising the threshold from "one of the main purposes" to "sole or dominant purpose";	Capital Markets Tax Committee of Asia ("CMTC") [1], Deloitte Advisory (Hong Kong) Limited ("Deloitte"), Ernst & Young Tax Services Limited ("EY"), Hong Kong Institute	• Jurisdictions implementing the Base Erosion and Profit Shifting 2.0 ("BEPS 2.0") framework are expected to demonstrate how their legislation addresses arrangements that could undermine the integrity of the BEPS 2.0 framework in order to attain a qualified status in the OECD's peer review process. Therefore, it is necessary for Hong Kong to provide a GAAR to safeguard its GloBE and HKMTT regimes and prevent any unintended outcomes that are not consistent with the GloBE model rules, commentary and administrative guidance promulgated by the OECD. • Having regard to the respondents' suggestions, we will propose Committee Stage Amendment ("CSA") to apply section 61A of the IRO (i.e. the sole or dominant purpose test) with modifications, instead of the MPT, to deal with avoidance arrangements in the context of the GloBE and HKMTT regimes.

[1] Submitted by Deloitte on its behalf.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
	(ii) removing the words "or one of the main purposes"; (iii) GloBE and HKMTT regimes be subject to the GAAR contained in section 61A of the Inland Revenue Ordinance ("IRO"); (iv) limiting the GAAR to the arrangements specified by the Organisation for Economic Co-operation and Development ("OECD") as giving rise to avoidance or abusive concerns; (v) limiting the GAAR to transactions entered into after 30 November 2021 only; (vi) applying the GAAR on a prospective basis; (vii) avoiding overlapping of the GAAR with specific anti-avoidance rules within the GloBE framework.	of Certified Public Accountants ("HKICPA"), KPMG Tax Services Limited ("KPMG"), PricewaterhouseCoopers Limited ("PwC") and The Taxation Institute of Hong Kong ("TIHK")	• The Inland Revenue Department ("IRD") will clarify in its guidance that transactions entered into on or before 30 November 2021 in general will not be considered as having the sole or dominant purpose of enabling a person to obtain a tax benefit under the GloBE and HKMTT regimes. • The OECD has yet to publish a list of specified arrangements that will potentially undermine the integrity of the GloBE rules, and such a list is unlikely to be exhaustive. Thus, it is not appropriate to limit the application of the GAAR to a list of avoidance or abusive arrangements specified by the OECD. That said, in applying section 61A in the context of the GloBE and HKMTT regimes, the IRD will make reference to the OECD's guidance, if any, in relation to arrangements the outcomes of that are considered to be inconsistent with the intended outcomes under the GloBE model rules, commentary and administrative guidance.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
2.	Guidance should be provided on how the GAAR will be invoked.	EY and TIHK	• The IRD will publish guidance on the application of section 61A with modifications to the GloBE and HKMTT regimes on its website.
3.	A fixed time limit for raising additional assessments for top-up tax should be provided under the modifications to section 60 under section 20 of the proposed Schedule 62 to provide certainty and predictability.	CMTC, Deloitte, EY, HKICPA, KPMG, PwC and TIHK	• It is necessary to provide for a time limit longer than the existing 6 years as the filing deadline for top-up tax returns is relatively longer than that for profits tax returns. Additional time is needed for the IRD to receive GloBE information returns ("GIRs") through exchange of information mechanisms and review top-up tax assessments. • Having regard to the respondents' suggestions, we will propose CSA to provide for a fixed time limit for raising top-up tax assessment. The time limit will be revised to 8 years after the end of the year of assessment in which the fiscal year ends (in relation to non-evasion cases), and 12 years after the end of the year of assessment in which the fiscal year ends (in relation to evasion cases).
4.	The period for assessors to correct errors or omissions under section 70A of the IRO should be correspondingly extended if there is an extended time limit for raising additional assessments for top-up tax.	Deloitte, EY, HKICPA, KPMG, PwC and TIHK	• We will propose CSA to extend the time limit for taxpayers' application to correct errors or omissions in top-up tax return under section 70A(1) of the IRO from 6 years after the end of the year of assessment concerned to 8 years. The extension aligns with the extension of the time limit for raising additional top-up tax assessments.

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5.	The time limit for claiming refund for tax paid in excess under section 79 of the IRO should be extended.	PwC	• We will propose CSA to extend the time limit for claiming refund of tax paid in excess of the amount of top-up tax chargeable under section 79(1) of the IRO from 6 years after the end of the year of assessment concerned to 8 years. The extension aligns with the extension of the time limit for raising additional top-up tax assessments and the application to correct errors or omissions in top-up tax returns.
6.	The Government should explore whether any double tax relief could be provided to multinational enterprise ("MNE") groups in respect of the profits that are taxed under the HKMTT and profits tax under Part 4 respectively arising from post-filing adjustments by the IRD. There should be some mechanism for taxpayers to re-open a top-up tax assessment as a result of a post-filing tax adjustment. The IRD should issue guidance in this regard and consider whether provisions should be included in the Bill to cover the refund of top-up tax overpaid as a result of a post-filing adjustment.	KPMG, EY and TIHK	• Article 4.6 of the GloBE rules provides a mechanism for recognition of tax adjustments to covered taxes that occur after a constituent entity's top-up tax liability has been determined. Broadly speaking, any increase in tax amounts for a prior fiscal year is to be added to covered taxes in the current fiscal year, and the recalculation of the effective tax rate and top-up tax for the prior fiscal year is not required. According to the GloBE rules, HKMTT paid for the prior fiscal year will not be refunded with respect to the post-filing adjustments arising from different reasons. • The respondents' suggestions would result in a deviation from the treatment of post-filing tax adjustments prescribed in the GloBE rules, risking the attainment of qualified status of Hong Kong's regimes. • MNE groups may make use of the IRD's advance ruling system to obtain certainty in relation to the tax treatment of their proposed transactions or arrangements so as to avoid any potential disputes under profits tax, thereby minimising the post-filing adjustments to a tax liability under the GloBE rules.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
7.	The proposed 12-year record-keeping period under section 17 of the proposed Schedule 62 should be shortened. The record-keeping period should align with the time limits for raising additional assessments and correction of errors.	Deloitte, KPMG and PwC	• We will propose CSA to shorten the record-keeping period from 12 years after the completion of the transactions, acts or operations to which the records relate to 9 years. For Part 4 profits tax, the existing statutory record-keeping period is 7 years. The extension from 7 years to 9 years aligns with the extension of the time limit for raising additional top-up tax assessments and for the application to correct errors or omissions in top-up tax returns, and the repayment of tax paid in excess.
8.	The proposed 30-day time limit for HK constituent entities to file GIR if exchange mechanisms fail under section 7 of the proposed Schedule 62 should be extended to alleviate compliance burden.	Deloitte	• We will propose CSA to extend the time limit from 30 days to at least 60 days to reduce compliance burden.
9.	The Government should consider adding "unless another HK constituent entity has complied with the notice" at the end of section 7(2) of the proposed Schedule 62 to allow a HK constituent entity to discharge the obligation of filing GIR if another HK constituent entity has complied with the notice.	PwC	• We will propose CSA to provide that a HK constituent entity is not required to file a GIR in compliance with section 7(1) of the proposed Schedule 62 if another HK constituent entity, which is either the ultimate parent entity or the designated local entity of the group, has complied with the requirement. This will reduce tax compliance burden.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
10.	Under section 30 of the proposed Schedule 62, if a HK constituent entity is chargeable to a Undertaxed Profits Rule ("UTPR") top-up tax or HKMTT, and the entity no longer exists on the date of filing of the top-up tax return, the top-up tax chargeable on that entity is to be allocated among the remaining HK constituent entities of the assessed group. The IRD should provide guidance on the meaning of the term "no longer exists" (e.g. which point of time during the liquidation process).	Deloitte	• As a general principle, a HK constituent entity no longer exists once it has ceased to have legal existence. Typically, it refers to a situation where the HK constituent entity has formally dissolved by striking off or liquidation. Having said that, we note that the legal forms of constituent entities may differ and there are varying circumstances under which they may cease to exist. The IRD will take this into account when determining whether a HK constituent entity has ceased to exist and thus not be allocated top-up tax chargeable.
11.	With reference to Annex B to the updated GIR template issued by the OECD in January 2025, the Government may consider simplifying the notification process by simplifying the information required for notification if there are no changes to the information previously filed, or not requiring new notifications each year if the information remains unchanged from the previous notification.	PwC	• The IRD will consider this suggestion in the design of the notification mechanism.

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12.	The proposed section 80R should be amended to provide for a fixed time limit for initiating proceedings in respect of an offence under the proposed section 80O, 80P or 80Q.	Deloitte and PwC	• We will propose CSA to amend the proposed section 80R(1) to remove the proposed section 80R(1)(a) and extend the time limit for initiating proceedings to 8 years after the date on which the offence was committed. The extension aligns with the extension of the time limit for raising additional top-up tax assessments and for the application to correct errors or omissions in top-up tax returns, the repayment of tax paid in excess and the record-keeping period.
13.	The OECD has included in its guidance that jurisdictions should give careful consideration to the appropriateness of applying penalties and sanctions where the relevant MNE group has taken reasonable measures to ensure the correct application of the relevant rules. The IRD should clarify how the approach to charging penalties will be consistent with the OECD's transitional approach to penalties.	CMTC and HKICPA	• We fully recognise the potential challenges faced by in-scope MNE groups when complying with the new rules under the GloBE and HKMTT regimes at the early stage of implementation. The IRD will make reference to the approach set out in the OECD's guidance on transitional penalty relief when considering whether prosecution or penal action is to be initiated against a failure to comply with the relevant requirement. The IRD will provide guidance in this regard.
14.	The proposed section 80Q relating to offences by directors and other officers should be removed as it imposes a significant burden and personal liability on these individuals for a corporation's non-compliance.	CMTC, Deloitte, EY, HKICPA, KPMG, PwC and TIHK	• The proposed section 80Q is modelled on the existing sections 80E and 80I in relation to the automatic exchange of financial account information and Country-by-Country Reporting ("CbCR") respectively. To avoid imposing an undue risk of liability on corporate directors or officers, the proposed section sets a high threshold for prosecution, which requires that the relevant offence be committed with the consent or connivance of the relevant person.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
			• We have reviewed the proposed offence provisions. We consider that the proposed sections 80O, 82 and 82A are sufficient to deter non-compliance under the GloBE and HKMTT regimes while ensuring Hong Kong's ability to enforce the rules. We will propose CSA to repeal the proposed section 80Q.
15.	The proposed section 80P(4) should be removed from the Bill, or the threshold for the offences under the section should be no lower than that for the offences applicable to service providers under sections 80D and 80H of the IRO which require mens rea.	HKICPA	• The offence provisions under the proposed section 80P are modelled on the existing offence provisions for profits tax under section 80K of the IRO. • A service provider under section 13 of the proposed Schedule 62 is engaged by a Part 4AA entity to perform a relevant statutory act, i.e. to furnish a top-up tax return or a top-up tax notification for or on behalf of the entity. If the service provider so engaged, without reasonable excuse, fails to do so, or does not do so in accordance with the information provided or instructions given by the entity and the return so furnished is incorrect in a material particular, it is reasonable to impose penalty on the service provider to protect the interest of the entity. • The threshold for committing the proposed offences under section 80P is in fact higher than that for the offences under sections 80D and 80H. A service provider will not be regarded as having committed an offence under section 80P(4) or (5) so long as the top-up tax return or the top-up tax notification (as the case may be) is furnished in accordance with the information provided, or instructions given, by the entity. The

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
			service provider is not required to verify the correctness of the information provided, or instructions given, by the entity.
16.	Section 84(1) of the IRO should be amended to apply to the proposed section 80O such that no prosecution in respect of an offence under section 80O may be commenced except at the instance of or with the sanction of the Commissioner of Inland Revenue ("Commissioner").	CMTC	• The offence provisions under the proposed section 80O are modelled on the existing offence provisions for profits tax under section 80 of the IRO. • We will propose CSA to amend section 84(1) such that no prosecution in respect of an offence under the proposed section 80O may be commenced except at the instance of or with the sanction of the Commissioner. This will align the treatment for prosecution under the proposed section 80O with that under section 80 and ensure that an appropriate level of scrutiny is exercised in initiating prosecution.
17.	The proposed section 25A(1) should be extended to cover recharge or reimbursement of top-up tax paid under the Income Inclusion Rule ("IIR") and specify the tax treatment of top-up tax reimbursement payments for the purposes of top-up tax under the proposed Part 4AA. The proposed section 25A(1) is restricted to reimbursements not exceeding the amounts of top-up tax allocated. The	KPMG	• It is a general rule that a tax on profits or income is not allowable for the purpose of deduction of profits tax under Part 4 of IRO. As top-up tax is a tax on profits or income, any top-up tax paid under IIR, UTPR or HKMTT by a HK constituent entity is also not allowable for deduction of profits tax under Part 4. • We will propose CSA to: (i) extend the application of section 25A to cover reimbursement for IIR top-up tax to a parent entity; and (ii) relax the limit of reimbursement for UTPR top-up tax or HKMTT. The total amounts of reimbursement to an entity or permanent establishment that has an obligation to pay top-up tax under IIR, UTPR

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	restriction should be removed to provide greater flexibility.		or HKMTT should not exceed the amount of the relevant top-up tax paid or payable by the entity or permanent establishment. • The refined reimbursement limit, which is linked to the actual top-up tax liability of an entity or permanent establishment, will help facilitate compliance by MNE groups while preventing potential abuse through excessive reimbursements.
18.	Assuming a joint venture ("JV") entity located in Hong Kong is 50% held by an in-scope MNE group ("MNE group A") and 50% held by an MNE group that is out of scope ("MNE group B"), and MNE group A has elected for a HK constituent entity within the group to be the designated paying entity for the HKMTT chargeable on the JV. The Government is asked to confirm that – (i) the JV partner in MNE group B would not be regarded as "linked entity" and not jointly and severally liable for the HKMTT in default if the designated paying entity in MNE group A defaults in paying the HKMTT charged on the JV; and	KPMG	• By virtue of sections 31 and 35 of the proposed Schedule 62, for the JV that is chargeable with HKMTT, only the HK constituent entities of the assessed group of MNE group A (i.e. the standalone JV or the HK member of the JV group of MNE group A) can be the designated paying entity of the JV. Under section 11(3)(b) of the proposed Schedule 61, the JV may elect, with the consent of the HK constituent entity of MNE group A, that the HKMTT be charged on that HK constituent entity of MNE group A instead of on the JV directly. In case the HK constituent entity defaults in the payment of HKMTT, section 11(4) provides that the HKMTT charged on the HK constituent entity is to be recoverable from the JV or the HK constituent entity of MNE group A. • The election under section 11(3)(b) of the proposed Schedule 61 and that under section 31 of the proposed Schedule 62 are two different elections. The joint and several liability under section 33 of the proposed Schedule 62 will only apply when the election under section 31 of the proposed Schedule 62 is made. However, the JV partner in

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	(ii) the JV partner in MNE group B would not be subject to penal provisions on the non-compliance of HKMTT filing and payment obligations if MNE group A fails to comply with the requirements in respect of the JV or defaults in paying the HKMTT charged on the JV.		MNE group B cannot be designated for payment of the HKMTT of the JV of MNE group A. • On the condition that MNE group B is not an in-scope MNE group and the JV is a corporation, MNE group B would not be subject to penal provisions in respect of the JV's non-compliance of its filing and payment obligations in relation to the HKMTT.
B. GloBE Rules			
19.	The IRD should provide guidance on how it would assess whether the substance requirement under Article 3.3.6 of the GloBE rules has been fulfilled.	KPMG	• The IRD will adhere to the guidance in the OECD's commentary to Article 3.3.6 in determining whether the requirement is met.
C. HKMTT			
20.	Under section 5 of the proposed Schedule 61, to calculate the HKMTT for a HK constituent entity, the financial accounting net income or loss must be determined in accordance with local accounting standards provided that certain conditions are met.	Deloitte and KPMG	• Subject to the approval of the Board of Inland Revenue, notes and instructions to profits tax returns for the year of assessment 2025/26 and onwards will set out the requirement that HK constituent entities of in-scope MNE groups must submit their returns together with accounts prepared in accordance with the local accounting standard, if such accounts have been prepared. This requirement facilitates

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	To ensure that the condition under section 5(2)(c)(i) can be reasonably met and relieve compliance burden, the Government may include a requirement in the profits tax return specifying that an entity preparing its accounts in accordance with local accounting standards must use such accounts for completing its profits tax return.		compliance with section 5(2)(c)(i) of the proposed Schedule 61 while allowing flexibility for constituent entities. Additionally, this approach ensures that the majority of taxpayers remain unaffected.
21.	Section 7 of the proposed Schedule 61 should be amended such that the relief for MNE groups in the initial phase of their international activity may be applied in the calculation of the HKMTT.	PwC	• We will propose CSA to amend section 7 of the proposed Schedule 61 to provide clarity on the application of Article 9.3 of the GloBE rules in the context of the HKMTT.
D. Safe Harbours			
22.	The Government should confirm whether an election for transitional CbCR safe harbour for a jurisdiction for a fiscal year can be made even if that jurisdiction has not implemented the GloBE rules for that fiscal year, and, if the answer is negative, whether the "once out, always out" approach will result in the election being not available for	KPMG	• Under the transitional CbCR safe harbour, an in-scope MNE group's top-up tax for a particular jurisdiction will be deemed to be zero for a fiscal year if any of the three specified criteria in relation to total revenue and total profit/(loss) before income tax, effective tax rate or routine profits, as set out in Division 2 of Part 3 of the proposed Schedule 60, is met. The implementation of the GloBE rules in that particular jurisdiction in that fiscal year is not a condition for this safe harbour.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
	the MNE group for that jurisdiction in subsequent fiscal years.		
23.	With reference to the 2023 Commentary, the Government should clarify whether an MNE group could still satisfy the consistent reporting condition for the transitional CbCR safe harbour if it has submitted a CbCR for a fiscal year after 31 December 2022, provided that the CbCR was not a qualified CbCR.	PwC	• We will propose CSA to amend section 3(3) of Subdivision 1 of Division 2 under Part 3 of the proposed Schedule 60 to align the consistent reporting condition with the requirement set out in the 2023 Commentary.
E. Tax Credit / Double Tax Relief			
24.	The Government should clarify whether qualified domestic minimum top-up tax ("QDMTT") paid in another jurisdiction is eligible for a foreign tax credit against Part 4 profits tax payable in Hong Kong.	KPMG and PwC	• QDMTT paid in another jurisdiction is eligible for a tax credit against Part 4 profits tax payable in Hong Kong only in the following two situations: (i) QDMTT is paid in respect of the profits of a foreign permanent establishment ("PE") in another jurisdiction, and under Part 4 profits tax, the profits of the PE are included in the assessable profits of its main entity which is a HK constituent entity; and (ii) QDMTT is paid in respect of the profits of a foreign investee entity in another jurisdiction, out of which dividend is paid to a

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
			HK constituent entity and the dividend is chargeable to profits tax under Part 4. • Having regard to the general acceptance by the OECD for granting a foreign tax credit on QDMTT paid under the above scenarios, we will propose CSAs to amend sections 50, 50AAA and 50AAAB of the IRO to provide that QDMTT payable in other jurisdictions is allowable as a tax credit through a bilateral relief or unilateral relief with respect to the specified scenarios. The IRD will also provide guidance on the granting and computation of the tax credit in respect of QDMTT paid in other jurisdictions.
25.	The Government should to clarify whether "similar tax" in section 16(2I)(b) of the IRO covers QDMTT.	PwC	• The meaning of "similar tax" as defined in section 16(2I)(b) of the IRO remains unchanged, i.e. a tax that is of substantially the same nature as Part 4 profits tax under the IRO. • Notwithstanding the above, to align with the policy intent of providing a tax credit in respect of a QDMTT paid in a territory outside Hong Kong under certain situations as mentioned in item 24 above, we will propose CSA so that section 15N of the IRO will cover a QDMTT, on top of a similar tax, paid in another territory, under the "subject to tax" condition of the participation requirement of the foreign-sourced income exemption ("FSIE") regime.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
26.	The Government should clarify whether the QDMTT paid or payable outside Hong Kong on the underlying profits of a foreign dividend-paying company would be taken into account for the purposes of the "subject to tax" condition under the participation requirement under the foreign-sourced income exemption regime. The Government should clarify how the "applicable rate" for the purpose of the "subject to tax" condition is determined. The Government should confirm that the IIR top-up tax paid or payable in Hong Kong or elsewhere on the underlying low-taxed profits of a foreign dividend-paying entity would not be taken into account for the purpose of the "subject to tax" condition.	KPMG	• Given that the policy intent is to provide a tax credit in respect of a QDMTT paid in a territory outside Hong Kong under specified situations against Part 4 profits tax payable in Hong Kong, a consistent approach will be adopted under the "subject to tax" condition in the participation requirement of the FSIE regime. • For the purpose of section 15N of the IRO, in determining whether the "subject to tax" condition is met in relation to a dividend accrued to a taxpayer, on top of a similar tax as defined in section 16(2I)(b), the IRD will consider whether the underlying profits of a foreign investee entity in respect of which the dividend is distributed have been subject to a QDMTT in another territory. Meanwhile, the applicable tax rate in relation to a sum subject to a similar tax or QDMTT in a territory remains to be the rate of the similar tax in that territory. The top-up tax percentage in relation to any top-up tax paid in that territory would be disregarded under the meaning of "applicable rate". • We will propose CSA to amend section 15N(6) and (9) of the IRO to clarify the above treatments accordingly.

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F. Administrative Guidance Issued by the OECD			
27.	The Government should include references to the Jun-2024 Administrative Guidance under relevant articles of the GloBE rules in Part 1 of the proposed Schedule 60. Consideration should also be given to incorporate the Administrative Guidance issued by the OECD in January 2025 in the proposed Schedules 60 to 63.	KPMG and PwC	• We will propose CSA to incorporate the GloBE documents issued by the OECD in January 2025 on GIRs and deferred tax assets into the proposed Schedule 63. • The GloBE model rules have been incorporated directly into Part 1 of the proposed Schedule 60 with limited and necessary adaptations. Administrative guidance included in Part 1 of the proposed Schedule 63 will be given effect through the proposed section 26AF, eliminating the need for further references to them in the relevant articles of the GloBE rules in Part 1 of the proposed Schedule 60. • In contrast, the provisions on safe harbours and HKMTT in Part 3 of the proposed Schedule 60 and proposed Schedule 61 were drafted based on the OECD commentary. We will propose CSAs to incorporate the additional guidance on safe harbours and HKMTT provided in the Administrative Guidance issued by the OECD in June 2024 and January 2025 into these provisions.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
G. Mandatory E-filing of Profits Tax Returns			
28.	The Government proposed requiring mandatory e-filing of profits tax returns by in-scope MNE groups starting from the year of assessment 2025/26. Instead of publishing a notice in the Gazette under section 51AAB of the IRO to implement the requirement, the Government may consider incorporating the mandatory e-filing requirement into the Bill to provide certainty.	Deloitte, EY, KPMG and PwC	• We will propose CSA to incorporate the mandatory e-filing requirement for profits tax returns into the Bill.
H. Other issues			
29.	Under the proposed section 26AG, the Secretary for Financial Services and the Treasury may, by notice published in the Gazette, amend Schedules 60 to 63. The Government should make it clear that any changes to the Schedules constitute subsidiary legislation.	HKICPA	• The proposed Schedules 60 to 63 form part of the IRO. It follows that the power to amend the Schedules are legislative in nature. Under section 3 of the Interpretation and General Clauses Ordinance (Cap. 1), "subsidiary legislation" includes "any...notice…made under or by virtue of any Ordinance and having legislative effect." As the existing provisions in the IRO that provide for a power to amend the Schedules do not explicitly state that any changes to the relevant Schedules will constitute subsidiary legislation, we do not consider it necessary to specify that any changes to the proposed Schedules 60 to 63 constitute subsidiary legislation.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
30.	The Government could consider converting the enhanced tax deduction of R&D expenditures into a Qualified Refundable Tax Credit ("QRTC").	Deloitte	• Given that a QRTC regime involves not only a reduction of tax payable but also a cash outlay, there will be major policy and financial implications on the Government. Due consideration should also be given to various factors, including the policy objective of introducing a QRTC regime for specific activities or industries, the scope of qualifying activities for QRTC purposes, cost of administration and the risk of abuse. The Government has no plan to introduce a QRTC regime when implementing the GloBE rules and HKMTT at this stage.
31.	The Government should clarify whether an MNE group company that has re-domiciled to Hong Kong and is not normally managed or controlled in Hong Kong will be treated as a tax resident in Hong Kong from the date of issue of the certificate of re-domiciliation, even before it has been deregistered in its place of incorporation (assuming that the Companies (Amendment) (No. 2) Bill 2024 which implements the company re-domiciliation regime is passed).	HKICPA	• Under the proposed company re-domiciliation regime, a non-Hong Kong incorporated company will become a re-domiciled company from the date on which a certificate of re-domiciliation is issued to the company (i.e. the re-domiciliation date) even if the company has not yet deregistered from its place of incorporation. • Under the Companies (Amendment) (No. 2) Bill, a general interpretation provision is added to section 2 of the IRO to the effect that references therein to a company "incorporated in Hong Kong" include a re-domiciled company and references to a company "incorporated outside Hong Kong" exclude a re-domiciled company. With such general interpretation provisions in the IRO, a re-domiciled company will be regarded as a company incorporated in Hong Kong; and for the purposes of the global minimum tax and HKMTT, it will also fall within the definition of "Hong Kong resident entity" from the date of re-domiciliation.

Item	Summary of Comments / Suggestions	Respondents	The Government's Responses
32.	The legislative proposal can help demonstrate Hong Kong's commitment to international taxation reform and uphold Hong Kong's taxing right. The Bill should be enacted as soon as practicable so as to create a fairer and more sustainable tax environment so as to reinforce Hong Kong's position as Asia's World City.	Chinese Dream Think Tank	• The views are well received. It is our aim to complete the legislative exercise within the first half of 2025 so that we can implement the global minimum tax and HKMTT with effect from 1 January 2025. The implementation date of the UTPR will be specified by the Secretary for Financial Services and the Treasury subject to further consideration including the experiences of other jurisdictions.

Financial Services and the Treasury Bureau
Inland Revenue Department
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