



PORTCULLIS NOTICES

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28 November 2022

REVIEW OF ECONOMIC SUBSTANCE FOR HONG KONG FSIE (FOREIGN SOURCE INCOME EXEMPTION) PURPOSE

Further to our newsletter issued on 7 October 2022, we have received a lot of clients' enquiries about the Economic Substance requirement for the income exemption purpose.

We are pleased to announce good news that the Commissioner of the Hong Kong Inland Revenue Department offers an early ruling on the Economic Substance of taxpayers from now till the end of December 2022. Once a ruling is issued to confirm the taxpayer's Economic Substance in Hong Kong, the ruling may be used for up to 5 consecutive years of assessment unless the taxpayers change its substance afterwards.

If you or your clients are puzzled how to meet the Economic Substance requirement, please grasp the chance to contact Portcullis for obtaining the early ruling.

Our fee for assistance is within the range of USD645 to USD3,200 and depends on below factors:-

1. Individual application or Group application
2. Whether the applicant company is a pure equity holding company
3. Type of income: Interest income, dividend, disposal gains
4. Estimated total annual amount of income for all the concerned income in the coming 5 years (from 2023 onwards)

Please note that once the FSIE becomes effective on 1 January 2023, the aforesaid early ruling will no longer be available. All taxpayers have to pay for a high fee to the Inland Revenue Department to apply for Advance Ruling. It is uncertain whether the result from the Advance Ruling can be same as the early ruling valid for up to 5 years of assessment.

Please feel free to reach below contact person for further details:-

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