

# INSURING HONG KONG'S FUTURE – TAX RECOMMENDATIONS TO ENHANCE AND GROW HONG KONG'S INSURANCE INDUSTRY

## TAX MEASURES BENEFITTING CORPORATES:

### ***Uplift General Insurance Business***

- a. Extend the applicability of preferential tax rates (e.g. taxation at half-rate) to additional classes of general insurance business;

### ***Develop Hong Kong as Reinsurance and Insurance Brokerage Hub***

- b. Extend the reinsurance tax incentives to direct insurers in respect of their reinsurance business;
- c. Provide preferential tax treatment to encourage Hong Kong insurers to cede their risk to Hong Kong based reinsurers to boost those reinsurers' attractiveness operating out of Hong Kong;
- d. Provide preferential tax rates (e.g. taxation at half-rate) to Hong Kong insurance and reinsurance brokers;

### ***Pull back Insurance Funds' investment activities***

- e. Provide a tax exemption on interest income derived from all fixed income / bond investments of insurance funds;
- f. Provide a tax exemption on the investment income of Hong Kong insurers if their insurance funds' assets are managed in Hong Kong;

### ***Enhance Operational Flexibility***

- g. Address the tax issues faced by insurance groups with Hong Kong resident parent companies or regional holding companies / headquarters if they manage the assets of their overseas insurance group entities in Hong Kong; and
- h. Provide a tax deduction for the increase in reserves statutorily required by the regulator.

## TAX MEASURES BENEFITTING INDIVIDUALS:

- a. Provide personal tax deductions on insurance premiums for a wider range of medical / critical illness and life protection products, in addition to existing qualifying Voluntary Health Insurance Scheme (VHIS) products;
- b. Provide personal tax deductions on voluntary contributions to qualifying retirement products with a view to encouraging individuals to save for retirement;
- c. Provide preferential tax rates (e.g. taxation at half-rate) on commission income earned by insurance agents / brokers for distributing qualifying insurance and retirement products to encourage distribution of those products; and
- d. Provide preferential tax rates (e.g. taxation at half-rate) to insurance companies in respect of their underwriting of qualifying insurance and retirement products to encourage provision of those products.