Foreign-sourced Income Exemption (FSIE) Regime





Who will be covered? Consolidated entities in a group with presence in more than one jurisdiction + Carrying on trade or business in HK Income derived Specified foreign-Equity disposal from the use of Interest Dividends sourced income intellectual gains properties (IPs) "Received" in Hong Kong (SAR) "Received" in **Deeming provision** Hong Kong (SAR) Not meeting the specified conditions* Participation exemption Nexus requirement Derived from patent Hong Kong (SAR) Interest in or similar IPs resident investee ≥ 5% With possible Qualifying way-out ... Subject to foreign Holding period expenditure tax ≥ 15% ≥ 12 months R&D fraction Anti-abuse rules Availability of bilateral and unilateral tax credit



- Are you covered?
 - Do you earn the subject income?
- Do any of the exemptions apply?
- What options are there to minimise the impact?
- How do you manage any risks?





Planning and assessment



Implementation



compliance

- Excludes interest, dividend or equity disposal gain derived by (1) regulated financial entities from a regulated business; or
- (2) entities eligible for preferential tax regimes in Hong Kong

It is expected that non-equity capital gains will be included as specified foreign-sourced income effective from 1 January 2024.

- * Adequate number of qualified employees in Hong Kong (SAR) to carry out specified economic activities
- * Adequate amount of operating expenditures in Hong Kong (SAR) for carrying out specified economic activities
- * Reduced substantial activities test for "pure equity holding entity" (PEHE)
- * Permittable outsourcing of the relevant activities conducted in Hong Kong (SAR)



