



## Specified Foreign-Sourced Income

**Date: 1 November 2023**

Source from Inland Revenue Department

### **Specified Foreign-sourced Income**

On 1 January 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (the Amendment Ordinance), which amended the provisions in relation to the FSIE regime under the Inland Revenue Ordinance (Cap. 112) (IRO), came into operation. Under the new FSIE regime, certain foreign-sourced income accrued to a member of an MNE group (MNE entity) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong. Also, the Amendment Ordinance amended the IRO to provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

The implementation with effect from 1 January 2024

Specified foreign-sourced income means any of the following income arising in or derived from a territory outside Hong Kong:

- interest
- dividend
- disposal gain from the sale of equity interests in an entity (disposal gain)
- intellectual property (IP) income

### **Exceptions from the Deeming Provision**

Specified foreign-sourced income received in Hong Kong will not be brought into charge if the MNE entity meets the exception requirements specifically for the particular types of incomes. The exception requirements are as follows:

Specified foreign-sourced income				
Exception	Interest	Dividend	Disposal Gain	IP Income
Economic Substance requirement	X	X	X	
Nexus requirement				X
Participation requirement		X	X	