



25 July 2007

Our Ref.: C/TIG, M51318

Mrs. Alice Lau
The Commissioner of Inland Revenue
36/F, Revenue Tower
5 Gloucester Road
Wanchai, Hong Kong

Dear Alice,

We should like to thank you for the Inland Revenue Department (“IRD”)’s participation and Mrs Teresa Chu for her presentation at the Institute’s Taxation Interest Group (“TIG”) discussion forum on Departmental Interpretation and Practice Notes No. 44 (“DIPN 44”) held in May 2007. We should also like to thank you for allowing the TIG use the IRD training centre for the forum.

The feedback that we have received from attendees at the discussion forum was positive, and we look forward to further opportunities to hold other TIG forums with the IRD.

As you will appreciate, there were a number of issues on which our members wished to seek clarification from the IRD, concerning DIPN 44 as well as the interpretation of certain articles contained in the *Arrangement between the Mainland of China and the Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (“the Arrangement”). However, given the time constraints, there was not enough time for our members to raise all of their concerns at the TIG discussion forum.

--- In this context, we have collated in the appendices to this letter some of the main issues, for your consideration. These cover the following matters:

- (i) Issues relating to the Arrangement on which our members seek the IRD’s further clarification ([Appendix 1](#)); and
- (ii) issues that our members request the IRD to further discuss with the State Administration of Tax, with a view to reaching an agreement on the interpretation to be adopted ([Appendix 2](#)).

Given the importance of the Arrangement to a significant portion of our members, and to Hong Kong taxpayers generally, we should be grateful if you would kindly keep us up to date with any future developments on the interpretation of the Arrangement, particularly where they relate to any of the issues raised in the appendices to this letter.

Yours sincerely,

Peter Tisman
Director, Specialist Practices