

**Enhancing the Aircraft Leasing Preferential Tax Regime  
Trade Consultation – Feedback Form**

<b>Name</b>	<b>Telephone</b>	<b>Email address</b>

**Organisation**

<b>Consultation question</b>	<b>Agree</b>	<b>Disagree</b>	<b>Remarks</b>
<b>Proposal (1): To replace the 20% tax base concession with specific tax deduction of the acquisition cost of aircraft</b>			
1(a) Do you agree that replacing the 20% tax base concession with proposal (1) would make the Regime more attractive and competitive? Are there any tax and non-tax measures related to aircraft leasing imposed by other jurisdictions in response to the implementation of BEPS 2.0?	<input type="checkbox"/>	<input type="checkbox"/>	
1(b) Do you agree that qualifying aircraft lessors should be allowed to deduct the full cost of the aircraft for the year of assessment in which the aircraft is acquired (i.e. one year) or should lessors be allowed to deduct the cost over a certain number of years? For the latter, how many years and why? Should a qualifying aircraft lessor be given a choice over the tax deduction period and why?	<input type="checkbox"/>	<input type="checkbox"/>	
1(c) Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (1)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	

Consultation question		Agree	Disagree	Remarks
<b>Proposal (2): To carve out scenarios mentioned in paragraphs 3.7 (a) and (b) from the anti-avoidance provisions regarding the eligibility of 20% tax base concession (or tax deduction in proposal (1) if adopted)</b>				
2(a)	Do you agree that the anti-avoidance provisions should not apply under the scenarios mentioned in paragraphs 3.7 (a) and (b)? Are there any other scenarios in which you consider the anti-avoidance provisions should not apply while upholding the principle of preventing possible tax abuses? If so, please elaborate and provide reasons.	<input type="checkbox"/>	<input type="checkbox"/>	
2(b)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (2)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Proposal (3): To include wet lease and funding lease in the Regime and remove the restriction on term of lease</b>				
3(a)	Do you agree that wet lease and funding lease should be included in the Regime? Do you know the respective proportion of aircraft leasing deals/leasing agreements conducted under dry lease, wet lease and funding lease in the global and/or Asian market?	<input type="checkbox"/>	<input type="checkbox"/>	
3(b)	Do you agree that the proposed definition of operating lease is appropriate and sufficient to capture operating lease for aircraft leasing? If not, what other features of operating lease should be incorporated into the definition?	<input type="checkbox"/>	<input type="checkbox"/>	
3(c)	Do you agree that the prevailing definition of funding lease under the Regime (paragraph 3.10) is sufficient to capture funding lease for aircraft leasing? If not, what other common features of funding lease should be incorporated into the definition?	<input type="checkbox"/>	<input type="checkbox"/>	

Consultation question		Agree	Disagree	Remarks
3(d)	Do you agree that the 20% tax base concession (or tax deduction in proposal (1) if adopted) should be granted to qualifying aircraft lessors for operating lease (including dry and wet leases) but not funding lease because under a funding lease arrangement, it should be the lessee rather than the lessor to be eligible for tax depreciation?	<input type="checkbox"/>	<input type="checkbox"/>	
3(e)	Do you agree that there should be no restriction on the term of lease? How long is the usual term of dry lease, wet lease and funding lease respectively?	<input type="checkbox"/>	<input type="checkbox"/>	
3(f)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (3)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Proposal (4): To expand the definition of aircraft leasing activity</b>				
4(a)	Do you agree that expanding the definition of aircraft leasing activity would make the Regime more attractive?	<input type="checkbox"/>	<input type="checkbox"/>	
4(b)	Do you agree that a general approach should be adopted when amending the definition of aircraft leasing activity? Or should a targeted approach, i.e. only covering specified types of non-aircraft operator lessees, be adopted?	<input type="checkbox"/>	<input type="checkbox"/>	
4(c)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (4)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	

Consultation question		Agree	Disagree	Remarks
<b>Proposal (5): To allow deduction of interest payable to a financier outside Hong Kong who is not a financial institution and may be an associate of the borrower subject to certain conditions</b>				
5(a)	Do you agree that the interest payable on money borrowed wholly and exclusively to finance the acquisition of an aircraft used by a qualifying aircraft lessor for producing its qualifying profits should be deductible (subject to certain anti-avoidance provisions)? What are the common means of financing the acquisition of an aircraft other than borrowing from a financial institution?	<input type="checkbox"/>	<input type="checkbox"/>	
5(b)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (5)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Proposal (6): To allow the deduction of interest payable on bonds and notes listed on the Irish Stock Exchange</b>				
6(a)	Do you agree that the Government should recognise the Irish Stock Exchange for the purpose of interest deduction under section 16(2)(f)(i) of the IRO? Are there other stock exchanges commonly used by aircraft leasing companies to raise funds for acquiring aircraft?	<input type="checkbox"/>	<input type="checkbox"/>	
6(b)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (6)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	

Consultation question		Agree	Disagree	Remarks
<b>Proposal (7): To prescribe the threshold requirement to comply with OECD's criteria</b>				
7(a)	How many full-time employees are employed under your aircraft leasing company and/or aircraft leasing management company?	NA	NA	
7(b)	What is the approximate annual operating expenditure of your aircraft leasing company and/or aircraft leasing management company?	NA	NA	
7(c)	Do you agree that the proposed threshold level included in proposal (7) appropriate and would ensure the attractiveness and competitiveness of the Regime?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Proposal (8): To specify that a qualifying aircraft lessor can benefit from the tax concession under a leasing model involving the use of a bare trust</b>				
8(a)	Do you agree that specifying the leasing model involving bare trust in the DIPN No. 54 could provide clarity and guidance for the trade? What are the common leasing model structures involving the use of a bare trust? Are there other new leasing models gaining popularity in the trade?	<input type="checkbox"/>	<input type="checkbox"/>	
8(b)	Do you agree that aircraft lessors would be more encouraged to conduct their businesses in Hong Kong with the introduction of proposal (8)? If so, how many additional aircraft do you think would be leased via the Hong Kong platform per year under this proposal? How many additional aircraft lessors do you anticipate would be interested in using Hong Kong as a platform to conduct aircraft leasing businesses?	<input type="checkbox"/>	<input type="checkbox"/>	

**Other views**

THANK YOU FOR YOUR FEEDBACK.

## INVITATION OF VIEWS

Your comments and suggestions on the proposals for enhancing the Regime are much needed. We will consolidate and analyse the views received in this consultation before drawing up a more detailed proposal to be materialised through both administrative and legislative means.

Please provide your written submission on the proposals and consultation questions on or before 19 December 2022 through one of the channels below –

Address: Transport and Logistics Bureau  
21/F, East Wing, Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong  
(Attn: Assistant Secretary for Transport and Logistics 8A)  
(Re: Enhancing the Aircraft Leasing Preferential Tax Regime)

Fax: 2524 9397

Email: [aircraftleasing2022@tlb.gov.hk](mailto:aircraftleasing2022@tlb.gov.hk)

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It is optional for individuals and/or organisations to supply their personal data when providing views on this consultation paper. The submissions and personal data collected may be transferred to the relevant Government bureaux and departments for purposes directly related to this consultation exercise. The Government bureaux and departments receiving the data may only use the data for such purposes. The names and background information of the respondents may be posted on the website of the Transport and Logistics Bureau, referred to in other documents published for the same purposes, or transferred to other relevant bodies for the same purposes. If you do not wish your name and/or your background information to be disclosed, please state so when making your submission. Any part of the submissions considered commercially confidential should be clearly marked. The Transport and Logistics Bureau and/or the Inland Revenue Department would take such markings into account in making the decision as to whether or not to disclose such information.