

# General Framework for Refined Foreign Sourced Income Exemption (“FSIE”)

**MNE group** – A group that includes at least one entity or Permanent Establishment (“PE”) that is not located or established in the jurisdiction of the group’s Ultimate Parent Entity (“UPE”), where such entity (PE) is required under applicable accounting principles to be included in the UPE’s consolidated financial statements.

**Covered taxpayer** (A person that is, or acts for, an MNE group or an entity included in an MNE group, carrying business in Hong Kong)

(1) Remitted to Hong Kong, (2) used to satisfy debt re: Hong Kong business, or (3) used to buy movable property and brought into Hong Kong

Specified Foreign Sourced Income (“FSI”) derived from such Hong Kong business and received

Outside Hong Kong

No impact

In Hong Kong

Nature of specified FSI (Exception: Special rule for certain financial entities)

Intellectual Property income

Dividend income and equity disposal gain

Interest income

Continue to be exempted subject to conditions

Nexus requirement

Economic substance requirement or participation requirement

Economic substance requirement

Met

Not taxable

Not met

Taxable

Availability of foreign tax credit claim

Yes

No