

Brief on Tax Deduction for Environment-friendly Facilities

The Government introduces accelerated tax deduction for environment-friendly facilities in an effort to encourage the business community to use them. The eligible facilities are divided into two categories - environmental protection machinery and environmental protection installations:

1. Environmental protection machinery includes low noise construction machinery or plant registered under the Quality Powered Mechanical Equipment system administered by the Environmental Protection Department (EPD), as well as waste treatment, wastewater treatment and air pollution control machinery or plant in compliance with the requirements under the various ordinances administered by the EPD.
2. Environmental protection installations will mainly be renewable energy installations, including solar photovoltaic installations, wind turbine installations and thermal waste treatment installations. Other eligible installations are the energy efficient building installations registered under the Hong Kong Energy Efficiency Registration Scheme for Buildings administered by the Electrical and Mechanical Services Department.

Eligible machinery and installations are listed in Part 1 and Part 2 respectively of a new schedule to the IRO (Schedule 17). After the enactment of the amendments to the IRO, taxpayers may claim the deductions in their profits tax returns for 2008-09 and subsequent years of assessment. A deduction under profits tax for 20% of the capital expenditure incurred on the construction of eligible installations will be provided in each of the five consecutive years starting from the year of acquisition.

Abstract of Contents of Section: INLAND REVENUE ORDINANCE (Schedule 17)

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<p><u>PART 1: MACHINERY OR PLANT</u></p> <p>1. Low noise construction machinery or plant registered under the Quality Powered Mechanical Equipment system administered by the Environmental Protection Department.</p> <p>2. Air pollution control machinery or plant in compliance with the requirements under the Air Pollution Control Ordinance (Cap 311).</p> <p>3. Waste treatment machinery or plant in compliance with the requirements under the Waste Disposal Ordinance (Cap 354).</p> <p>4. Wastewater treatment machinery or plant in compliance with the requirements under the Water Pollution Control Ordinance (Cap 358).</p>	<p><u>PART 2: INSTALLATIONS</u></p> <p>1. Any of the following installations: (a) solar water heating installations; (b) solar photovoltaic installations; (c) wind turbine installations; (d) offshore wind farm installations; (e) landfill gas installations; (f) anaerobic digestion installations; (g) thermal waste treatment installations; (h) wave power installations; (i) hydroelectric installations; (j) bio-fuel installations; (k) biomass combined-heat-and-power installations; (l) geothermal installations.</p> <p>2. Energy efficient building installations registered under the Hong Kong Energy Efficiency Registration Scheme for Buildings administered by the Electrical and Mechanical Services Department.</p>

Remark: This document is for reference only. Please contact the Inland Revenue Department, Hong Kong Special Administrative Region, for updated information (Tel: 187 8088; website: http://www.ird.gov.hk/eng/faq/2009_en.htm).