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File No.:

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Dear Ms Ng,

Exposure Draft (ED/2015/11)
Proposed amendments to IFRS 4 *Insurance Contracts*

Thank you for your letter dated 14 December 2015 inviting our comments on the exposure draft (“the Exposure Draft”) issued by the International Accounting Standards Board (“IASB”) in respect of the proposed amendments to International Financial Reporting Standard (“IFRS”) 4.

The objective of the amendments is to address the concerns about the different effective dates of IFRS 9 (i.e. 1 January 2018) and the new accounting standard for insurance contracts (which will replace IFRS 4 and has a later effective date). To this end, IASB proposes two optional solutions:

(a) Overlay approach

To permit companies that issue insurance contracts to remove the incremental effect caused by changes in measurement of financial assets upon application of IFRS 9 from profit or loss.

(b) Temporary exemption from applying IFRS 9

To temporarily exempt companies whose predominant activity is to issue insurance contracts from applying IFRS 9.

The ascertainment of assessable profits of insurance corporations is governed by the special rules prescribed in sections 23 and 23A of the Inland Revenue Ordinance (Cap. 112). Insofar as tax administration is concerned, we have no comments on the above two approaches and the questions posed in the Exposure Draft.

We are grateful for the opportunity to provide our comments on the Exposure
Draft.

Yours sincerely,



(CHAN Sze-wai, Benjamin)
for Commissioner of Inland Revenue