

Proposed enhancement of maritime service tax concessions and introduction of commodity trading tax concession in Hong Kong

8 July 2025
Issue 10

In brief

Further to the announcements made in the 2024 Policy Address and the 2025/26 Hong Kong Budget¹, the Government has recently submitted an administration paper to the Legislative Council (LegCo) Panel on Economic Development², detailing the legislative proposals for (1) enhancing the existing tax concessions for the maritime service industry and (2) introducing a half-rate tax concession for commodity trading businesses.

The Government anticipates introducing the relevant amendment bill to the LegCo within the first half of 2026. Subject to the passage of the amendment bill, the proposals will take effect from the year of assessment 2025/26.

This news flash provides a summary of the legislative proposals along with our observations.

In detail

Enhancing existing tax concessions for maritime service industry

Background

Over the years, Hong Kong has introduced the following tax concessions to promote the development of its high value-added maritime service industry:

Taxpayer	Tax concession
Qualifying ship lessors (including lessors under operating lease and finance lease)	<ul style="list-style-type: none">0% concessionary tax rate; and20% tax base concession in lieu of depreciation allowances or deductions on ship acquisition costs
Qualifying ship leasing managers	<ul style="list-style-type: none">0%ⁱ or 8.25% concessionary tax rate
Qualifying shipping commercial principals (i.e. ship agents, ship managers and ship brokers)	<ul style="list-style-type: none">0% or 8.25% concessionary tax rate, or tax exemptionⁱⁱ

Notes

- The 0% tax rate applies if the qualifying ship leasing management activities are carried out for an associated corporation.
- Qualifying profits derived by a qualifying shipping commercial principal from carrying out a qualifying activity for an associated shipping enterprise, which is entitled to a concessionary tax rate or income exemption, will also be eligible for the same tax concession as the associated shipping enterprise.

On 1 January 2024, a significant milestone in international tax reform was reached as the global minimum tax rules, also known as the global anti-base erosion (GloBE) rules, promulgated by the Organisation for Economic Co-operation and Development, took effect in many implementing jurisdictions worldwide. These rules establish a 15% minimum tax rate to prevent base erosion and ensure that in-scope multinational enterprise (MNE) groups pay at least this rate in every jurisdiction where they operate. Hong Kong has joined these jurisdictions by enacting the necessary legislation last month, with the income inclusion rule under the GloBE rules and Hong Kong minimum top-up tax (HKMTT) taking effect for a fiscal year beginning on or after 1 January 2025.

Recommendations

To maintain the competitiveness and relevance of existing maritime tax concessions, the Government has proposed the following recommendations on enhancements. These proposals were drawn up after consultations with industry stakeholders and professional advisers and by referencing recent enhancements to the aircraft leasing tax regime³:

Recommendations	Details
1. Relaxing definitions for ship leasing	<ul style="list-style-type: none"> Remove the one-year term restriction on operating lease and finance lease in respect of a qualifying ship leasing activity. Extend the scope of lessees for qualifying ship leasing and ship leasing management activities from 'a ship lessor, ship leasing manager or ship operator' to 'any other persons'.
2. Introducing an additional option of a 15% concessionary tax rate for ship lessors, ship leasing managers and shipping commercial principals	<ul style="list-style-type: none"> Introduce an additional option of a 15% concessionary tax rate, while maintaining the existing concessionary tax rates. Allow entities belonging to an MNE group within the scope of the GloBE/HKMTT regime to elect their preferred concessionary tax rate annually and prescribe the arrangements for handling any unabsorbed tax loss when switching tax rates across different years of assessment. Set lower threshold requirements for qualifying taxpayers opting for a 15% concessionary tax rate⁴.
3. Introducing tax deduction on ship acquisition costs for ship lessors under operating lease	<ul style="list-style-type: none"> Introduce a one-off tax deduction on capital expenditure incurred on the acquisition of a ship in lieu of the 20% tax base concession, regardless of whether the ship is acquired before or after the effective date of the legislative amendments. However, for ships purchased and used before the effective date, the deduction will be subject to adjustments. Deem proceeds from the sale of a ship for which tax deduction has been granted (up to the total amount of deduction allowed) as trading receipts chargeable to profits tax.
4. Expanding the scope for tax deduction on interest expenses for ship lessors	<ul style="list-style-type: none"> Cover interest expenses incurred for the purpose of acquiring a ship through borrowing from: <ul style="list-style-type: none"> (1) a non-associated financier (e.g. overseas non-financial institution); and (2) an associated financier who is required to pay a similar tax on that interest income outside Hong Kong.

A comparison of the existing and proposed ship leasing tax concession regime is set out in the Appendix to this news flash.

Our observations: We welcome the above recommendations, which enhance flexibility for business operations. Recommendation 4 would be particularly beneficial for groups that obtain financing from their overseas headquarters, as it would allow them to make more efficient use of global funding resources. Recommendations 2 and 3 are particularly relevant in addressing changes following the implementation of the GloBE/HKMTT regime.

If a Hong Kong taxpayer benefitting from any of the maritime tax concessions is part of an MNE group within the scope of the GloBE/HKMTT regime, certain concessionary income may become subject to a top-up tax unless it qualifies for the exclusion of international shipping income and qualified ancillary international shipping income under the regime (the

determination of the specific shipping income for which can be complex). Introducing an option for a 15% concessionary tax rate would provide in-scope taxpayers with a more cost-effective alternative for complying with the 15% minimum tax requirement under the GloBE/HKMTT regime. Taxpayers who are not within the scope of the GloBE/HKMTT regime remain eligible for the lower concessionary tax rates.

Furthermore, allowing taxpayers to elect their preferred concessionary tax rate annually, rather than being required to adopt a fixed rate for a set period, provides flexibility and accommodates diverse financial and planning needs. This approach should help ensure that Hong Kong remains attractive and competitive compared to other maritime jurisdictions.

When calculating the jurisdictional effective tax rate (ETR) under the GloBE/HKMTT regime, deferred tax adjustments related to temporary book-to-tax differences, such as those arising from accelerated depreciation or immediate expensing, are included as covered taxes in the numerator. However, most permanent book-to-tax differences, such as a reduced tax base, do not give rise to deferred tax adjustments and are excluded from the ETR calculation.

The current tax concession regime for qualifying ship lessors provides a 20% tax base concession, which results only in a permanent difference. In contrast, the proposed tax deduction for ship acquisition costs will give rise to a temporary difference, leading to deferred tax adjustments. For taxpayers electing the 15% concessionary tax rate, these deferred tax adjustments will be factored in. Coupled with deferred tax adjustments from recognising tax losses in the acquisition year (as ship acquisition costs are generally much higher than annual leasing income) and from utilising those losses in subsequent years, the jurisdictional ETR would generally be higher than that under the 20% tax base concession, which should help mitigate the amount of top-up tax under the GloBE/HKMTT regime.

Introducing new tax concession for physical commodity traders

The Government proposes introducing a new profits tax concession for assessable profits (including incidental income such as interest income, exchange gains and hedging gains) derived by qualifying physical commodity traders (Qualifying Traders) from qualifying physical commodity trading activities (Qualifying Activities). The key features of the proposal are summarised in the table below:

Key features	Details
Concessionary tax rate	<ul style="list-style-type: none"> Generally 8.25% Entities belonging to an MNE group within the scope of the GloBE/HKMTT regime may make an annual election to opt for 15%.
Qualifying Activity	<ul style="list-style-type: none"> A Qualifying Activity refers to a physical commodity trading activity that fulfils the following: <ol style="list-style-type: none"> (1) the activity is carried out in the ordinary course of the entity's business in Hong Kong; and (2) the contract for buying and/or selling of a qualifying physical commodity item (Qualifying Item) is effected in Hong Kong. A physical commodity trading activity refers to an activity of buying and/or selling of a Qualifying Item that leads to its physical delivery, comprising actions such as soliciting the item or buyer/seller, setting and agreeing on contract terms, obtaining finance for the transaction and arranging transportation (and/or insurance therefor) of the item. Solicitation of commodity items for self-consumption purposes is not regarded as a physical commodity trading activity.
Qualifying Item	<ul style="list-style-type: none"> The list of Qualifying Items contains 55 items and covers three broad categories, namely: <ol style="list-style-type: none"> (1) energy and industrial commodities (e.g. crude oil, natural gas and potential green maritime fuel such as biofuel and green methanol); (2) agricultural commodities (e.g. wheat and corn); and (3) metal mine commodities (e.g. copper and aluminium). <p>The full list is included in the Appendix to Annex II of the administration paper.</p>

Key features	Details									
	<ul style="list-style-type: none"> Only commodities generally transported by sea are included to align with the policy intent of driving the maritime service industry. 									
Qualifying Trader	<ul style="list-style-type: none"> An entity is a Qualifying Trader if it: <ol style="list-style-type: none"> (1) has carried out Qualifying Activities and not any other activities in Hong Kong; (2) satisfies the safe harbour rule (75% profit and asset test); or (3) has obtained the Commissioner of Inland Revenue's determination. To enjoy the tax concession, the Qualifying Trader should also satisfy the following conditions: <ol style="list-style-type: none"> (1) its central management and control is exercised in Hong Kong; (2) the activities that produce the qualifying profits are carried out by it (or arranged by it to be carried out) in Hong Kong; and (3) the activities are not carried out by its permanent establishment outside Hong Kong. 									
Minimum annual business turnover requirement	<ul style="list-style-type: none"> The total income derived from the Qualifying Activity must be at least HK\$700 million. 									
Minimum requirements on use of Hong Kong maritime services	<ul style="list-style-type: none"> Where the Qualifying Trader has incurred expenditure on specified maritime services (such as services related to ship leasing, ship management, maritime legal and marine insurance), at least part of its expenditure should be incurred on services provided by Hong Kong-based service providers as follows: <ol style="list-style-type: none"> (1) 30% of the expenditure on the specified maritime services in aggregate; or (2) 50% of the expenditure on one of the specified maritime services. A service provider is Hong Kong-based if its business is registered in accordance with the Business Registration Ordinance. This proposed requirement is intended to encourage the use of Hong Kong's maritime services. At the same time, the '30% or 50%' option provides Qualifying Traders with some flexibility to mix and match the specified maritime services to meet the criterion. 									
Economic substance requirements	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Tax rate elected by entity</th> <th style="text-align: center;">Number of full-time employees</th> <th style="text-align: center;">Annual operating expenditure</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">8.25%</td> <td style="text-align: center;">≥ 3</td> <td style="text-align: center;">≥ HK\$3 million</td> </tr> <tr> <td style="text-align: center;">15%</td> <td style="text-align: center;">≥ 1</td> <td style="text-align: center;">≥ HK\$1 million</td> </tr> </tbody> </table>	Tax rate elected by entity	Number of full-time employees	Annual operating expenditure	8.25%	≥ 3	≥ HK\$3 million	15%	≥ 1	≥ HK\$1 million
Tax rate elected by entity	Number of full-time employees	Annual operating expenditure								
8.25%	≥ 3	≥ HK\$3 million								
15%	≥ 1	≥ HK\$1 million								

Legislative timeline

The Government plans to introduce the relevant amendment bill into the LegCo in the first half of 2026. In line with the legislative timeline for the HKMTT, the Government intends to implement the above legislative proposals with effect from the year of assessment 2025/26.

The takeaway

Overall, the proposed recommendations constitute a comprehensive and well-calibrated response to both industry needs and evolving international tax standards. Shipowners and commodity traders are the primary users of maritime services. Granting tax concessions would not only encourage them to establish and expand their operations in Hong Kong, but would also increase demand for related services and further strengthen Hong Kong's position as an international centre for finance, shipping and trade. Furthermore, the inclusion of green maritime fuel as a Qualifying Item supports the development of green maritime initiatives and the establishment of a green port in Hong Kong.

In a post-GloBE environment where a 15% ETR has become the new minimum, securing the lowest corporate tax rate through incentives may no longer be as attractive for in-scope MNE groups. The Government should therefore consider offering non-tax incentives to further strengthen Hong Kong's competitiveness. It is encouraging to note the recent establishment of the Hong Kong Maritime and Port Development Board, comprising key industry leaders who will advise the Government on maritime policies and strategies from multiple perspectives. This multipronged approach is expected to further leverage Hong Kong's unique advantages and bolster the industry's global competitiveness amid ongoing geopolitical challenges.

Existing and prospective concessionary taxpayers should consider the potential tax implications of these recommendations. If you would like to discuss how these recommendations may affect you, or have further suggestions, please feel free to contact us.

Endnotes

1. Our dedicated website for the 2025/26 Hong Kong Budget can be accessed via this link:
<https://www.pwchk.com/en/services/tax/hong-kong-budget-2025-2026.html>
2. The Government's administration paper can be accessed via this link:
<https://www.legco.gov.hk/yr2025/english/panels/edev/papers/edev20250708cb3-1045-5-e.pdf>
3. Our tax news flash on the enhancements to the aircraft leasing tax regime can be accessed via this link:
<https://www.pwchk.com/en/hk-tax-news/2024q1/hongkongtax-news-feb2024-3.pdf>
4. The existing requirements and the proposed lower threshold requirements for the 15% concessionary tax rate are as follows:

Qualifying taxpayer	Existing requirements	Proposed lower requirements for the 15% concessionary tax rate
Ship lessors	<ul style="list-style-type: none"> • Employ at least 2 employees • Incur annual operating expenditure of ≥ HK\$7.8 million 	<ul style="list-style-type: none"> • Employ at least 1 employee • Incur annual operating expenditure of ≥ HK\$3.9 million
Ship leasing managers	<ul style="list-style-type: none"> • Employ at least 1 employee • Incur annual operating expenditure of ≥ HK\$1 million 	<ul style="list-style-type: none"> • Employ at least 1 employee • Incur annual operating expenditure of ≥ HK\$0.5 million
Shipping commercial principals	<ul style="list-style-type: none"> • Employ at least 1 employee • Incur annual operating expenditure of ≥ HK\$1 million 	<ul style="list-style-type: none"> • Employ at least 1 employee • Incur annual operating expenditure of ≥ HK\$0.5 million

Appendix – Comparison of existing and proposed ship leasing tax concession regime

Existing law		Legislative proposal																																	
Lease term	<ul style="list-style-type: none"> Over one year 	<ul style="list-style-type: none"> No restriction 																																	
Scope of lessees	<ul style="list-style-type: none"> Confined to ship lessor, ship leasing manager and ship operator 	<ul style="list-style-type: none"> Extended to any other persons 																																	
Concessionary tax rate	<ul style="list-style-type: none"> Qualifying ship lessors: 0% Qualifying ship leasing managers: 0% or 8.25% 	<ul style="list-style-type: none"> Introduce an additional option whereby entities belonging to an MNE group within the scope of the GloBE/HKMTT regime may make an annual election to opt for 15%, while maintaining the existing concessionary tax rate 																																	
Interest payable by ship lessors to non-financial institution financiers outside Hong Kong for acquiring ships	<ul style="list-style-type: none"> Generally non-deductible 	<ul style="list-style-type: none"> Deductible (subject to the following) Interest payable to an associated financier is deductible only if the financier is required to pay a similar tax on the interest income outside Hong Kong 																																	
Threshold requirements	<table border="1"> <thead> <tr> <th>Number of full-time employees</th> <th>Annual operating expenditure</th> </tr> </thead> <tbody> <tr> <td colspan="2"><i>Qualifying ship lessors:</i></td> </tr> <tr> <td>≥ 2</td> <td>≥ HK\$7.8 million</td> </tr> <tr> <td colspan="2"><i>Qualifying ship leasing managers:</i></td> </tr> <tr> <td>≥ 1</td> <td>≥ HK\$1 million</td> </tr> </tbody> </table>	Number of full-time employees	Annual operating expenditure	<i>Qualifying ship lessors:</i>		≥ 2	≥ HK\$7.8 million	<i>Qualifying ship leasing managers:</i>		≥ 1	≥ HK\$1 million	<table border="1"> <thead> <tr> <th>Tax rate elected</th> <th>Number of full-time employees</th> <th>Annual operating expenditure</th> </tr> </thead> <tbody> <tr> <td colspan="3"><i>Qualifying ship lessors:</i></td> </tr> <tr> <td>0%</td> <td colspan="2">Same as existing law</td> </tr> <tr> <td>15%</td> <td>≥ 1</td> <td>≥ HK\$3.9 million</td> </tr> <tr> <td colspan="3"><i>Qualifying ship leasing managers:</i></td> </tr> <tr> <td>0% or 8.25%</td> <td colspan="2">Same as existing law</td> </tr> <tr> <td>15%</td> <td>≥ 1</td> <td>≥ HK\$0.5 million</td> </tr> </tbody> </table>			Tax rate elected	Number of full-time employees	Annual operating expenditure	<i>Qualifying ship lessors:</i>			0%	Same as existing law		15%	≥ 1	≥ HK\$3.9 million	<i>Qualifying ship leasing managers:</i>			0% or 8.25%	Same as existing law		15%	≥ 1	≥ HK\$0.5 million
Number of full-time employees	Annual operating expenditure																																		
<i>Qualifying ship lessors:</i>																																			
≥ 2	≥ HK\$7.8 million																																		
<i>Qualifying ship leasing managers:</i>																																			
≥ 1	≥ HK\$1 million																																		
Tax rate elected	Number of full-time employees	Annual operating expenditure																																	
<i>Qualifying ship lessors:</i>																																			
0%	Same as existing law																																		
15%	≥ 1	≥ HK\$3.9 million																																	
<i>Qualifying ship leasing managers:</i>																																			
0% or 8.25%	Same as existing law																																		
15%	≥ 1	≥ HK\$0.5 million																																	
Deduction on ship acquisition cost for ship lessors under operating lease	<ul style="list-style-type: none"> No deduction on ship acquisition cost, but a 20% tax base concession is available 	<ul style="list-style-type: none"> Introduce a one-off tax deduction on capital expenditure incurred on the acquisition of a ship in lieu of the 20% tax base concession The deduction applies to all ships, but ships purchased and used before the effective date of the proposed amendments are subject to adjustments Proceeds from sale of the ship (up to the total amount of deduction allowed) is deemed taxable 																																	

Let's talk

For a deeper discussion of how this impacts your business, please contact:

PwC's Corporate Tax Leaders based in Hong Kong

Jeremy Ngai
+852 2289 5616
jeremy.cm.ngai@hk.pwc.com

Rex Ho
+852 2289 3026
rex.ho@hk.pwc.com

Cecilia Lee
+852 2289 5690
cecilia.sk.lee@hk.pwc.com

Kenneth Wong
+852 2289 3822
kenneth.wong@hk.pwc.com

Jenny Tsao
+852 2289 3617
jenny.np.tsao@hk.pwc.com

PwC's Transportation and Logistic Tax Team based in Hong Kong

Agnes Wong
+852 2289 3816
agnes.hy.wong@hk.pwc.com

Emily Chak
+852 2289 3738
emily.sk.chak@hk.pwc.com

Ingrid Lau
+852 2289 3649
ingrid.il.lau@hk.pwc.com



One-stop tax information platform of Shui Jie 3.0 version Your exclusive tax think tank



- For Android users, please scan the QR code to access to Tencent App store
- Shui Jie web portal - <https://shuijie.pwcconsultantssz.com>

In the context of this News Flash, China, Chinese mainland or the PRC refers to the People's Republic of China but excludes Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region.

The information contained in this publication is for general guidance on matters of interest only and is not meant to be comprehensive. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PwC's client service team or your other tax advisers. The materials contained in this publication were assembled on 8 July 2025 and were based on the law enforceable and information available at that time.

This News Flash is issued by **PwC's National Tax Policy Services** in Chinese mainland and Hong Kong, which comprises a team of experienced professionals dedicated to monitoring, studying and analysing the existing and evolving policies in taxation and other business regulations in Chinese mainland, Hong Kong, Singapore and Taiwan. They support PwC's partners and staff in their provision of quality professional services to businesses and maintain thought-leadership by sharing knowledge with the relevant tax and other regulatory authorities, academics, business communities, professionals and other interested parties.

For more information, please contact:

Long Ma
+86 (10) 6533 3103
long.ma@cn.pwc.com

Charles Chan
+852 2289 3651
charles.c.chan@hk.pwc.com

Please visit PwC's websites at <http://www.pwccn.com> (China Home) or <http://www.pwchk.com> (Hong Kong Home) for practical insights and professional solutions to current and emerging business issues.

www.pwchk.com

© 2025 PricewaterhouseCoopers Ltd. All rights reserved. PwC refers to the Hong Kong member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.