Hong Kong Tax News Flash

Government proposes enhancements to stamp duty relief for intra-group transfers

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In brief

Following the 2026/27 Budget announced in February 2026, the Government released the detailed enhancement proposal for the stamp duty relief for intra-group transfers (section 45 relief)[1]. The proposal includes two key components:

(i) Expanding the scope of eligible associated bodies corporate; and
(ii) Lowering the minimum threshold for association between the transferor and the transferee from 90% to 75%.

The Government plans to introduce the amendment bill into the Legislative Council (LegCo) in October 2026. Upon passage of the bill, the enhancement measures would take retrospective effect from 25 February 2026. A transitional arrangement is available for instruments executed between 25 February 2026 and the date of passage of the bill.

This news flash summarises the enhancement measures together with our observations.

In detail

Background

Section 45 of the Stamp Duty Ordinance provides stamp duty relief for instruments effecting transfers of Hong Kong stock or immovable property between associated bodies corporate, provided that certain conditions are satisfied. One of the key requirements is that the transferor and transferee must satisfy the 90% issued share capital association test.

In June 2025, the Court of Final Appeal (CFA) handed down its decision in *John Wiley & Sons UK2 LLP & Wiley International LLC v The Collector of Stamp Revenue* [2025] HKCFA 11. The CFA held that a UK limited liability partnership (LLP) does not have 'issued share capital' for the purposes of claiming the section 45 relief. The decision therefore suggests that, where the 90% association requirement must be traced through an ownership structure involving modern bodies corporate without issued share capital, the relevant transfer may fall outside the scope of section 45 relief.

Following the decision, stakeholders, including PwC, made submissions recommending legislative changes to better accommodate modern forms of bodies corporate. Without such changes, the outcome would appear inconsistent with the policy objective of section 45, which is to grant relief where dutiable property is transferred within a closely associated group and the underlying control remains unchanged. The proposal outlines the enhancement measures announced in the 2026/27 Budget.

Enhancement measures

1. Expanding the scope of eligible associated bodies corporate

The Government proposes expanding the scope of business entities eligible for the section 45 relief to include bodies corporate with separate legal personality that do not issue shares.

Our observations	We welcome the proposal to expand the categories of bodies corporate that may qualify for the section 45 relief. The proposal cites LLPs as an example of the expanded scope. Given the wide range of modern business structures now used in multinational enterprise (MNE) groups, it would be helpful for the Stamp Office to issue guidance on the defining characteristics of a body corporate for these purposes, as well as on common foreign entity types that it recognises as bodies corporate. This will give duty payers greater certainty when assessing whether relief may be available.

2. Lowering the association threshold from 90% to 75%

Based on the proposal, two bodies corporate would be regarded as associated if:

(i) one entity has an associating interest in the other entity; or
(ii) a third entity has an associating interest in both of them.

An entity (entity A) would be regarded as having an associating interest in another entity (entity B) if:

(i) entity A has at least 75% of direct or indirect beneficial interest in, or in relation to, entity B; or
(ii) entity A is, directly or indirectly, entitled to exercise, or control the exercise of, at least 75% of the voting rights in, or in relation to, entity B.

If entity B has issued share capital, entity A's beneficial interest in entity B would be determined by reference to that issued share capital. Otherwise, for example in the case of an LLP, it would be determined by entity A's ownership in entity B.

Our observations	We also welcome the proposal to reduce the association threshold from 90% to 75%. This would bring Hong Kong more closely into line with the position in the UK and Singapore under their equivalent intra-group relief regimes. In practical terms, the change should give MNE groups greater flexibility when undertaking internal restructurings involving dutiable assets.

3. Anti-avoidance provisions

The existing section 45 contains a number of anti-abuse provisions, including requirements relating to the maintenance of the association for at least two years and restrictions on arrangements involving funding from outside the group. The proposal indicates that while these provisions would be kept, corresponding amendments would be made in light of the relaxation of the association test, but it stops short of providing details.

Legislative timeline

The Government plans to introduce an amendment bill into the LegCo in October 2026 to implement the proposals. If the bill is passed, the changes are expected to take retrospective effect from 25 February 2026.

Transitional arrangement

Before the relevant legislation is enacted, duty payers may submit adjudication requests for instruments relating to transfers that would satisfy the conditions under the enhanced section 45 relief. The Stamp Office would determine whether the relief is available after the passage of the bill. Importantly, in these cases, duty payers would not be required to pay stamp duty upfront and then apply for a refund later.

The takeaway

We welcome the proposal to relax the criteria for the section 45 relief and note that it incorporates a number of recommendations made by stakeholders, including PwC. In our view, the proposed changes should enhance Hong Kong's tax competitiveness and consolidate its role as international investment and business hub.

It is also encouraging that duty payers who consider themselves to satisfy the new criteria under the proposal would not be required to pay stamp duty upfront, and that the changes are intended to apply retrospectively to instruments executed on or after 25 February 2026. However, some uncertainty remains regarding the transitional arrangement. It would be helpful for the Stamp Office to provide prompt clarification on the following points to give duty payers greater certainty:

- If, upon review, an application made in good faith is found not to satisfy the statutory requirements, would it be sufficient for the duty payers to simply pay the stamp duty due, without any penalty being imposed?
- Should duty payers proactively notify the Stamp Office (and arrange the stamping of the instruments and payment of stamp duty) if, after the amendment bill is published or passed by the LegCo, they conclude that an application already submitted is unlikely to qualify for the enhanced section 45

relief?

- Where duty payers choose to stamp the instruments and pay the stamp duty now on the basis of the existing legislation, would the Stamp Office entertain a subsequent application for a refund (as it currently does) if, upon passage of the bill, the transfer is found to qualify for the enhanced section 45 relief?

Businesses considering relying on the proposed enhanced section 45 relief regarding their pending transactions should carefully assess the position in light of the remaining uncertainty. Please do not hesitate to contact us if you need advice on the implications for your specific transaction.

Endnotes

1. The proposal can be accessed via this link: https://www.legco.gov.hk/yr2026/english/panels/fa/papers/fa20260706cb1-750-3-e.pdf

Let's talk

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

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