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Hong Kong Tax News Flash

# Bill to relax stamp duty relief for intra-group transfers introduced

5 October 2026
Issue 15

## In brief

Following the 2026/27 Budget and the legislative proposal released earlier this year[1], the Stamp Duty (Amendment) (No. 3) Bill 2026 (Bill) was gazetted on 2 October 2026[2]. The Bill seeks to enhance stamp duty relief for intra-group transfers (section 45 relief) through two key measures:

(i) Expanding the scope of associated bodies corporate through a new association test based on beneficial interest or voting rights; and
(ii) Lowering the association threshold from 90% to 75%.

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 enactment of the amendment ordinance.

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% association test based on issued share capital.

As discussed in our earlier news flash, the Court of Final Appeal (CFA) held in *John Wiley & Sons UK2 LLP & Wiley International LLC v The Collector of Stamp Revenue* [2025] HKCFA 11 that a United Kingdom limited liability partnership (LLP) does not have 'issued share capital' for the purposes of section 45. The decision highlighted a limitation of the existing provision and prompted stakeholders, including PwC, to recommend legislative changes.

Having regard to the corresponding regimes in Singapore and the United Kingdom, the Government introduced the Bill to relax the eligibility criteria for section 45 relief. The changes are intended to respond to the evolving business environment and maintain the competitiveness of Hong Kong's tax regime.

# Key provisions of the Bill

## 1. Expanding the scope of associated bodies corporate

The Bill proposes to replace the existing association test based on issued share capital with a broader test based on an 'associating interest'. Under the new test, association may be established through either beneficial interest or voting rights. This would bring bodies corporate that have separate legal personality but no issued share capital within the scope of section 45 relief, provided that the applicable associating interest threshold is satisfied.

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| **Our observations** | We welcome this broader framework, which better reflects the diversity of legal entities and ownership arrangements used by modern corporate groups. In particular, it addresses the existing limitation affecting bodies corporate without issued share capital, such as LLPs.<br><br>Notably, the association tests under the equivalent regimes in the United Kingdom and Singapore are conjunctive, requiring the relevant ownership or control criteria to be satisfied cumulatively[4]. By contrast, the test under the Bill is disjunctive, requiring either the requisite beneficial interest or voting rights. This approach appears to be consistent with the Government's stated objective of enhancing the competitiveness of Hong Kong's regime.<br><br>Given the growing variety of entity forms, further guidance from the Stamp Office on the types of entities that qualify as a 'body corporate' would be helpful. In particular, guidance on the defining characteristics of a body corporate, together with examples of commonly used foreign entities recognised by the Stamp Office as bodies corporate, would provide duty payers with greater certainty regarding the availability of relief. |

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

Under the Bill, two bodies corporate would be regarded as associated if:

(i) one has an associating interest in the other; or
(ii) a third body corporate has an associating interest in both.

A body corporate (body corporate A) would be regarded as having an associating interest in another body corporate (body corporate B) if body corporate A, directly or indirectly:

(i) has at least a 75% beneficial interest in body corporate B; or

(ii) is entitled to exercise, or control the exercise of, at least 75% of the voting rights in body corporate B.

If body corporate B has issued share capital, body corporate A's beneficial interest in body corporate B would be determined by reference to that issued share capital. If body corporate B has no issued share capital, the beneficial interest would instead be determined by reference to body corporate A's ownership interest in body corporate B. An ownership interest means an interest that carries rights to body corporate B's profits, capital or reserves and is accounted for as equity under applicable accounting principles.

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| **Our observations** | We also welcome the proposed reduction in the association threshold from 90% to 75%. The lower threshold would bring Hong Kong more closely into line with the equivalent intragroup relief regimes in the United Kingdom and Singapore and should facilitate a wider range of internal restructurings involving dutiable assets. |

### 3. Anti-abuse provisions

The existing section 45 contains several anti-abuse provisions, including restrictions on arrangements involving funding from outside the group or planned disassociation, as well as a requirement for the maintenance of the association for at least two years. Under the Bill, these provisions would be retained, with consequential amendments to reflect the proposed new 'associating interest' test. Accordingly, the Bill would not introduce any additional anti-abuse provisions specifically in connection with the proposed relaxation of section 45 relief.

## Legislative timeline

The Bill will be introduced into the Legislative Council for first reading on 14 October 2026. Upon passage of the Bill, the changes would take retrospective effect from 25 February 2026. The relaxed association test would also apply from that date to other provisions in the Stamp Duty Ordinance that refer to section 45.

## Transitional arrangement

Before the Bill is passed, duty payers may submit adjudication requests for instruments relating to transfers that would qualify for the enhanced section 45 relief. Upon enactment of the amendment ordinance, the Stamp Office will formally adjudicate instruments that meet the criteria under the relaxed association test, and duty payers will not be required to pay stamp duty upfront.

# The takeaway

The Bill marks a welcome and timely enhancement of section 45 relief. In addition to broadening the types of bodies corporate eligible for relief to address the limitation highlighted by the CFA decision last year, the Bill proposes to reduce the association threshold to 75%, bringing Hong Kong more closely into line with equivalent regimes in other major business hubs. The proposed association test would be more flexible than those regimes, as it may be satisfied through either beneficial interest or voting rights. These changes are expected to facilitate a broader range of intra-group restructurings and enhance the competitiveness of Hong Kong's stamp duty regime.

Businesses should nevertheless remain mindful that section 45 is intended to provide relief for genuine intra-group transfers of dutiable assets. The Collector of Stamp Revenue may look beyond the form of an arrangement and consider its broader purpose, particularly if it appears designed to circumvent the statutory requirements.

Looking ahead, further guidance from the Stamp Office on certain practical aspects of the transitional arrangement identified in our earlier news flash, as well as on the types of entities that qualify as a 'body corporate', would provide businesses with greater certainty when planning group restructurings.

Businesses contemplating group restructurings should assess the availability of section 45 relief at an early stage and seek advice where appropriate.

# Endnotes

1. Our news flash on the legislative proposal can be accessed via this link: https://www.pwchk.com/en/hk-tax-news/2026q2/hongkongtax-news-jun2026-12.pdf

2. The Bill can be accessed via this link: https://www.legco.gov.hk/yr2026/english/bills/b202610023.pdf

3. Under the Bill, a reference to the exercise of voting rights in a body corporate means the exercise of voting rights at general meetings of that body corporate. Voting rights attributed to a body corporate also include voting rights of other persons that are required, or may be required, to be exercised on behalf of, or under the direction of, that body corporate.

4. Under the Singapore regime, the association test requires a specified entity to hold, directly or indirectly, at least 75% of the voting capital and more than 50% of the voting power in another entity. Under the United Kingdom regime, the association test requires a body corporate to be beneficially entitled to at least 75% of each of the ordinary share capital, the profits available for distribution to equity holders and the assets available for distribution to equity holders on a winding-up.

# Let's talk

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


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