2024/25 Hong Kong Tax Facts and Figures

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The information in this booklet is based on taxation laws and practices as of 28 February 2024 and incorporates legislative proposals and measures contained in the 2024/25 Hong Kong Budget announced on the same date.

Legislative proposals do not become law until their enactment and may be modified by the Legislative Council before being enacted.

The information in this booklet is presented in Hong Kong dollar unless otherwise stated.

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Income tax

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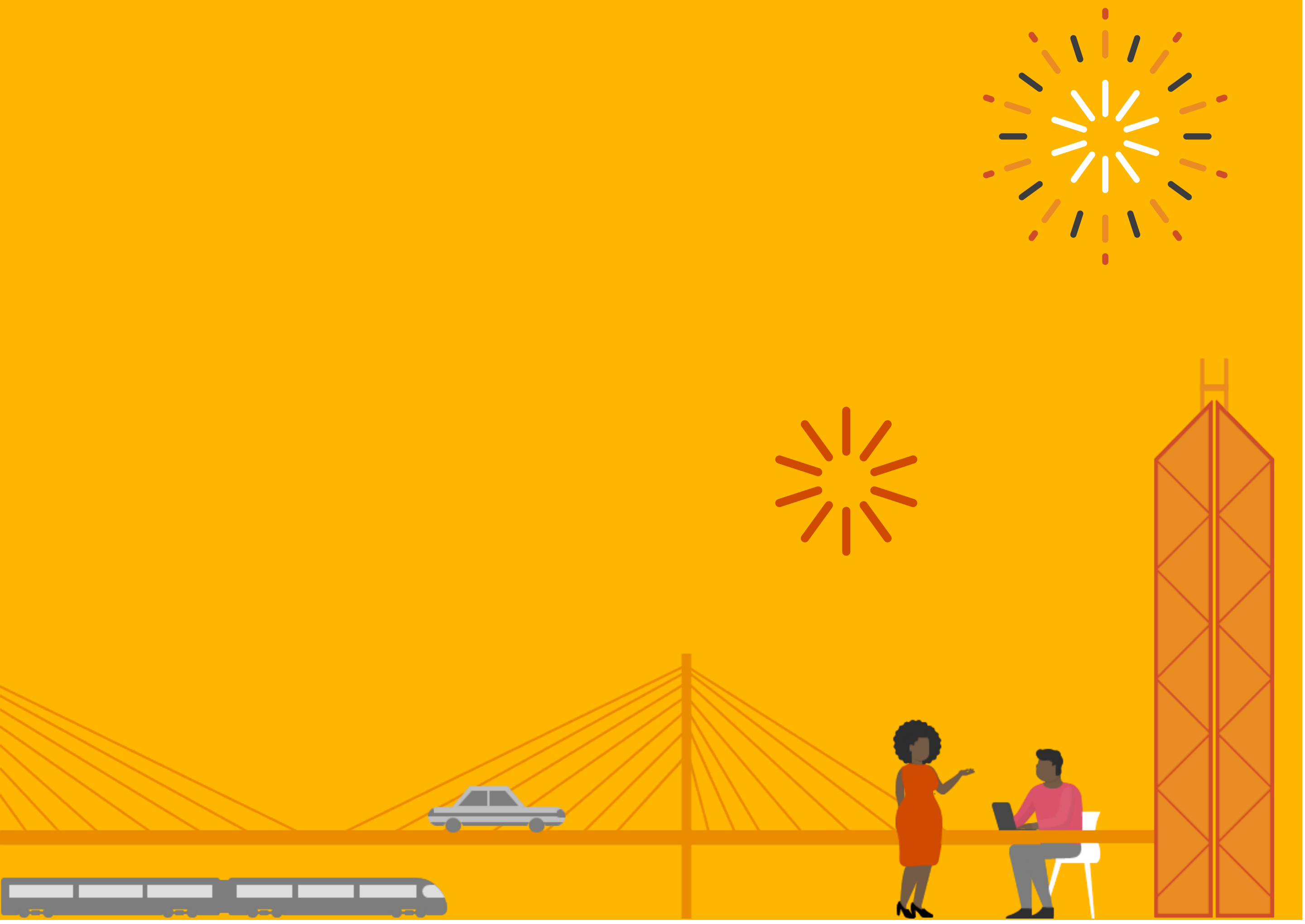

A schedular system

Hong Kong has a schedular system of income tax. The Inland Revenue Ordinance (IRO) charges income from an office, an employment or a pension to salaries tax, profits from a trade, profession or business to profits tax and rental income from real estate to property tax. Any income that is not within any one of these schedules or categories is not subject to tax. Hong Kong does not currently impose any estate duty and payroll, turnover, sales, value-added, gift or capital gains taxes.

Basis of taxation

Hong Kong imposes income tax on a territorial basis. This means that generally income is taxed in Hong Kong only if it arises in or is derived from Hong Kong. However, a limited number of other business receipts are deemed to be taxable.

Year of assessment

The tax year or year of assessment runs from 1 April of a year to 31 March of the following year. The basis of assessment is the income accrued in the tax year for salaries tax and property tax. For profits tax, the basis of assessment is the accounting profits of the financial year ending within the year of assessment with appropriate adjustments for tax purposes.

Double tax agreements and arrangements

As of 28 February 2024, Hong Kong has signed comprehensive double tax agreements/ arrangements (DTAs) on income with the following jurisdictions:

- Austria
- Bangladesh (effective date pending)
- Belarus
- Belgium
- Brunei
- Cambodia
- Canada
- Croatia (effective date pending)
- Czech Republic
- Estonia
- Finland
- France
- Georgia
- Guernsey
- Hungary
- India
- Indonesia
- Ireland
- Italy
- Japan
- Jersey
- Korea
- Kuwait
- Latvia
- Liechtenstein
- Luxembourg
- Macao SAR
- Mainland of China
- Malaysia
- Malta
- Mauritius
- Mexico
- Netherlands
- New Zealand
- Pakistan
- Portugal
- Qatar
- Romania
- Russia
- Saudi Arabia
- Serbia
- South Africa
- Spain
- Switzerland
- Thailand
- United Arab Emirates
- United Kingdom
- Vietnam

Personal assessment

An individual who is a Hong Kong resident and 18 years of age or above may elect for personal assessment, whereby incomes chargeable to salaries tax, profits tax and property tax are aggregated in a single assessment. Personal assessment enables an individual to offset a business loss against income subject to salaries tax or property tax and to claim deduction of loan interest on rental properties, which is not available under property tax. Up to the year of assessment 2017/18, a married person must elect for personal assessment jointly with his/her spouse if both of them earn taxable income. Starting from the year of assessment 2018/19, a married person and his or her spouse can elect for personal assessment separately. However, if a married couple has elected for joint assessment for salaries tax purposes, an election for personal assessment must be made jointly by both spouses of the married couple.

Losses brought forward from previous years under personal assessment may also be used to offset income in the current year or subsequent years.

The tax payable under personal assessment is calculated in the same manner as for salaries tax.

Salaries tax

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Rates of tax

A person's income from employment, less allowable deductions, charitable donations and personal allowances (see below), is chargeable to salaries tax at the following progressive rates:

	2024/25
First $50,000	2%
Next $50,000	6%
Next $50,000	10%
Next $50,000	14%
Remainder	17%

	2023/24
First $50,000	2%
Next $50,000	6%
Next $50,000	10%
Next $50,000	14%
Remainder	17%

The maximum tax payable is, however, limited to tax at the standard rate(s) below on the person's income from employment less allowable deductions and charitable donations, but without a deduction for personal allowances.

	2024/25
First $5,000,000	15%
Remainder	16%

	2023/24
Any amount	15%

Personal allowances

	2024/25	2023/24
Basic allowance	$132,000	$132,000
Married person's allowance	$264,000	$264,000
Child allowance		
• 1st to 9th child (each)		
– year of birth	$260,000	$260,000
– other years	$130,000	$130,000
Dependent parent/grandparent allowance		
• Aged 60 or above		
– not residing with taxpayer throughout the year	$50,000	$50,000
– residing with taxpayer throughout the year	$100,000	$100,000
• Aged 55 to 59		
– not residing with taxpayer throughout the year	$25,000	$25,000
– residing with taxpayer throughout the year	$50,000	$50,000
Dependent brother/sister allowance (for whom no child allowance is claimed)	$37,500	$37,500
Single parent allowance	$132,000	$132,000
Disabled dependant allowance (in addition to any allowances already granted for the disabled dependant)	$75,000	$75,000
Personal disability allowance (in addition to any allowances already granted for the disabled person)	$75,000	$75,000

Deductions

In order to qualify as an allowable deduction, an expense must be wholly, exclusively and necessarily incurred in the production of assessable income. In addition, the following deductions are available:

Maximum deduction for amount paid for:	2024/25	2023/24
Self-education expenses	$100,000	$100,000
Home loan interest	$100,000	$100,000
Elderly residential care expenses	$100,000	$100,000
Mandatory contributions to MPF scheme / Contributions to other recognised retirement schemes	$18,000	$18,000
Voluntary contributions to MPF scheme & qualifying annuity premiums	$60,000	$60,000
Qualifying premiums paid under the Voluntary Health Insurance Scheme	$8,000 per insured person	$8,000 per insured person
Domestic rent	100,000	100,000
Approved charitable donations	35% of income after allowable expenses and depreciation allowances	35% of income after allowable expenses and depreciation allowances

Married persons

Although married persons who both earn taxable income are normally taxed separately, they may elect to be taxed jointly when it is to their advantage.

The married person's allowance is only available (1) where either spouse of a married couple has no taxable income, (2) where the married couple has elected for joint assessment to salaries tax or (3) where the married couple has jointly elected for personal assessment.

A married couple must state which spouse will claim child allowances.

Basis of taxation

A person's residence, domicile or citizenship is irrelevant to his/her liability to salaries tax except in the situation where the person is a tax resident of a jurisdiction with which Hong Kong has signed a DTA. A person is subject to salaries tax on his/her Hong Kong sourced employment income, any income from an office held in Hong Kong and any Hong Kong pension.

If an employment is a Hong Kong employment, the income from employment services rendered both in and outside Hong Kong is regarded as Hong Kong sourced employment income. In case an employment is a non-Hong Kong employment, only the income from employment services rendered in Hong Kong is regarded as Hong Kong sourced employment income (i.e. time-apportionment claim is applicable).

The Inland Revenue Department (IRD) will generally accept that an employment is a non-Hong Kong employment if all of the following three factors are present: (1) the contract of employment was negotiated and entered into, and is enforceable outside Hong Kong; (2) the employer is a resident outside Hong Kong; and (3) the employee's remuneration is paid outside Hong Kong.

For a Hong Kong employment, employment income is not taxable if all of the employment services for a year of assessment are rendered outside Hong Kong. In determining whether or not all the services are rendered outside Hong Kong, no account is taken of services rendered in Hong Kong during visits not exceeding 60 days in the basis period for the year of assessment.

Up to the year of assessment 2017/18, partial exemption is available for income derived from services rendered in a territory outside Hong Kong where tax similar to salaries tax has been charged and paid on that income in such territory, regardless of whether there is a DTA between Hong Kong and that territory. Effective from the year of assessment 2018/19, the above partial income exemption will only apply where foreign tax similar to salaries tax has been paid in a non-DTA territory. This means that in the case of DTA territories, double tax relief (if any) will only be granted by means of a credit of foreign tax paid against the salaries tax liabilities.

For a non-Hong Kong employment, salaries tax is payable only on the income derived from services rendered in Hong Kong. Similar to Hong Kong employment, services rendered in Hong Kong during visits not exceeding 60 days in the basis period for the year of assessment will not be taken into account when considering whether services are rendered in Hong Kong.

The source of directors' fees is determined by the location where the central management and control of the company paying the fees is exercised.

Pensions are, in practice, taxable in Hong Kong if the funds from which the payment is made are managed and controlled in Hong Kong, and the pension (other than a government pension) relates to services rendered in Hong Kong.

Legislation is in place to prevent the use of service companies to disguise an employer-employee relationship. Departmental Interpretation and Practice Notes (DIPN) No. 25 issued by the IRD provides further guidance on this issue. On the other hand, DIPN No. 24 addresses the payment of management fees by a firm to a service company controlled by the firm's proprietor or its associates.

A comprehensive transfer pricing (TP) regime that also applies to the determination of salaries tax liabilities was introduced in Hong Kong in July 2018. Except in a situation where there is no potential Hong Kong tax advantage, TP Rule 1 (i.e. the arm's length principle) applies to transactions between related parties from the year of assessment 2018/19, with a grandfathering provision that transactions entered into or effected before 13 July 2018 are not subject to the rule (see Transfer pricing regulation and documentation – pages 20 to 21).

Perquisites and exemptions

Perquisites and allowances are generally taxable, including any benefit capable of being converted into money by the recipient and any amount paid by an employer in connection with the education of a child or holiday journey of an employee. If the employer has the sole and primary liability for payment of other benefits, e.g. utilities, the employee will generally not be taxed on such benefits.

Gains from any employee share option are taxable when the option is exercised, assigned or released.

Accommodation that is provided or subsidised by an employer or its associated corporation is taxable. The rental value of accommodation provided rent free by an employer or the excess of this rental value over the rent actually paid by the employee to his employer for the accommodation will be included as assessable income. The rental value of an accommodation is usually 10% of net income from the employer, but is reduced to 8% and 4% when the accommodation is not more than 2 bedrooms and 1 bedroom respectively in a hotel, hostel or boarding house. Similar tax treatment applies where an employer refunds all or part of the rent paid by an employee.

Retirement benefits

Mandatory Provident Fund schemes

Under the Mandatory Provident Fund (MPF) system, employees are required to contribute 5% of their monthly income and employers have to match this amount. Currently, the maximum level of income for contribution purposes is $30,000 per month and the maximum mandatory contribution for each of the employer and employee is $1,500 per month. An employee whose income is less than $7,100 per month is not required to make mandatory contributions, but the employer of such employee is required to contribute an amount that is equal to 5% of the employee's monthly income. An employee and an employer may make voluntary contributions in addition to the mandatory contributions.

A self-employed person is required to enrol in and contribute to an MPF scheme. Limited categories of persons are not required to join an MPF scheme, including people from overseas who enter Hong Kong for employment for a period that does not exceed 13 months, or who are covered by overseas retirement schemes.

Employees' mandatory MPF contributions are deductible in computing their income subject to salaries tax. The maximum amount of deduction is $18,000 per annum for the year of assessment 2015/16 onwards. Effective from the year of assessment 2019/20, there is a combined maximum salaries tax deduction of $60,000 per annum for employees' voluntary MPF contributions to a designated MPF account and qualifying annuity premiums paid under qualifying deferred annuity policies.

All benefits derived from mandatory contributions under an MPF scheme must generally be preserved until the employee reaches the prescribed retirement age of 65. There are some exceptions enabling early withdrawal of benefits including where a person in fact retires between ages 60 and 65, where a person has departed or will depart from Hong Kong permanently, or where a person has become totally incapacitated, suffered from terminal illness or died before the retirement age. The benefits accrued from mandatory contributions to MPF schemes can be withdrawn in a lump sum or by instalments upon retirement, death, incapacity, terminal illness or permanent departure from Hong Kong.

So much of the accrued benefits received from the approved trustee of an MPF scheme on the grounds of a person's retirement from employment, death, incapacity, terminal illness, termination of service or permanent departure from Hong Kong as are attributable to an employer's or an employee's mandatory contributions as well as an employee's voluntary contributions are exempt from salaries tax.

So much of the accrued benefits received from the approved trustee of an MPF scheme on the grounds of a person's retirement from employment, death, incapacity, terminal illness or termination of service as are attributable to an employer's voluntary contributions are also generally exempt from salaries tax, though there are some exceptions where these voluntary contributions are withdrawn upon a termination of service of less than ten years. An employer's voluntary contributions received at times other than these are taxable.

Other retirement schemes

Employees' contributions to a recognised occupational retirement scheme (RORS) (i.e. not an MPF scheme) are also eligible for a salaries tax deduction up to the amount of $18,000 per annum for the year of assessment 2015/16 onwards.

Sums received by way of commutation of pension, or other sums withdrawn, from a RORS upon retirement from employment, death, incapacity, terminal illness or termination of service are exempt with certain exceptions, e.g. where there is a termination of service of less than ten years with an employer. An employer's contributions received by an employee from a RORS other than the above circumstances are taxable.

An employer's contributions received by an employee from a provident fund that is not a RORS or an MPF scheme are subject to salaries tax.

Payments for termination of employment

Compensation for termination of employment that does not represent a payment for past, present or future services is generally not taxable. This would typically be a sum paid in consideration of the surrender by the employee of his/her rights in respect of the employment. Such payments should be distinguished from termination gratuities that do relate to services previously rendered by the employee and are therefore taxable. Taxable termination gratuities may be spread backward over the final three years of employment for salaries tax purposes. The Commissioner of Inland Revenue (CIR) accepts that long service and severance payments made in accordance with the Employment Ordinance are not subject to salaries tax. Payment in lieu of notice is regarded by the IRD as income from employment and subject to salaries tax.

Statutory obligations of employers under the Inland Revenue Ordinance

There is no PAYE (pay as you earn) mechanism in Hong Kong. Deductions of salaries tax by employers from the payroll are not required. Instead, the IRO imposes the following reporting and withholding obligations on employers:

1) to report an employee's commencement of employment in Hong Kong within three months of such commencement;
2) to make an annual return of remuneration paid to employees;
3) to report an employee's cessation of employment at least one month before the cessation;
4) to report at least one month before the expected departure if an employee is about to leave Hong Kong for a period in excess of one month; and
5) to withhold payments to the employee within one month of having given the notice in (4).

The requirement in (4) does not, however, apply to an employee who in the course of employment is required to leave Hong Kong at frequent intervals for business purposes.

Profits tax

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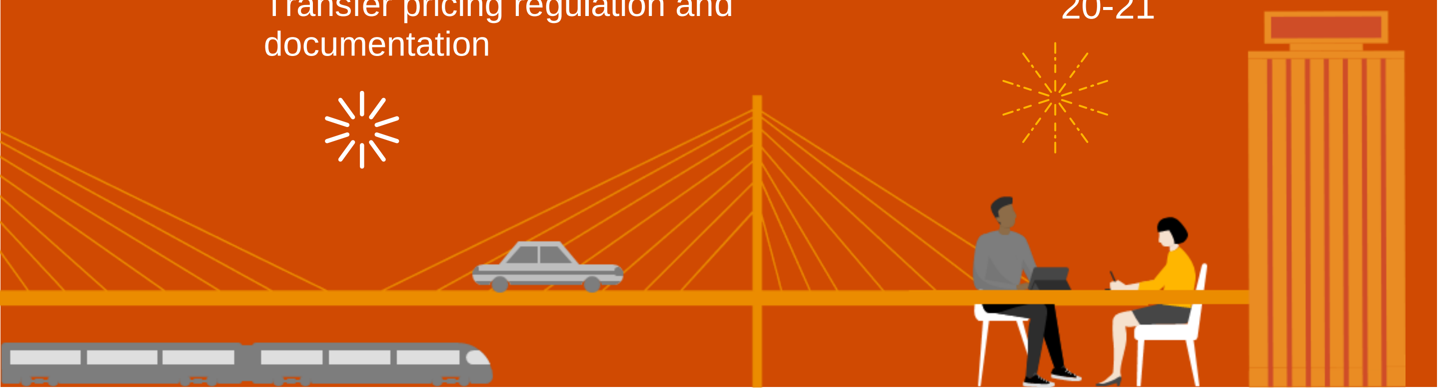

Rates of tax

	2024/25	2023/24
Corporations		
• First $2,000,000 assessable profits	8.25%	8.25%
• Remainder	16.5%	16.5%
Unincorporated businesses		
• First $2,000,000 assessable profits	7.5%	7.5%
• Remainder	15%	15%

Basis of taxation

A person who carries on a trade, profession or business in Hong Kong is chargeable to profits tax on the profits from that trade, profession or business (excluding profits that are capital in nature) that arise in or are derived from (i.e. are 'sourced' in) Hong Kong. The tax residence of a person is generally irrelevant for profits tax purposes except for TP and double taxation relief purposes. The existence of a permanent establishment (PE) does not necessarily mean that there is a profits tax exposure but a non-Hong Kong resident who has a PE in Hong Kong will be deemed as carrying on a trade, profession or business in Hong Kong effective from the year of assessment 2018/19. Subject to the refined foreign-sourced income exemption (FSIE) regime effective from 1 January 2023 explained below, foreign-sourced income is not taxed even if it is remitted to Hong Kong (see Foreign-sourced income exemption regime – page 12).

Whether or not a person is carrying on a trade, profession or business in Hong Kong is a matter of fact.

Whether or not profits arise in or are derived from Hong Kong is also a matter of fact. The general rule adopted for determining whether profits arise in or are derived from Hong Kong is that one looks to see what the taxpayer has done to earn the profits in question and where he has done it. If the operations that essentially give rise to the profits take place in Hong Kong, the profits will be taxable in Hong Kong. The application of this territorial concept has given rise to numerous disputes between taxpayers and the IRD. In view of this, the IRD has issued and subsequently revised DIPN No. 21 on the locality of profits indicating the IRD's latest views on source in a variety of circumstances.

The assessable profits are computed by taking the profit or loss disclosed in the accounts and adjusting the amount for tax purposes. The adjustments would typically include the disallowance of accounting depreciation and substitution of tax deductible capital allowances.

The assessable profits of insurance companies, aircraft owners, qualifying aircraft lessors, ship owners and qualifying ship lessors are computed using special formulae laid down in the IRO (see Special classes of taxpayer/income – pages 14 to 18). Clubs and trade associations may be subject to profits tax if they do not meet the conditions laid down in the IRO.

Dividends from companies that are chargeable to Hong Kong profits tax are generally exempt from profits tax.

Dividends from foreign companies are generally regarded as offshore and not subject to profits tax, unless they are deemed taxable under the refined FSIE regime (see Foreign-sourced income exemption regime – page 12).

Profits deemed to be taxable in Hong Kong

Certain types of receipts that might not otherwise be caught by Hong Kong's general profits tax charging section are specifically brought into the Hong Kong tax net by deeming provisions of the IRO. These include:

a) sums from the exhibition or use in Hong Kong of cinematograph or television film or tape, or any sound recording;
b) royalties for the use of, or the right to use, most types of intellectual property (IP) in Hong Kong;
c) royalties for the use of, or the right to use, most types of IP outside Hong Kong if they are deductible in ascertaining the assessable profits of a person for Hong Kong profits tax purposes;
d) royalties for the use of, or the right to use, outside Hong Kong of any IP or know-how generated from any research and development (R&D) activity in respect of which a tax deduction for R&D expenditure is allowable in ascertaining the assessable profits of the recipient of the royalties;
e) sums from the assignment of a performer's right in relation to a performance in Hong Kong;
f) grants, subsidies or similar financial assistance in connection with a business carried on in Hong Kong (other than sums in connection with capital expenditure made or to be made);
g) lease rentals for the use of, or the right to use, movable property in Hong Kong;
h) interest derived by a financial institution through or from the carrying on of its business in Hong Kong; and profits made by a financial institution through or from the carrying on of its business in Hong Kong from the sale or on the redemption on maturity or presentment of a certificate of deposit, bill of exchange or regulatory capital security;
i) interest in respect of a regulatory capital security derived by a loss-absorbing capacity (LAC) banking entity, through or from the carrying on of its business in Hong Kong; and profits made by a LAC banking entity through or from the carrying on of its business in Hong Kong from the sale or on the redemption on maturity or presentment of a regulatory capital security;
j) interest derived by a corporation (other than a financial institution) that arises through or from the carrying on of an intra-group financing business in Hong Kong; and profits derived by a corporation (other than a financial institution) that arises through or from the carrying on of an intra-group financing business in Hong Kong from the sale or on the redemption on maturity or presentment of a certificate of deposit, bill of exchange or regulatory capital security;
k) interest derived from Hong Kong, except for individuals in a non-business capacity (see Interest income exemption – page 12);
l) Hong Kong sourced profits from the sale or on the redemption on maturity or presentment of a certificate of deposit, bill of exchange or regulatory capital security, except for individuals in a non-business capacity (refer to (h) above for financial institutions); and
m) consideration received by a person for the transfer of certain rights to receive income from property.

The assessable profits deemed to arise in respect of items (a), (b) and (c) are usually taken to be 30% of the sum in question, resulting in an effective tax rate of (i) 4.95% (i.e. 16.5% times 30%) or (ii) 2.475% (i.e. 8.25% times 30%) for the first $6.67 million of the sum and 4.95% for the remaining amount if the two-tiered profits tax rates are applicable. A lower tax rate under a DTA may apply. However, where such royalties are received or accrued from an associate, 100% of the sum is deemed to be taxable, resulting in an effective tax rate of (i) 16.5% or (ii) 8.25% for the first $2 million of the sum and 16.5% for the remaining amount if the two-tiered profits tax rates are applicable, unless the CIR is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly owned the property in respect of which the sum is paid.

Foreign-sourced income exemption regime

Effective from 1 January 2023, under the refined FSIE regime, four types of offshore income, namely (1) interest, (2) dividends, (3) disposal gains from the sale of equity interests (equity interest disposal gains), and (4) IP income (collectively, 'specified foreign-sourced income'), are deemed to be sourced from Hong Kong (and regarded as not arising from the sale of capital assets even if it so arises) and chargeable to profits tax if the income is received in Hong Kong by a multinational enterprise (MNE) entity carrying on a trade, profession or business in Hong Kong (irrespective of its revenue or asset size) and the recipient entity fails to meet a relevant exception from the deeming provision. With effect from 1 January 2024, the scope of 'specified foreign-sourced income' is expanded to include disposal gains on other types of assets (in addition to equity interests). The exceptions from the deeming provision are:

- for interest and non-IP disposal gains: economic substance requirement
- for dividends and equity interest disposal gains: economic substance requirement or participation requirement
- for IP income and IP disposal gains: nexus requirement
- for disposal gains (both IP disposal gains and non-IP disposal gains): effective from 1 January 2024, an intra-group transfer relief is available to defer any tax that may be chargeable on any type of disposal gain if the asset concerned is transferred between associated entities

Capital gains

Gains from realisation of capital assets or receipts that are capital in nature are generally not taxed. However, offshore disposal gains derived from the sale of assets may be deemed to be sourced from Hong Kong and regarded as not arising from the sale of capital assets even if they so arise and are taxable in Hong Kong under the refined FSIE regime (see Foreign-sourced income exemption regime above).

As a means to provide upfront certainty to taxpayers, the IRO provides for a tax certainty enhancement scheme (Enhancement Scheme) under which onshore equity disposal gains that satisfy all the prescribed conditions, including, inter alia, that the investor entity has held at least 15% of the equity interests in the investee entity throughout a continuous period of 24 months immediately prior to the date of disposal of such interests, will be regarded as capital in nature and not chargeable to profits tax. Nonetheless, the Enhancement Scheme does not apply to (i) gains derived by an insurance company and (ii) gains on equity interests that are regarded as trading stock or non-listed equity interests in certain property-related entities.

The Enhancement Scheme applies to eligible onshore disposal gains that are in relation to any disposal occurring on or after 1 January 2024 and that accrues in or after the year of assessment 2023/24.

Interest income exemption

Interest income accruing to a person (including a corporation) carrying on a trade, profession or business in Hong Kong and derived from any deposit placed in Hong Kong with a financial institution is exempt from profits tax, unless the deposit secures a borrowing the interest expense on which is deductible. This exemption does not, however, apply to interest accruing to a financial institution.

Allowable deductions

Expenses incurred in the production of taxable profits are allowed without territorial restriction. The IRO specifically provides for a deduction for certain expenditure, including:

a) interest on money borrowed for the purpose of producing taxable profits together with any legal fees, stamp duty and other expenses in connection with that loan. The interest must also satisfy one of a number of other specified conditions before it is deductible. These other conditions are essentially anti-tax avoidance rules designed, for example, to prevent taxpayers from obtaining a tax deduction for interest expenses when the borrowing is secured by either a deposit or loan made by the taxpayer (or an associate) and the interest income on which is not subject to Hong Kong tax;
b) rent on buildings or land occupied to produce taxable profits;
c) foreign income taxes on specified income (e.g. interest income) chargeable to profits tax and foreign income taxes charged on gross income basis paid in respect of certain income (such as withholding tax on royalty) subject to certain conditions;
d) bad or doubtful debts proved to the satisfaction of the IRD to have become bad, where the debts are amounts previously included as taxable trading receipts or are loans made in the ordinary course of a money-lending business;
e) impairment losses in respect of credit-impaired loans (if fair value basis for financial instruments is elected for profits tax filing purposes), and where the debts are amounts previously included as taxable trading receipts or are loans made in the ordinary course of a money-lending business;
f) the cost of repairing articles, premises, machinery and equipment used to produce taxable profits;
g) the cost of replacing implements, utensils or articles used to produce taxable profits;
h) the cost of registering trademarks, designs or patents used in the production of taxable profits;
i) certain expenditure on in-house R&D activities and certain payments made to R&D institutions (including Designated Local Research Institutions (DLRIs)) for subcontracted R&D activities (see Enhanced deduction of research and development expenditure below);
j) employers' contributions to MPF schemes or other approved retirement schemes (limited to 15% of each employee's yearly emoluments); and
k) charitable donations (in cash) to approved charities, subject to certain conditions.

Tax deductions are available for certain capital expenditure (see Tax relief for capital expenditure – pages 19 to 20).

Enhanced deduction of research and development expenditure

Effective from the year of assessment 2018/19, there are two types of tax deductible R&D expenditure, namely Type A expenditure (which qualifies for 100% deduction) and Type B expenditure (which qualifies for 300% deduction for the first $2 million and 200% for the remaining amount, without any cap). Type B expenditure is defined as (1) a payment made to a DLRI for a qualifying R&D activity or (2) staff costs of employees directly engaged in a qualifying R&D activity (excluding directors' remuneration and benefits) and expenditure on consumables directly used in a qualifying R&D activity. Type A expenditure is defined as R&D expenditure other than Type B expenditure. Only R&D activities that meet certain criteria (e.g. the activities must be wholly undertaken and carried on in Hong Kong) are regarded as a 'qualifying R&D activity'. There are also various conditions that need to be fulfilled to qualify for the deduction (e.g. the R&D activities must not be undertaken for another person) and anti-avoidance rules that prevent the abuse of the deduction.

Losses

Tax losses are deductible from other taxable profits arising in the year of assessment and any unused balance can be carried forward and deducted from the taxable profits of future tax years without any time limit.

If a company is a partner in a partnership that makes a tax loss, the company's share of the partnership loss may be deducted from the taxable profits of the company. A tax loss made by a company can be deducted from its share of taxable profits in a partnership in the same year of assessment and to the extent not so set off, may be deducted from its taxable profits for later years of assessment or from its share of partnership profits for such later years.

Hong Kong's tax laws do not provide for loss relief to be given between members of groups of companies. The IRO contains provisions designed to prevent the trafficking in tax loss companies.

Special classes of taxpayer/income

Financial institutions

Banks and deposit-taking companies are taxed on interest income that might otherwise be regarded as having an offshore source, if such interest arises through or from the carrying on of their businesses in Hong Kong.

Insurance, reinsurance and captive insurance businesses

The taxable profits of a life insurance business are deemed to be 5% of the premiums from a life insurance business in Hong Kong, but the company may make an irrevocable election to be assessed on a formula based on actuarial reports (i.e. 'adjusted surplus' method).

In July 2023, the Insurance Ordinance was amended to provide a legal framework for the implementation of a Risk-based Capital (RBC) regime for authorised insurers in Hong Kong. Miscellaneous amendments were also made to the IRO, including adding a new category named 'non-life long term insurance business' and specifying that the assessable profits of this category of business are to be ascertained using the 'adjusted surplus' method.

The taxable profits of a company from a general insurance business other than life insurance business and non-life long term insurance business are calculated by including in taxable profits gross premiums from such insurance business in Hong Kong, interest derived from Hong Kong, other income from Hong Kong, balancing charges on the disposal of fixed assets, the reserve for unexpired risks outstanding at the beginning of the profit period and recoveries of losses by reinsurance. Deductions are allowed for insurance premiums refunded, premiums paid on reinsurance, a reserve for unexpired risks at a percentage adopted by the company and applied to its worldwide operations at the end of the profit period, actual losses, agency expenses in Hong Kong, depreciation allowances on fixed assets and balancing allowances upon their disposal and a fair proportion of head office expenses.

A concessionary profits tax rate (i.e. 50% of the normal profits tax rate) is applicable to: (1) assessable profits of a company derived from the business of reinsurance of onshore and offshore risks as a professional reinsurer and (2) assessable profits derived from qualifying onshore and offshore risks insurance business of authorised captive insurers.

Effective from 19 March 2021, the concessionary profits tax rate of 8.25% also applies to qualifying sums derived from (1) general reinsurance business of direct insurers, (2) specified types of general insurance business of direct insurers and (3) specified types of insurance brokerage business of licensed insurance broker companies.

The tax concession is subject to the threshold requirements under the substantial activity test. The minimum substantial activity threshold requirements for reinsurance business and captive insurance business have yet to be prescribed.

The substantial activity threshold requirements for the other types of insurance-related businesses for the year of assessment concerned are as follows:

	Average number of full-time qualified employees	Total amount of operating expenditure
For general reinsurance business of direct insurers and specified types of general insurance business of direct insurers	Mutual insurance corporation: adequate in the opinion of the CIR and in any event not less than four Not a mutual insurance corporation: adequate in the opinion of the CIR and in any event not less than seven	Mutual insurance corporation: adequate in the opinion of the CIR and in any event not less than $2,000,000 Not a mutual insurance corporation: adequate in the opinion of the CIR and in any event not less than $4,000,000
For specified types of insurance brokerage business of licensed insurance brokers	Adequate in the opinion of the CIR and in any event not less than three	Adequate in the opinion of the CIR and in any event not less than $1,000,000

Aircraft operating business

The assessable profits of a company that carries on a business of chartering (excluding chartering by demise) or operating aircraft are calculated using the ratio of the company's worldwide aircraft profits to the total worldwide aircraft income. That ratio is then applied to amounts received from passengers embarking in Hong Kong or goods shipped in Hong Kong. The ratio is also applied to certain types of international charter hire that are attributable to Hong Kong.

Shipping operating business

The assessable profits of a company that charters or operates ships are calculated using the ratio of the company's worldwide shipping profits to the worldwide shipping income. That ratio is then applied to sums received from (1) passengers or goods shipped in Hong Kong, (2) any towage operations undertaken within or commencing from the waters of Hong Kong, (3) any dredging operations undertaken within the waters of Hong Kong and (4) certain types of charter hire connected with navigation solely or mainly within Hong Kong waters or between Hong Kong waters and river trade waters.

However, as an incentive for ship owners to register their ships in Hong Kong, if a ship is registered under the Merchant Shipping (Registration) Ordinance, income from (1) the international carriage of passengers or goods shipped in Hong Kong and (2) towage operations from Hong Kong and proceeding to sea is not chargeable to profits tax. The tax exemption is subject to the threshold requirements under the substantial activity requirement test, but the relevant minimum threshold requirements have yet to be prescribed.

A taxpayer resident in any territory outside Hong Kong, but deemed to be carrying on a business as a ship owner in Hong Kong, is entitled to tax exemption in Hong Kong if the ship owner's home territory offers reciprocal tax exemption to Hong Kong resident ship operators.

Aircraft leasing and leasing management businesses

Aircraft leasing and aircraft leasing management businesses can elect to be taxed according to a concessionary tax regime in Hong Kong. Under the concessionary tax regime, provided that the specified conditions are met, the taxable amount of qualifying profits derived by a qualifying aircraft lessor from qualifying aircraft leasing activity is deemed to be 20% of the gross lease payments less deductible expenses, excluding tax depreciation allowance. The taxable amount is then taxed at a concessionary profits tax rate of 8.25%.

Effective from the year of assessment 2023/24, a qualifying aircraft lessor would be allowed to deduct the acquisition cost of an aircraft in the year of purchase if the relevant conditions are satisfied. With respect to an aircraft that was acquired by a qualifying aircraft lessor preceding the year of assessment 2023/24 and that had been used by the qualifying aircraft lessor for carrying out qualifying aircraft leasing activity relating to an operating lease in any preceding year, the lessor may continue to enjoy the abovementioned 20% tax base concession or make an irrevocable election to claim tax deduction in respect of the residual value of such an aircraft and be assessed on its actual profits.

The concessionary profits tax rate of 8.25% also applies to the assessable profits derived from qualifying aircraft leasing management activities carried out by qualifying aircraft leasing managers in Hong Kong when certain specified conditions are met.

The tax concession is subject to the threshold requirements under the substantial activity requirement test for the year of assessment concerned:

	Average number of full-time qualified employees	**Total amount of operating expenditure**
Qualifying aircraft leasing activity	Adequate in the opinion of the CIR and in any event not less than one	Adequate in the opinion of the CIR and in any event not less than $2,000,000
Qualifying aircraft leasing management activity	Adequate in the opinion of the CIR and in any event not less than two	Adequate in the opinion of the CIR and in any event not less than $1,000,000

Ship leasing and leasing management businesses

Ship lessors and ship leasing managers can elect to be taxed according to a concessionary tax regime in Hong Kong. Under the concessionary tax regime, provided that the specified conditions are met, the assessable profits of a qualifying ship lessor carrying out operating lease or finance lease activities (include sale and leaseback arrangement and subleasing) is taxed at 0%. The taxable amount of qualifying profits derived by a qualifying ship lessor is deemed to be (1) 20% of the gross lease payments less deductible expenses, excluding tax depreciation allowance (for operating lease activities) or (2) the finance charges or interest after deduction of allowable expenses (for finance lease activities). Tax concession also applies to the assessable profits derived from qualifying ship leasing management activities carried out by qualifying ship leasing managers in Hong Kong when certain specified conditions are met. The applicable concessionary tax rates are 0% for qualifying ship leasing management activities carried out for an associated corporation and 8.25% (i.e. 50% of the normal profits tax rate) for qualifying ship leasing management activities carried out other than for an associated corporation. The concessionary tax rates apply to sums received or accrued on or after 1 April 2020.

The tax concession is subject to the following threshold requirements under the substantial activity requirement test for the year of assessment concerned:

	Average number of full-time qualified employees	**Total amount of operating expenditure**
Qualifying ship leasing activity	Adequate in the opinion of the CIR and in any event not less than two	Adequate in the opinion of the CIR and in any event not less than $7,800,000
Qualifying ship leasing	Adequate in the opinion of the	Adequate in the opinion of the

management activity	CIR and in any event not less than one	CIR and in any event not less than $1,000,000

Shipping-related activities

Shipping commercial principals (i.e. ship agents, ship managers and ship brokers) can elect to be taxed according to a concessionary tax regime in Hong Kong. Under the concessionary tax regime, provided that the specified conditions are met, the assessable profits of a qualifying shipping commercial principal carrying out qualifying ship agency, ship management or ship broking activities are exempt from tax or taxed at a concessionary tax rate of 0% or 8.25%. The concessionary tax treatments apply to sums received or accrued on or after 1 April 2022.

The tax concession is subject to the following threshold requirements under the substantial activity requirement test for the year of assessment concerned:

	Average number of full-time qualified employees	Total amount of operating expenditure
Qualifying shipping-related activity	Adequate in the opinion of the CIR and in any event not less than one	Adequate in the opinion of the CIR and in any event not less than $1,000,000

Qualifying debt instruments

Interest income and trading profits derived from qualifying debt instruments issued before 1 April 2018 are either subject to a concessionary rate of 50% of the regular profits tax rate or tax exempt depending on the date of issue and maturity period of the debt instruments. Interest income and trading profits derived from qualifying debt instruments issued on or after 1 April 2018 are tax exempt regardless of the maturity period. In addition, qualifying debt instruments must (1) either be lodged with and cleared through the Hong Kong Monetary Authority or debt securities listed on the Stock Exchange of Hong Kong, (2) carry a suitable credit rating and (3) be of a minimum denomination of $50,000.

Investment funds

Publicly offered funds that are regulated by the Securities and Futures Commission (SFC) of Hong Kong and other similar bona fide widely held investment schemes which comply with the requirements of a supervisory authority within an acceptable regulatory regime are exempt from profits tax in Hong Kong.

Effective from 1 April 2019, both onshore and offshore privately offered funds are exempt from Hong Kong profits tax on profits derived from certain specified transactions provided that (1) the specified transactions are carried out or arranged by ‘specified persons’ (i.e. SFC licensed fund managers) or (2) the funds are a ‘qualified investment fund’ as defined.

However, there are also specific anti-avoidance provisions in the IRO deeming certain resident persons to be subject to profits tax on their share of the tax exempt profits of the investment funds.

Investment fund management

The carried interest tax concession (1) provides for a 0% profits tax rate on eligible carried interest derived by qualifying entities from the provision of investment management services for certain funds and (2) excludes 100% of eligible carried interest derived by qualifying individuals from an employment with a qualifying entity which provides investment management services for certain funds from salaries tax. The tax concession applies to eligible carried interest received by, or accrued to, qualifying recipients on or after 1 April 2020, subject to fulfilment of the specified conditions.

The profits tax concession is subject to the following threshold requirements under the substantial activity requirement test for the year of assessment concerned:

	Average number of full-time qualified employees	Total amount of operating expenditure
Qualifying carried interest recipients	Adequate in the opinion of the CIR and in any event not less than two	Adequate in the opinion of the CIR and in any event not less than $2,000,000

Corporate treasury centres

Corporate treasury centres (other than a financial institution) can enjoy a concessionary profits tax rate of 8.25% (i.e. 50% of the normal profits tax rate) for certain profits derived from specified intra-group corporate treasury activities with Hong Kong and non-Hong Kong group companies. The tax concession is subject to the threshold requirements under the substantial activity requirement test, but the relevant minimum threshold requirements have yet to be prescribed.

Family-owned investment holding vehicles

Effective from the year of assessment 2022/23, an eligible family-owned investment holding vehicle managed by an eligible single family office in Hong Kong can elect to be taxed according to a concessionary tax regime in Hong Kong. Under the concessionary tax regime, provided that the specified conditions are met, its assessable profits earned from qualifying transactions and incidental transactions (the latter being subject to a 5% threshold) are subject to profits tax at a concessionary tax rate of 0%.

The tax concession is subject to the following threshold requirements under the substantial activity requirement test for the year of assessment concerned:

	Average number of full-time qualified employees	Total amount of operating expenditure
Family-owned investment holding vehicle	Adequate in the opinion of the CIR and in any event not less than two	Adequate in the opinion of the CIR and in any event not less than $2,000,000

Islamic bonds

There is a special tax framework for Islamic bonds (i.e. sukuk) that provides for the same tax treatments for sukuk vis-à-vis their conventional counterparts.

Under the framework, the ‘qualified bond arrangement’ and ‘qualified investment arrangement’ of an Islamic bond that qualifies as a specified alternative bond scheme will be regarded as debt arrangements for profits tax purposes when specified conditions are met and the relevant provisions in the IRO governing the taxation of interest income, deduction of interest expenses and tax depreciation allowances, etc. will be applied.

Substantial activity requirement for concessionary tax regimes

The concessionary tax regimes for the following businesses/receipts in Hong Kong are subject to the substantial activity requirement: (1) reinsurance business, (2) captive insurance business, (3) general insurance business, (4) insurance brokerage business, (5) corporate treasury centres, (6) aircraft leasing business, (7) shipping business, (8) ship leasing business, (9) shipping-related business, (10) carried interest, and (11) family-owned investment holding vehicles. The CIR is empowered to specify the details of the requirement by a public notice in the Gazette.

For the substantial activity threshold requirements for tax concessions for certain insurance-related businesses, aircraft leasing business, ship leasing business, shipping-related business, carried interest and family-owned investment holding vehicles, please see pages 14 to 18.

Tax relief for capital expenditure

Tax depreciation allowances are granted for capital expenditure incurred on the construction of industrial buildings and structures, the construction of commercial buildings and structures, and the provision of plant and machinery for trade and business purposes. There are also special tax deductions for capital expenditure incurred on refurbishing buildings or structures, provision of certain fixed assets and purchase of certain IP rights.

Buildings or structures

An initial allowance of 20% is available in relation to the construction cost of an industrial building or structure (excluding the cost of land) used for the purposes of a qualifying trade. These include trades carried on in mills, factories or similar premises. An annual allowance of 4% of the capital expenditure incurred on construction is also given.

For buildings or structures used for business purposes other than industrial buildings or structures (i.e. commercial buildings or structures), an annual allowance of 4% of the capital expenditure incurred on construction is granted.

Balancing allowances may be granted or balancing charges may be included in computing the taxable profits in the tax year in which the building or structure is sold. Balancing charges are restricted to the total of annual and initial allowances given.

Environmental protection installations

Before the year of assessment 2018/19, capital expenditures incurred in relation to certain environment-friendly installations are deductible over five consecutive years at the rate of 20% per year. Effective from the year of assessment 2018/19, an immediate 100% deduction in the year of purchase is available for capital expenditure incurred on eligible energy-efficient building installations and renewable energy devices.

However, capital expenditure incurred under a hire-purchase agreement will not qualify for the deduction.

Plant and machinery

An immediate 100% deduction is allowed for capital expenditure on:

a) ‘prescribed fixed assets’, covering certain machinery or plant used specifically and directly for any manufacturing process, computer hardware (other than that which is an integral part of any machinery or plant) and computer software and computer systems;

b) environmental protection machinery; and

c) environment-friendly vehicles.

The 100% deduction is not, however, available for a fixed asset in which any person holds rights as a lessee under a lease or for capital expenditure incurred under a hire-purchase agreement.

Depreciation allowance is available on the capital expenditure incurred on other types of machinery or plant. An initial allowance of 60% is available in the year in which the expenditure is incurred. An annual allowance is also given at prescribed rates on the reducing value. The prescribed rates are 10%, 20% and 30%, depending on the type of machinery or plant.

Intellectual property rights

An immediate 100% deduction is allowed for the purchase cost of certain patent rights or rights to know-how used in the production of taxable profits.

Capital expenditure incurred on the purchase of specified IP rights (namely copyrights, registered designs, registered trademarks, protected layout-design (topography) rights in respect of integrated circuits, protected plant variety rights and performer's economic rights) used in the production of taxable profits is also deductible but at the rate of 20% per year over a five-year period starting from the year of purchase, provided certain conditions are met.

Cost of patent rights, rights to know-how or specified IP rights purchased wholly or partly from an associate will not qualify for the deduction.

Refurbishment concession

Capital expenditure on the renovation or refurbishment of a building or structure, other than a domestic building or structure, is deductible at the rate of 20% per year over a five-year period.

Spectrum utilisation fees

Spectrum utilisation fees (SUF) incurred by a spectrum assignee on radio spectrum acquired in auctions conducted on or after 19 January 2024 are fully deductible provided that the SUF are incurred in the production of the assignee's assessable profits, irrespective of whether the SUF are payable in a one-off lump sum or by annual instalments. The deduction will be spread over the spectrum assignment term, which is generally 15 years.

Sale and leaseback and leveraged leasing

Tax depreciation allowances may be denied to a lessor of machinery or plant (1) under a sale and leaseback arrangement, (2) where the leased asset (not being a ship or aircraft) is used wholly or principally outside Hong Kong or (3) where the leased asset was acquired through a leveraged lease transaction financed directly or indirectly by a non-recourse debt. Special provisions also apply in respect of a leased ship or aircraft.

Transfer pricing regulation and documentation

Hong Kong enacted legislation in July 2018 to introduce a comprehensive TP regime and a three-tiered TP documentation requirement in Hong Kong.

Transfer pricing regulation

There are two sets of TP adjustment rules which are applicable to both domestic and cross-border related-party transactions. Rule 1 has the effect of requiring TP adjustments where connected parties have entered into a transaction at a price different from an arm's length price and that difference results in a potential Hong Kong tax advantage. Rule 2 has a similar effect of Rule 1, but applies to the attribution of profits to a PE of a non-Hong Kong resident using the separate enterprises principle. The PE threshold for non-DTA residents takes into account the post-Base Erosion and Profit Shifting PE definition whereas the PE threshold for DTA residents follows that of the respective DTA. Rule 1 applies from the year of assessment 2018/19 with a grandfathering provision under which transactions entered into or effected before 13 July 2018 are not subject to the rule. Rule 2 is applicable from the year of assessment 2019/20.

Where (1) the income or loss of an enterprise arising from a related-party transaction is subject to the above mentioned TP adjustment for Hong Kong tax purposes and (2) another enterprise (the disadvantaged person) also has income or loss arising from that transaction that needs to be taken into account for Hong Kong tax purposes, there is a compensating adjustment mechanism which can provide a relief for the disadvantaged person so as to avoid double taxation.

Transfer pricing documentation

The three-tiered TP documentation requirement consists of the Master File, Local File and Country-by-Country (CbC) report.

Hong Kong entities which do not meet any one of the following two exemptions are required to prepare Master File and Local File for accounting periods starting on or after 1 April 2018. The Master File and Local File will need to be prepared within 9 months after the accounting year end, if required.

The two exemptions are based on (1) the size of the Hong Kong entity and (2) the volume of its related-party transactions respectively.

<u>Exemption based on size of business</u>

A Hong Kong entity that satisfies any two of the following three conditions is exempted from preparing the Master File and Local File:

- total annual revenue of not more than $400 million;
- total assets of not more than $300 million; and
- average number of employees of not more than 100.

<u>Exemption based on amount of controlled transactions</u>

Local Files are not required for the following related-party (controlled) transactions if the total amount of that type of transaction does not exceed the following limit:

- transfer of properties (other than financial assets and intangibles): $220 million;
- transactions in respect of financial assets: $110 million;
- transfer of intangibles: $110 million; or
- any other transactions: $44 million.

If no Local File is required to be prepared, the entity is not required to prepare a Master File.

Following the threshold set by the Organisation for Economic Co-operation and Development for preparing CbC reports, MNE groups with (1) annual consolidated group revenue of HKD 6.8 billion (i.e. about EUR 750 million) or more and (2) the ultimate parent entity (UPE) residing in Hong Kong are required to file CbC returns in Hong Kong. A Hong Kong entity of a MNE group meeting the above revenue threshold with a non-Hong Kong UPE may need to file a CbC return locally in Hong Kong in certain circumstances. The CbC return requirement applies to accounting periods beginning on or after 1 January 2018. The CbC return will need to be filed within 12 months after the end of the accounting period to which the return relates.

Advance pricing arrangement

A formal statutory advance pricing arrangement (APA) scheme has been introduced in Hong Kong effective from the year of assessment 2018/19. As the scheme allows APA to be made with or without a DTA, companies can apply for both unilateral and bilateral/multilateral APAs.

Property tax

Rate of tax	23
Basis of taxation	23
Exemptions and reliefs	23
Net assessable value	23

Rate of tax

Property tax is charged at a flat rate of 15%.

Basis of taxation

Property tax is charged on the owner of any land or buildings in Hong Kong on the net assessable value of such land or buildings.

Exemptions and reliefs

Property tax is not charged on government and consular properties.

Rental income derived by a business carried on in Hong Kong from a Hong Kong property is subject to profits tax. The taxpayer that is subject to profits tax may apply in writing for an exemption from property tax in respect of the property. If no exemption is applied for, the property tax paid can be used to offset profits tax payable by the taxpayer.

Net assessable value

The assessable value of a property is the consideration, in money or money's worth, payable in that year to the owner for the right to use the land or buildings, less any consideration that becomes irrecoverable during that year.

Net assessable value is the assessable value less rates paid by the owner and a 20% notional allowance of this net figure for repairs and outgoings. Actual expenses and outgoings are not deductible.

Tax filing due dates and collection

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Lodging of objection to assessment 26

Holdover and payment of tax 26

Filing of tax return

Profits tax return

Normal issue date	For accounting year ending between	Normal filing date for unrepresented/ represented cases*	Due date for tax payment
First working day in April of the following year of assessment	1 April and 30 November	2 May[1]	As stipulated in the notice of assessment, generally between November of the year in which the return is issued and April of the following year.
	1 December and 31 December	2 May[1] / 15 August	
	1 January and 31 March	2 May[1] / 15 November	

* A further extension of one month will be granted by the IRD on application if the profits tax returns are filed electronically. Voluntary electronic filing services were rolled out in April 2023.

Salaries tax return

Normal issue date	Normal filing date for unrepresented/ represented cases*	Due date for tax payment
First working day in May of the following year of assessment[1]	2 June / 2 July[2]	As stipulated in the notice of assessment, generally between January and April of the year following the year in which the return is issued.

* An automatic extension of one month is allowed if the salaries tax returns are filed electronically.

Property tax return

Normal issue date	Normal filing date	Due date for tax payment
First working day in April of the following year of assessment	2 May[1]	As stipulated in the notice of assessment, generally in or after November of the year in which the return is issued.

Employer's return of remuneration and pensions

Normal issue date	Normal filing date
First working day in April of the following year of assessment	2 May[1]

Notes:
1 1 May is a Hong Kong public holiday.
2 1 July is a Hong Kong public holiday.

Lodging of objection to assessment

Normally, objection to an assessment must be lodged within one month after the issue date of the notice of assessment.

Holdover and payment of tax

Profits tax or salaries tax for a year of assessment is typically collected through the payment of provisional tax by taxpayers before the relevant tax return for that year is filed and the relevant final assessment is received. The provisional tax payable is calculated with reference to the final tax assessed for the preceding year. The provisional tax already paid is credited against the final tax assessed for the year. If the provisional tax exceeds the final tax assessed, the excess is applied against the provisional tax payable for the succeeding year. Any excess thereafter is refundable.

Property tax is collected through provisional property tax demand notes, which may be raised on the owner when the property is first rented out. Any provisional tax paid is credited against the final tax assessed for that year of assessment and any balance is applied against the provisional tax payable for the following year. Any excess thereafter is refundable.

Where the provisional profits/salaries/property tax is excessive, the taxpayer may apply for a holdover of payment of either all or part of the provisional tax payable. This application must be made in writing not later than 28 days before the due date for payment or 14 days after the date of the notice for payment, whichever is later.

Stamp duty

Rates of duty	28-30
Basis of taxation	30
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Rates of duty

Conveyance on sale of immovable property – Ad valorem stamp duty

Scale 1 (Part 1) rates

Consideration or value of property[1]	Rates[2]
Up to $3,000,000	$100
$3,000,001 – $4,500,000	1.50%
$4,500,001 – $6,000,000	2.25%
$6,000,001 – $9,000,000	3.00%
$9,000,001 – $20,000,000	3.75%
$20,000,001 and above	4.25%

Scale 1 (Part 2) rates

Consideration or value of property[1]	Rates[3]
Up to $2,000,000	1.50%
$2,000,001 – $3,000,000	3.00%
$3,000,001 – $4,000,000	4.50%
$4,000,001 – $6,000,000	6.00%
$6,000,001 – $20,000,000	7.50%
$20,000,001 and above	8.50%

Scale 2 rates

Consideration or value of property[1]	Rates[4]
Up to $3,000,000	$100
$3,000,001 – $4,500,000	1.50%
$4,500,001 – $6,000,000	2.25%
$6,000,001 – $9,000,000	3.00%
$9,000,001 – $20,000,000	3.75%
$20,000,001 and above	4.25%

Notes:
1 Marginal relief is available upon entry into each higher value band.
2 The Scale 1 (Part 1) rates apply to transfer of residential property at or after 11:00 am on 28 February 2024. A flat rate (7.5% between 25 October 2023 and 10:59 am on 28 February 2024, and 15% prior to 25 October 2023) applies to transfer of residential property executed before 11:00 am on 28 February 2024 except for cases where the Scale 2 rates are applicable.
3 The Scale 1 (Part 2) rates apply to transfer of non-residential property before 26 November 2020.
4 The Scale 2 rates apply to (i) transfer of non-residential property on or after 26 November 2020 and (ii) transfer of residential property acquired by a Hong Kong permanent resident (HKPR) who does not own any other residential property in Hong Kong at the time of acquisition (except for acquisition of more than one residential property under one instrument on or after 12 April 2017) and in some other specified circumstances before 11:00 am on 28 February 2024.

Where a conveyance on sale of an immovable property is executed in conformity with a chargeable agreement for sale of that property and the agreement for sale is duly stamped, the conveyance on sale is chargeable with stamp duty of $100.

Conveyances on sale should be submitted for stamping within 30 days after execution.

Agreement for sale of immovable property – Ad valorem stamp duty

Any agreement for sale of residential property as well as non-residential property is subject to ad valorem stamp duty. The applicable ad valorem duty rates are the same as those for conveyance on sale of immovable property as specified above.

Chargeable agreements should be submitted for stamping within 30 days after execution.

Special Stamp Duty on disposal of residential properties

There is a Special Stamp Duty (SSD) on resale of residential property within certain months from the date of acquisition. The SSD is imposed on top of the ad valorem stamp duty payable on conveyance on sale or agreement for sale of residential property with a few exemptions. The SSD payable will be calculated based on the stated consideration or the market value (whichever is higher) of the resold property at the regressive rates indicated below.

For residential properties acquired on or after 27 October 2012 and disposed of before 25 October 2023:

Holding period	Rate
• Six months or less	20%
• More than six months but 12 months or less	15%
• More than 12 months but 36 months or less	10%

For residential properties acquired on or after 26 October 2021 and disposed of on or after 25 October 2023 but before 11:00am on 28 February 2024:

Holding period	Rate
• Six months or less	20%
• More than six months but 12 months or less	15%
• More than 12 months but 24 months or less	10%

Effective from 11:00am on 28 February 2024, the rate of SSD is 0%.

Buyer’s Stamp Duty on acquisition of residential properties

A Buyer’s Stamp Duty (BSD) is payable on acquisition of Hong Kong residential properties by any persons (including Hong Kong and foreign companies) other than a HKPR.

For residential properties acquired on or after 25 October 2023 but before 11:00am on 28 February 2024, the rate of BSD is 7.5% (15% prior to 25 October 2023) of the stated consideration or the market value of the property acquired, whichever is the higher. The BSD will be imposed on top of the ad valorem stamp duty and the SSD (if applicable), with exemptions in certain situations.

Effective from 11:00am on 28 February 2024, the rate of BSD is 0%.

Stamp duty suspension for eligible incoming talents

For eligible incoming talents who entered Hong Kong under designated talents admission schemes and bought their first residential property in Hong Kong on or after 25 October 2023 but before 11:00am on 28 February 2024, they can apply for a suspension of the liabilities in respect of BSD and the flat 7.5% ad valorem stamp duty for the residential property purchased. Nonetheless, they still need to pay ad valorem stamp duty at Scale 2 rates such that the overall stamp duty charged will be on par with that charged on first-time home buyers who are HKPRs. Upon becoming a HKPR, they can apply for waiver in relation to the stamp duty suspended. Previously, such eligible incoming talents had to pay the relevant stamp duty liabilities first and may apply for a refund after becoming a HKPR and fulfilling other conditions.

Lease of immovable property in Hong Kong

For leases, stamp duty is calculated at a specified rate of the annual rental that varies with the term of the lease as indicated in following table:

Lease period	2024/25	2023/24
• Where the lease term is not defined or is uncertain	0.25%	0.25%
• Not more than one year	0.25%	0.25%
• More than one year but does not exceed three years	0.50%	0.50%
• More than three years	1.00%	1.00%

Hong Kong stock

Effective from 17 November 2023, the rate of ad valorem stamp duty on stock transactions is 0.2% (0.26% between 1 August 2021 and 17 November 2023, and 0.2% prior to 1 August 2021) of the consideration or the market value (whichever is higher) of the Hong Kong stock (i.e. 0.1% on every sold note or bought note). A fixed stamp duty of $5 is also charged on each instrument of transfer.

Hong Kong bearer instrument

A duty of 3% of the market value is charged for any Hong Kong bearer instrument issued in respect of any stock.

Basis of taxation

The Stamp Duty Ordinance (SDO) imposes duty on certain types of documents, which include conveyance on sale of immovable property in Hong Kong, agreement for sale of immovable property in Hong Kong, lease of immovable property in Hong Kong, transfer of Hong Kong stock and the issue of Hong Kong bearer instruments. A $5 stamp duty is payable on duplicates or counterparts of instruments chargeable to stamp duty provided that the original document has been duly stamped. If immovable property in Hong Kong, or Hong Kong stock, is transferred at less than its market value, stamp duty may be imposed based on the market value at the date of transfer.

Exemptions

Subject to certain anti-avoidance provisions, there is an exemption from ad valorem stamp duty for a conveyance of a beneficial interest in immovable property or a transfer of shares from one associated body corporate to another associated body corporate. Bodies corporate are associated for this purpose when one is the beneficial owner of not less than 90% of the issued share capital of the other or a third body corporate is the beneficial owner of not less than 90% of the issued share capital of each.

The SDO also provides exemptions on documents in relation to the following:

a) stock lent under certain stock lending agreements;
b) certain stock transactions carried out by market makers for the purpose of hedging options transactions or directly arising out of options transactions entered into in the course of acting as a market maker;
c) transactions in regional derivative options and convertible bonds or notes;
d) allotment or redemption of units of unit trust funds;
e) certain transactions in relation to Islamic bonds (i.e. sukuk);
f) transfer of units or shares of all Hong Kong listed exchange traded funds (ETFs);
g) transfer of shares by ETF market makers in the course of creating and redeeming ETF units listed in Hong Kong; and
h) transfer of shares relating to dual-counter stock made by dual-counter market makers.

The 2024/25 Budget proposed that stamp duties payable on the transfer of real estate investment trust units and the jobbing business of option market-makers will be waived, subject to legislation.

Duties, fees and charges

Duties, fees and charges 33-34

	2024/25	2023/24
Business registration fees[1]		
Business registration fee + levy (one year)	$2,200[2]	$2,150
Business registration fee + levy (three years) (There is relief for some small businesses)	$5,870[2]	$5,650
Registration and licence fees for banks and deposit-taking companies		
Fees vary according to the type of operation.		
Vehicle registration and licence fees		
First registration tax (FRT) and annual licence fee are payable and vary according to the type and size of vehicle. First registration tax concessions are available for certain environment-friendly vehicles until 31 March 2026[3].		
Air passenger departure tax		
For passengers 12 years of age or above	$120	$120
For passengers less than 12 years of age (Same day transit passengers are exempt)	Nil	nil
Airport construction fee	$70-$180	$70-$180
Betting duty		
Horse racing (On net stake receipts)	72.5%-75%	72.5%-75%
Lotteries (Mark Six) (On amount of proceeds)	25%	25%
Football (On net stake receipts)	50%	50%
Hotel accommodation tax	3%[4]	nil

Notes:
1 The levy of $150 for 2024/25 and 2025/26 will be waived.
2 Subject to legislation.
3 Until 31 March 2024, a full waiver of the FRT is available for electric commercial vehicles, motor cycles and motor tricycles whereas a partial waiver of the first registration tax (capped at $97,500) is available for electric private cars (e-PCs). From 1 April 2024 to 31 March 2026, for e-PCs: (i) except for eligible private car (PC) owners (see (ii)), the FRT concession cap for e-PCs will be adjusted from $97,500 to $58,500; (ii) the FRT concession cap for PC owners eligible for the 'One-for-One Replacement' (OfO) Scheme will be adjusted from $287,500 to $172,500; (iii) e-PCs with taxable value (i.e. vehicle price before tax) of over $500,000 will no longer be entitled to the FRT concession. The FRT for other types of electric vehicles will be waived in full.
4 The resumption of hotel accommodation tax will take effect from 1 January 2025.

Dutiable commodities	2024/25	2023/24
Hydrocarbons		
Aircraft spirit	$6.51/litre	$6.51/litre
Light diesel oil (Except for ultra low sulphur diesel and Euro V diesel)	$2.89/litre	$2.89/litre
Ultra low sulphur diesel	$2.89/litre	$2.89/litre
Euro V diesel	$0/litre	$0/litre
Leaded petrol	$6.82/litre	$6.82/litre
Unleaded petrol	$6.06/litre	$6.06/litre
Tobacco		
For each 1,000 cigarettes	$3,306	$3,306[1]
Cigars	$4,258/kg	$4,258/kg[1]
Chinese prepared tobacco	$811/kg	$811/kg[1]
All other manufactured tobacco not intended for cigarette manufacture	$4,005/kg	$4,005/kg[1]
Liquor		
Liquor with alcoholic content above 30%	100%	100%
Wine	0%	0%
Other liquor with alcoholic content not exceeding 30%	0%	0%
Methyl alcohol		
Basic duty which increases if alcoholic strength exceeds 30%	$840/hectolitre	$840/hectolitre

Notes:
1 The duties payable on tobacco before 11:00am on 28 February 2024 were:
$2,506 for each 1,000 cigarettes;
$3,228/kg for cigars;
$615/kg for Chinese prepared tobacco; and
$3,036/kg for all other manufactured tobacco not intended for cigarette manufacture.

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