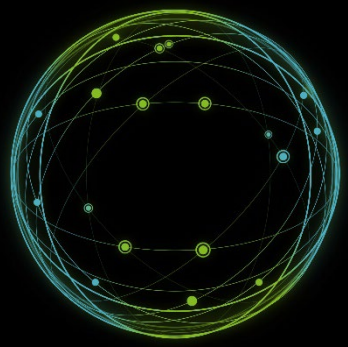
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International Tax

Hong Kong SAR Highlights 2026

Updated January 2026



Recent developments

For the latest tax developments relating to Hong Kong SAR (HKSAR), see Deloitte tax@hand.

Investment basics

Currency: HKSAR Dollar (HKD)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: HKSAR Financial Reporting Standards apply. HKSAR-incorporated companies must prepare annual audited financial statements. Public companies must file annual financial statements with the Companies Registry. Private companies are not required to file annual financial statements with the Companies Registry, but must maintain proper books of account.

Audited financial statements must be submitted to the Inland Revenue Department (IRD) with the annual profits tax return.

Principal business entities: These are the public and private limited liability company, limited and unlimited partnership, sole proprietorship, and branch or representative office of a foreign company.

Corporate taxation

Rates	
Corporate income tax rate	8.25%/16.5%
Branch tax rate	8.25%/16.5%
Capital gains tax rate	0%

Residence: HKSAR does not operate on a tax residency basis. Nevertheless, under the domestic tax law (the Inland Revenue Ordinance (IRO)), an HKSAR resident generally is a company incorporated in HKSAR or a company incorporated outside HKSAR that is normally managed or controlled in HKSAR.

Basis: HKSAR operates a territorial system of taxation, with tax imposed on income arising in or derived from HKSAR ("HKSAR-source income"). In determining the source of income, HKSAR generally applies the "operations test," which involves identifying the activities that are effective in generating the income and the location where these activities are carried out. Profits tax applies to HKSAR-source income, including certain foreign income that is deemed to be HKSAR-source income (see "Taxable income," below). Branches are taxed in the same way as subsidiaries.

Taxable income: Corporations, partnerships, trustees, and bodies of persons (domestic or foreign) carrying on a trade, profession, or business in HKSAR are subject to profits tax on HKSAR-source income (excluding income arising from the sale of capital assets). Expenses generally are deductible to the extent they are incurred in the production of income that is subject to tax. However, expenditure of a capital nature generally is not deductible.

Certain types of receipts that may not be caught by the general profits tax charging rules are specifically brought into the HKSAR tax net via provisions in the IRO that deem the sums to be taxable: for example, royalties derived by nonresidents for the use of, or the right to use, most types of intellectual property (IP) in HKSAR, or that are deductible for the payer, are deemed to be taxable in HKSAR. The amount deemed taxable is 30% of the gross amount of the royalties paid (resulting in an effective rate of 4.95% for a company when the top-tier tax rate of 16.5% applies; see "Rate," below).

Certain foreign income (i.e., interest, dividends, disposal gains, and IP income) received by a multinational enterprise (MNE) group in HKSAR is deemed to be HKSAR-source income and subject to profits tax, unless certain conditions are met. Foreign-source interest, dividends, and disposal gains on property other than IP are exempt from profits tax, provided economic substance requirements are met (see "Economic substance requirements" under "Anti-avoidance rules," below). Foreign-source dividends and disposal gains on equity interests may also be exempt from profits tax if the participation exemption applies (see "Participation exemption," below). Foreign-source IP income is exempt from profits tax to the extent that a nexus requirement is met.

Rate

General

A two-tier tax rate regime applies: 8.25% for corporations (7.5% for unincorporated businesses) on the first HKD 2 million of assessable profits, and 16.5% for corporations (15% for unincorporated businesses) on the remaining assessable profits. Where a corporation is a partner in a partnership, the concessionary tax rate of 8.25% applies on the partner's prorated share of the partnership's first HKD 2 million of assessable profits. To avoid abuse of the two-tier tax rate regime, a group of related entities may nominate only one entity within the group to apply the two-tier tax rates.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

HKSAR has enacted legislation that is generally in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for MNE groups with annual consolidated revenue of at least EUR 750 million. The income inclusion rule (IIR) and a qualified domestic minimum top-up tax (known as the Hong Kong minimum top-up tax (HKMTT)) apply for fiscal years beginning on or after 1 January 2025.

The implementation date of the UTPR (sometimes referred to as the undertaxed profits rule or the undertaxed payments rule) will be determined later.

Taxation of dividends: Dividends paid from profits that already have been subject to profits tax in HKSAR are not taxable in the hands of shareholders. Certain foreign-source dividends are subject to profits tax, unless economic substance requirements are met or the participation exemption applies (see "Taxable income," above, and "Participation exemption," below).

Capital gains: HKSAR does not tax capital gains. However, gains on the disposal of assets may be subject to profits tax if the disposal constitutes a transaction in the nature of trade (a factual determination). HKSAR-source disposal gains on equity interests held for at least 24 months by an investor entity that constitute not less than 15% of an investee entity's total equity interests are regarded as capital in nature and non-taxable. Certain foreign-source disposal gains are subject to profits tax, unless the economic substance requirement (for property other than IP) or nexus requirement (for IP) is met, or the participation exemption (for equity interests) applies (see "Taxable income," above, and "Participation exemption," below).

Losses: Losses may be carried forward indefinitely. Losses cannot be carried back or transferred to other companies. Foreign-source losses incurred from disposals may be set off only against certain foreign-source income that is subject to profits tax (see "Taxable income," above). Specific anti-avoidance legislation prevents the purchase of a loss company for the sole or main purpose of obtaining a tax benefit.

Foreign tax relief: Where a tax agreement or arrangement between HKSAR and another jurisdiction applies, double taxation generally can be eliminated by a foreign tax credit. Where foreign tax is paid in a jurisdiction without a tax agreement or tax arrangement with HKSAR, the foreign tax paid on certain interest and gains is deductible, as well as certain foreign tax charged on gross income. A foreign tax credit is available for foreign tax paid on certain foreign-source income that is subject to profits tax (see "Taxable income," above).

Participation exemption: Foreign-source dividends and disposal gains on equity interests that do not satisfy the economic substance requirements (see "Taxable income," above, and "Economic substance requirements" under "Anti-avoidance rules," below) may be exempt from profits tax if the participation exemption applies. The participation exemption requires a shareholder in an entity to be a resident or a nonresident that has a permanent establishment in HKSAR, with the shareholder continuously holding at least a 5% interest in the entity for a period of at least 12 months immediately before the income accrues. The participation exemption is subject to specific anti-abuse rules, including a "subject to tax rule," a "main purpose rule," and an "anti-hybrid mismatch rule."

Holding company regime: There is no holding company regime.

Incentives: There are a number of preferential tax regimes to encourage different industries or activities, including the following:

- An enhanced deduction for research and development expenditure;
- A tax exemption for onshore and offshore funds;
- A tax exemption for family-owned investment holding vehicles managed by a single family office;
- Concessionary tax rates and a salaries tax exemption for carried interest;
- Concessionary tax rates for corporate treasury centers, reinsurance and captive insurance businesses, aircraft leasing businesses, ship leasing businesses, and shipping-related activities;
- A patent box tax concession;
- A tax exemption for gains from qualified debt instruments;
- A tax exemption for bank interest income;
- A full deduction for capital expenditure on manufacturing plant and machinery, computer hardware and software, environmental protection facilities, and specified environmentally friendly vehicles; and
- A 20% deduction per year over five years for capital expenditure on building refurbishment.

Compliance for corporations

Tax year: Tax is charged on the assessable profits for a year of assessment (YOA). The basis period of a YOA is the accounting period (i.e., fiscal year) ending in the YOA.

Consolidated returns: HKSAR does not allow the filing of consolidated returns, and there are no provisions for relief of group losses. Companies in the same group must file tax returns and pay tax individually.

Filing and payment: The IRD issues profits tax returns annually (usually on the first business day of April) for companies to report the information required in the return, supported by audited financial statements (where appropriate). The tax return must be filed within the prescribed time limit, usually within one month from the date of issue. If a tax representative is appointed, the tax return filing due date may be extended under the "block extension" scheme.

Assessments are issued by the IRD when the tax return is received. Companies (and unincorporated businesses) are required to pay a provisional profits tax, generally based on the preceding year's profits. This payment is offset against the final profits tax for that YOA. Any excess payment is applied against the provisional profits tax payable for the following YOA.

Penalties: A surcharge and penalties apply for failure to comply with the filing and payment obligations.

Rulings: Taxpayers may request an advance ruling from the IRD on the application of provisions of the IRO. Advance pricing agreements (APAs) also are available.

Individual taxation

Rates		
Individual income tax rate		
Progressive rates	**Net chargeable income (HKD)**	**Rate**
	Up to 50,000	2%
	50,001–100,000	6%
	100,001–150,000	10%
	150,001–200,000	14%
	Over 200,000	17%
Two-tiered standard rates	**Assessable income**	**Rate**
	Up to 5,000,000	15%
	Over 5,000,000	16%
Capital gains tax rate		0%

Residence: The IRO does not provide a definition of residence for salaries tax purposes, but specific reference is made to a residence requirement for the purpose of personal assessment for individual taxpayers. An individual is regarded as "ordinarily resident in HKSAR" if they reside in HKSAR with a sufficient degree of continuity, i.e., they habitually and normally reside in HKSAR with only temporary or occasional absences of long or short duration.

Basis: Individuals are subject to salaries tax on income from employment, an office held, or a pension derived from HKSAR. The source of employment income is determined by the place where the employment contract is negotiated, concluded, and enforceable; the residence of the employer; and the place where the employee's remuneration is paid. Income from employment outside of HKSAR is deemed to be sourced in HKSAR if it is attributable to services rendered in HKSAR.

An individual who visits HKSAR for no more than 60 days in a YOA is not liable to salaries tax on HKSAR-source employment income.

Income derived by individuals from a trade, profession, or business conducted in HKSAR is subject to profits tax.

Taxable income: Individuals are taxed on their total HKSAR-source employment income, less deductible expenses (e.g., charitable donations, self-education expenses) and allowances. Taxable income includes salaries, commissions, bonuses, awards, gratuities, allowances, and other benefits derived from employment. Benefits convertible to cash and education benefits for the children of employees are taxable. The taxable value (or ratable value, if lower) of a rent-free residence provided by an employer or its affiliates is presumed to be 10% of the employee's income (4% or 8% for hotel and hostel accommodation, respectively, depending on the number of rooms). This treatment also applies to reimbursement of the rent paid for the employee's accommodation, subject to proper control exercised by the employer. Certain pensions also are taxable.

Unemployment compensation is not taxable. Severance payments and long-term service payments that must be paid under the Employment Ordinance are not subject to salaries tax. Any payment exceeding the amount calculated under the Employment Ordinance may be subject to salaries tax.

Directors' fees received by directors of a company, the control and management of which is exercised in HKSAR, are chargeable to salaries tax irrespective of where the director resides.

HKSAR does not impose tax on dividends or interest earned by individuals, but gains from exercising share options are taxable.

An individual's taxable business income subject to profits tax may include royalty income.

Rates: The salaries tax payable is calculated as the lower of:

- Tax at progressive rates from 2% to 17% on an individual's net chargeable income (i.e., assessable income less deductions and allowances); or
- Tax at a standard rate of 15% on the first HKD 5 million of assessable income (i.e., taxable income without the deduction of allowances) and 16% on the excess.

Capital gains: HKSAR does not impose tax on capital gains earned by individuals.

Deductions and allowances: Expenses are allowable if they are wholly, exclusively, and necessarily incurred to produce income subject to salaries tax. Self-education expenses of up to HKD 100,000 may be deducted. Other deductions include home loan interest of up to HKD 100,000 (HKD 120,000 for certain eligible taxpayers), elderly residential care expenses of up to HKD 100,000, and a domestic rents deduction of up to HKD 100,000 (HKD 120,000 for certain eligible taxpayers). Compulsory contributions to the Mandatory Provident Fund (MPF) or Recognized Occupational Retirement Scheme are deductible up to HKD 18,000 per annum. Donations exceeding HKD 100 to approved charities may be deducted up to a maximum of 35% of assessable income less other deductions.

Qualifying premiums of up to HKD 8,000 paid by a taxpayer or their spouse as a policyholder of a voluntary health insurance scheme policy for an insured person may be deducted. MPF voluntary contributions and qualifying annuity premiums paid by a taxpayer or their spouse as a policyholder of a qualifying annuity policy under which annuity payments are receivable by an annuitant are deductible up to a maximum of HKD 60,000.

Income subject to salaries tax is reduced by allowances before the tax rates are applied. The following allowances are available: HKD 132,000 for a single person or single parent; HKD 264,000 for a married couple; HKD 130,000 for each child; HKD 50,000 for dependent parents or grandparents (aged 60 and above); and HKD 25,000 for dependent parents or grandparents (aged 55 to 59).

Foreign tax relief: To avoid double taxation where income is derived from a jurisdiction that has not concluded a tax agreement or tax arrangement with HKSAR, unilateral relief (i.e., an exemption from salaries tax) may be available if an employee is subject to a tax similar to salaries tax in another jurisdiction for services provided in that jurisdiction and the foreign tax has been paid. To eliminate double taxation for income derived from a jurisdiction that has a tax agreement or tax arrangement with HKSAR, relief may be available in the form of a tax credit under the relevant agreement or arrangement.

Compliance for individuals

Tax year: The YOA is 1 April to 31 March.

Filing status: Tax returns are filed on an individual basis. A married couple living together, both of whom receive employment income, may choose to be assessed either jointly or separately. An individual may choose to be assessed under a personal assessment where different types of taxable income may be aggregated for tax assessment purposes.

Filing and payment: The IRD issues tax returns to individuals on the first business day of May each year. The tax return for individuals must be filed within one month from the date of issuance. An extension of one month will be granted automatically if the tax return is filed electronically.

The employee and the employer must file separate returns reporting all remuneration accruing to the employee for the YOA, including taxable benefits. Assessments are issued upon the IRD receiving the tax returns.

Salaries tax generally is payable in two installments:

- Final salaries tax for the YOA ended on the previous 31 March is payable in January or February, along with 75% of the provisional salaries tax due for the current YOA; and
- The balance of the provisional salaries tax is payable in April, following the end of the YOA.

Penalties: A surcharge and penalties apply for failure to comply with the filing and payment obligations.

Rulings: Taxpayers may request an advance ruling from the IRD on the application of provisions of the IRO.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	0%	0%	0%	0%
Royalties	0%	0%	2.475%-16.5% (8.25% or 16.5% rate applied to 30% or 100% of gross payment)	2.25%-15% (7.5% or 15% rate applied to 30% or 100% of gross payment)

Dividends: There is no withholding tax on dividends paid to residents or nonresidents.

Interest: There is no withholding tax on interest paid to residents or nonresidents.

Royalties: There is no withholding tax on royalties paid to residents, but the royalties may be subject to profits tax (see "Taxable income," under "Corporate taxation" and "Individual taxation," above).

The payer of royalties to a nonresident (not subject to profits tax) is required to withhold tax and remit the tax to the IRD. Royalties paid for the use of, or the right to use, most types of IP in HKSAR, or where the royalties are deductible for the payer, are deemed to be taxable in HKSAR. The amount deemed taxable is 30% of the gross amount of the royalties paid. This results in effective rates of 2.475% (up to HKD 2 million) and 4.95% (over HKD 2 million) for corporations applying the two-tier profits tax rates of 8.25% and 16.5%, or effective rates of 2.25% (up to HKD 2 million) and 4.5% (over HKD 2 million) for individuals and unincorporated businesses applying the two-tier profits tax rates of 7.5% and 15%. However, if a royalty is paid to an affiliated nonresident (not subject to profits tax) and the IP previously was owned by a person carrying on business in HKSAR, 100% of the royalty is deemed to be taxable.

Fees for technical services: There is no withholding tax on fees for technical services paid to residents or nonresidents.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules generally follow the OECD guidelines and require transactions with related parties to be on arm's length terms. The rules allow the IRD to adjust the profits or losses of an enterprise where the actual compensation made or imposed between two related persons differs from what would have been agreed between independent persons, and the difference results in a tax advantage. The transfer pricing rules apply to related party transactions, including the sale, transfer, and use of assets, and the provision of services. Domestic transactions that do not give rise to an HKSAR tax difference may be exempt from the transfer pricing rules.

HKSAR has adopted the OECD's recommended three-tiered documentation structure, comprising a master file, local file, and country-by-country reporting for constituent entities of certain MNE groups.

The legislation provides for an APA regime with unilateral, bilateral, and multilateral APAs.

Interest deduction limitations: Although there is no thin capitalization or similar rule in HKSAR, there are specific rules governing the deduction of interest expense. For example, no deduction is allowed for interest paid to a nonfinancial institution if the recipient is not subject to tax in HKSAR on the interest, except where the interest is paid to an overseas affiliate by a taxpayer that carries on an intragroup financing business. There also are some anti-avoidance measures, such as a "secured loan test" and an "interest flow-back test."

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There is no general anti-hybrid legislation (but see "Participation exemption" under "Corporate taxation," above).

Economic substance requirements: To qualify for certain preferential tax regimes (e.g., for aircraft and ship leasing, shipping-related activities, corporate treasury centers, insurance-related businesses, carried interest, family-owned investment holding vehicles managed by a single family office, and the tax exemption for certain foreign-source interest, dividends, and disposal gains on property other than IP (see "Taxable income" under "Corporate taxation," above)), economic substance requirements must be met. The adequacy of economic substance in HKSAR is based on various indicators, such as the number of full-time employees in HKSAR engaged in the activity and the amount of associated operating expenditure incurred in HKSAR.

Disclosure requirements: HKSAR has committed to the OECD Common Reporting Standard between tax authorities. The relevant rules require HKSAR financial entities to report to the IRD information on financial accounts held by nonresidents located in jurisdictions that have agreed to an exchange of information on tax matters in accordance with bilateral competent authority agreements or a multilateral competent authority agreement under the Convention on Mutual Administrative Assistance in Tax Matters. See also "Transfer pricing," above.

Exit tax: There is no specific exit tax.

General anti-avoidance rule: General anti-avoidance provisions in the IRO may be invoked for any deliberate attempt to implement tax avoidance schemes through the use of artificial and fictitious transactions, the implementation of transactions with the sole or dominant purpose of producing a tax benefit, or the use of tax loss companies.

Value added tax

HKSAR does not impose VAT or sales tax.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social contributions and payroll taxes: Both the employer and the employee are required to make regular mandatory contributions of 5% of the employee's relevant income to the MPF scheme, subject to the relevant minimum and maximum income levels. For employees paid monthly, the relevant minimum and maximum income levels are HKD 7,100 and HKD 30,000, respectively. For employees whose monthly income is less than HKD 7,100, the employer is required to pay 5% as a contribution to the MPF scheme and the employee is not required to contribute. For employees whose monthly income is HKD 7,100 or more, the employer is required to pay 5% as its own contribution and to deduct 5% as the employee's contribution to the MPF scheme (i.e., the employee's portion).

Capital duty: There is no capital duty.

Real property tax: Property owners are taxed on rental income from property in HKSAR. Property tax is charged at a standard rate of 15% of the net assessable value of the property, as determined by the rent, service charges, and fees paid to the owner,

less a statutory allowance of 20% on the net assessable value for repairs and maintenance. If a company includes rental income from property in its income subject to profits tax, it may deduct the amount of property tax paid from the amount of profits tax due or apply for an exemption from property tax.

Transfer tax: There is no transfer tax, but see "Stamp duty," below.

Stamp duty: Stamp duty is charged on documents connected with the lease, sale, or transfer of immovable property in HKSAR, and the sale or transfer of HKSAR shares. If property or shares are transferred for less than market value, stamp duty may be imposed based on the market value on the date of transfer.

Stamp duty on the transfer of HKSAR shares is 0.2% of the value of the shares transferred (i.e., 0.1% for each of the bought note and sold note). An exemption may be available for intragroup transactions if certain conditions are satisfied.

The rate on the lease of immovable property is 0.25% of the total rent payable for a lease with a term up to one year. The rates are 0.5% of the annual or average annual rent for a lease with a term exceeding one year but not exceeding three years and 1% for a lease with a term exceeding three years.

The ad valorem stamp duty on the sale and conveyance of immovable property ranges from HKD 100 to 4.25% of the value of the property transferred.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: There are other taxes, such as a betting duty (25%-75%), which is charged on certain betting events, and an air passenger departure tax, which is imposed at HKD 200 per person on air passengers (aged 12 years and above) departing HKSAR.

Hotel accommodation tax (HAT) at a rate of 3% is imposed on hotel and guesthouse accommodation, and is levied on the accommodation charges payable by guests to hotel or guesthouse proprietors.

Tax treaties: HKSAR has concluded more than 50 tax agreements and arrangements. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for HKSAR on 1 September 2022.

For information on HKSAR's network of tax agreements and arrangements, visit Deloitte International Tax Source.

Tax authorities: Inland Revenue Department (IRD)

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