



Hong Kong Tax Newsflash

Proposed enhancements to tax concessions for the maritime service industry

Hong Kong | Tax & Business Advisory | 15 July 2025 | Issue 246

Following the 2024 Policy Address and the 2025-26 Budget Speech¹, the government recently released an [administration paper](#) to enhance the existing tax concessions for the maritime service industry and to introduce a half-rate tax concessionary regime for commodity trading business. The government plans to introduce the amendment bill into the Legislative Council within the first half of 2026 and apply the tax concessions for the years of assessment beginning on or after 1 April 2025.

Against the backdrop that the implementation of the OECD Pillar Two rules² may reduce the effectiveness of the current tax concessions for the maritime service industry, the government has proposed several enhancements to maintain Hong Kong's attractiveness and leading position as an international maritime centre. The proposed enhancements include:

- **Additional option of a 15% concessionary tax rate:** introducing an additional 15% tax rate option for qualified ship lessors, ship leasing managers and shipping commercial principals.
- **New tax deduction for ship acquisition costs:** providing qualifying ship lessors with a tax deduction on ship acquisition costs.
- **Relaxation of the definition for ship leasing:** removing the one-year term restriction and extending the scope of lessees to any person.
- **New tax deduction for interest expenses:** expanding the tax deduction to include interest payable by qualifying ship lessors to financiers outside Hong Kong for ship acquisition.

This article recaps the existing tax concessions for the maritime service industry and sets out the proposed enhancements. For the key features of the proposed tax concessions for commodity trading business, please refer our previous [Hong Kong Tax Newsflash Issue 245](#).

¹ For details, please refer to our [Hong Kong Tax Analysis H119/2025](#)

² A multinational enterprise group with an annual consolidated revenue of not less than EUR 750 million will be subject to a global minimum effective tax rate of 15% in each jurisdiction in which they operate.

Proposed enhancements

Introducing an additional option of a 15% concessional tax rate

Current concessions: In recent years, the government has progressively introduced a series of tax concessional measures to enhance the competitiveness of the maritime service sector in Hong Kong. These include:

- **Ship lessors:** A full profits tax exemption for qualifying ship lessors since the year of assessment 2020/21 – qualifying ship lessors can enjoy a concessional tax rate of 0% on profits derived from qualifying ship leasing activities, subject to certain conditions and threshold requirements.
- **Ship leasing managers:** A profits tax concession for qualifying ship leasing managers since the year of assessment 2020/21 – qualifying ship leasing managers can enjoy a concessional tax rate of 0% / 8.25% on profits derived from qualifying ship leasing management activities to associated / non-associated qualifying ship lessors, subject to certain conditions and threshold requirements.
- **Shipping commercial principals:** A profits tax concession for qualifying shipping commercial principals (i.e., ship agents, ship managers and ship brokers) since the year of assessment 2022/23 – qualifying shipping commercial principals can enjoy a concessional tax rate of 0% / 8.25% on profits derived from qualifying activities, subject to certain conditions and threshold requirements.

Proposed enhancements:

- An additional 15% tax rate option for qualified ship lessors, ship leasing managers, and shipping commercial principals will be introduced, while maintaining the original concessional tax rate. Qualifying enterprises can elect their preferred profits tax rate every year.
- Lower threshold requirements³ for enterprises subject to the 15% tax rate will be introduced.
- Anti-abuse measures regarding loss set-off mechanism will be introduced.

Impact: The introduction of a 15% rate option addresses the impact of the OECD Pillar Two rules, which require in-scope multinational enterprise (MNE) groups to pay a global minimum tax rate of at least 15% in each tax jurisdiction. Even though these enterprises may not be able to fully benefit from Hong Kong's concessional tax rates under Pillar Two, the proposed 15% rate option aligns with the global minimum tax rate, providing MNE groups with the flexibility needed to comply with international tax standards.

Introducing a new tax deduction on ship acquisition costs

Current arrangement: No tax deduction nor depreciation allowance on ship acquisition costs, but a 20% tax base concession is provided.

³ The existing requirements and the proposed lower threshold requirements for the 15% tax rate are as follows:

	Current requirements	Lower requirements for the 15% tax rate
Ship lessors	<ul style="list-style-type: none">• Employ at least 2 employees• Incur annual operating expenditure ≥ HKD 7.8 million	<ul style="list-style-type: none">• Employ at least 1 employee• Incur annual operating expenditure ≥ HKD 3.9 million
Ship leasing managers	<ul style="list-style-type: none">• Employ at least 1 employee• Incur annual operating expenditure ≥ HKD 1 million	<ul style="list-style-type: none">• Employ at least 1 employee• Incur annual operating expenditure ≥ HKD 0.5 million
Shipping commercial principals	<ul style="list-style-type: none">• Employ at least 1 employee• Incur annual operating expenditure ≥ HKD 1 million	<ul style="list-style-type: none">• Employ at least 1 employee• Incur annual operating expenditure ≥ HKD 0.5 million

Proposed enhancements:

- New tax deduction on ship acquisition costs for qualifying ship lessors under operating leases will be introduced, replacing the 20% tax base concession.
- The deduction will apply to all ships purchased before and after the effective date of the legislative amendments, with adjustments for pre-existing ships.
- Proceeds from the sale of a ship for which a tax deduction has been granted in the future will be deemed as trading receipts, up to the amount of deductions allowed.

Impact: As the current tax rate applicable to qualifying ship lessors is 0%, neither the 20% tax base nor the proposed enhancement would have an immediate effect on ship lessors. However, the proposed enhancement would provide a safeguard against potential future increases in the tax rate, as well as the impact of the OECD Pillar Two rules. Under the OECD Pillar Two rules, the 20% tax base concession is not allowed in the calculation of the effective tax rate (ETR), which may increase the potential risk of ship lessors⁴ in a low-tax jurisdiction being subject to top-up tax. With the enhancement, deferred tax arising from the difference between accounting depreciation and tax deductions for ship acquisition costs will be taken into account when calculating the ETR, helping to reduce top-up tax liabilities.

Relaxing the definitions for ship leasing

Current definitions:

- Only operating lease and finance lease for a term exceeding one year are eligible to the current 0% tax concessionary regime for ship leasing.
- The lessees must be ship lessors, ship leasing managers, or ship operators.

Proposed enhancements:

- Removing the one-year term restriction on operating lease and finance lease.
- Extending the scope of lessees to any person.

Impact: The proposed enhancements are designed to accommodate a broader range of business models and operational needs, making it easier for ship lessors and ship leasing managers to benefit from the tax concessions. The extending of scope of lessees also aligns with the commodity trader initiative, as commodity traders often engage in ship leasing as part of their logistics and supply chain management.

Expanding the scope for tax deduction on interest expenses for ship lessors

Current arrangement: Interest expenses are tax deductible only if the lender is taxable in Hong Kong on the interest income or the loan is from a financial institution.

Proposed enhancement: Expanding the tax deduction to include interest expenses incurred by qualifying ship lessors for acquiring ships by borrowing from overseas non-associated and associated financiers who pay similar taxes outside Hong Kong.

⁴ Except international shipping income which are excluded income for Pillar Two purpose.

Impact: The proposed enhancements facilitate more flexible and diverse financing arrangements. With the proposed enhancements, borrowings obtained by qualifying ship lessors for ship acquisitions from third parties, group companies subject to overseas tax, in addition to local entities and financial institutions under the current regime, would be equally tax-efficient in Hong Kong.

Legislative timeline

The government plans to introduce the amendment bill into the Legislative Council within the first half of 2026 and apply the enhancements from the year of assessment 2025/26.

Our observations

We are pleased to see the government's proactive approach in enhancing the attractiveness of the maritime service industry by revisiting the existing tax concessions. The proposed enhancements are comprehensive and responsive to market changes and international tax developments. We believe the proposed enhancements could attract further investment, stimulate growth in high value-added maritime services, and reinforce Hong Kong's status as a premier international maritime centre.

In particular, the proposed enhancements address the impact of the OECD Pillar Two rules by introducing a new tax deduction on ship acquisition costs. The introduction of an elective 15% concessionary tax rate provides flexibility for enterprises subject to the OECD Pillar Two rules, enabling them to benefit from the tax concessions while complying with the global minimum tax requirement. The lowering of threshold requirements for the 15% rate is a pragmatic measure to encourage broader participation while maintaining tax system integrity.

Given the significant enhancements to the existing tax concessions, ship lessors, ship leasing managers, and shipping commercial principals should closely monitor these developments and seek professional advice in assessing their eligibility under the enhanced regime.

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