



Hong Kong Tax Update Newsletter

Year in Review 2024

Hong Kong | National Tax Technical Centre | 3 January 2025

This newsletter recaps the key tax developments that took place in 2024. Details of most of these developments have been covered in our Tax Analysis and Tax Newsflash.

Previous issues:

Year in Review

[2023](#) | [2022](#) | [2021](#) | [2020](#) | [2019](#)

Ordinances enacted

Enhancement measures for lease reinstatement costs and commercial/industrial building allowances

Inland Revenue (Amendment) (Tax Deductions for Leased Premises Reinstatement and Allowances for Buildings and Structures) Ordinance 2024

- Introduce a tax deduction for lease reinstatement cost
- Remove the time limit for claiming commercial/industrial building allowances
- Effective from the year of assessment 2024/25
- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)), [Issue 220](#), [Issue 225](#) and [Issue 231](#))

Patent box tax incentive

Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Ordinance 2024

- Provide tax concessions for onshore intellectual property income from qualifying patents, copyrighted software and plant variety rights generated through research and development activities
- Concessionary tax rate of 5%
- Effective from the year of assessment 2023/24
- For details, see Tax Newsflash ([Issue 194](#), Issue 214 ([EN](#) | [CN](#)) and Issue 218 ([EN](#) | [CN](#))) and summary placemats ([EN](#) | [CN](#))

Tax measures proposed in the 2023 Policy Address and the 2024-25 Budget

Inland Revenue (Amendment) (Tax Concessions and Two-tiered Standard Rates) Ordinance 2024

- Provide one-off tax reductions of profits tax, salaries tax and tax under personal assessment for the year of assessment 2023/24 by 100%, subject to a ceiling of HKD3,000 for each case
- Implement a two-tiered standard rates regime (15% / 16%) for salaries tax and tax under personal assessment starting from the year of assessment 2024/25
- Increase the deduction ceilings for home loan interest and domestic rents to HKD120,000 for eligible taxpayers starting from the year of assessment 2024/25

- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)), GES Tax Newsflash ([30 October 2023](#) and [29 February 2024](#)) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)), [Issue 197](#) and [Issue 217](#))

Tax deductions for spectrum utilization fees

Inland Revenue (Amendment) (Tax Deductions for Spectrum Utilization Fees) Ordinance 2024

- Provide a new tax deduction for spectrum utilization fees to be paid by the future assignees of radio spectrum over the spectrum assignment term (generally 15 years)
- Effective from 19 January 2024
- For details, see [Tax Newsflash Issue 201](#) and [Issue 205](#)

Enhancements of the aircraft leasing preferential tax regime

Inland Revenue (Amendment) (Aircraft Leasing Tax Concessions) Ordinance 2024

- Provide a new deduction of acquisition cost of aircraft
- Expand the scope of lease and remove the one-year lease term restriction
- Expand the scope of leasing activities
- Provide a new deduction of interest expense to non-financial institution or associate for acquisition of aircraft
- Prescribe thresholds for substance requirement
- Effective from the year of assessment 2023/24
- For details, see Tax Newsflash ([Issue 199](#) and [Issue 210](#)) and summary placemat ([EN](#) | [CN](#))

Stamp duty waivers for transfer of REIT units and jobbing business of options market makers

Stamp Duty Legislation (Miscellaneous Amendments) Ordinance 2024

- Waive stamp duty payable on the transfer of shares or units of real estate investment trusts (REITs) and transactions amounting to jobbing business of options market makers starting from 21 December 2024
- Provide for a revised stamp duty collection arrangement for the uncertificated securities market (USM) regime in Hong Kong, applicable once the USM regime itself is implemented
- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)), [Issue 228](#) and [Issue 230](#))

Removal of special stamp duty measures for residential properties

Stamp Duty (Amendment) Ordinance 2024

- Remove all demand-side management measures for residential properties, including Buyer's Stamp Duty, New Residential Stamp Duty and Special Stamp Duty
- Effective from 28 February 2024
- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)), [GES Tax Newsflash – 29 February 2024](#) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)) and [Issue 215](#))

Adjustment of special stamp duty measures for residential properties

Stamp Duty (Amendment) (Residential Properties) Ordinance 2024

- Shorten the resale period during which the Special Stamp Duty can be charged from three years to two years
- Reduce the ad valorem stamp duty rate of Part 1 of Scale 1 from 15% to 7.5%
- Reduce the rate of Buyer's Stamp Duty from 15% to 7.5%

- Introduce a stamp duty suspension mechanism for eligible incoming talents purchasing residential property in Hong Kong
- Effective from 25 October 2023
- For details, see [GES Tax Newsflash - 30 October 2023](#) and Tax Newsflash ([Issue 197](#) and [Issue 207](#))

Progressive rating system

Rating (Amendment) Ordinance 2024

- Implement the progressive rating system for domestic tenements ranging from 5% to 12%
- Apply to demands starting from the 4th quarter of 2024-25 (i.e. January to March 2025)
- For details, see Tax Newsflash (Issue 211 ([EN](#) | [CN](#)), [GES Tax Newsflash – 29 February 2024](#) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)) and [Issue 226](#))

Hotel accommodation tax

Hotel Accommodation Tax Ordinance 2024

- Resume the collection of the hotel accommodation tax
- Tax rate of 3%
- Effective from 1 January 2025
- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)) and Tax Newsflash ([Issue 222](#) and [Issue 226](#))

Automatic exchange of financial account information (AEOI)

Inland Revenue Ordinance (Amendment of Schedule 17E) Notice 2024

- Update the list of participating jurisdictions on AEOI under the Inland Revenue Ordinance
- Effective from 1 January 2025
- For details, see [IRD's announcement](#)

Amendment Bills pending passage

Global Minimum Tax and Hong Kong Minimum Top-up Tax

Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024

- Implement Global Minimum Tax (GloBE Rules) and Hong Kong Minimum Top-up Tax (HKMTT) rules in Hong Kong
- Large multinational enterprise groups with jurisdictional effective tax rate below 15% would be charged with top-up tax under HKMTT, income inclusion rule (IIR) and/or undertaxed profits rule (UTPR)
- Upon enactment, HKMTT and IIR will be implemented for fiscal years beginning on or after 1 January 2025; implementation date for UTPR will be determined later
- For details, see [Tax Newsflash Issue 204](#), [Issue 227](#) and Issue 234 ([EN](#) | [CN](#))

Company re-domiciliation regime

Companies (Amendment) (No. 2) Bill 2024

- Introduce a legal regime to facilitate company re-domiciliation to Hong Kong
- Amend IRO to address the transitional tax matters that arise post-re-domiciliation, including fair deduction for trading stock, specified types of expenditures and depreciation allowances, etc.
- For details, see [Tax Newsflash Issue 184](#), [Issue 221](#) and Issue 235 ([EN](#) | [CN](#))

Tax deductions for assisted reproductive service expenses

Inland Revenue (Amendment) (Tax Deductions for Assisted Reproductive Service Expenses) Bill 2024

- Provide tax deductions for assisted reproductive services under salaries tax and personal assessment, subject to a ceiling of HKD100,000 per year
- Upon enactment, effective from the year of assessment 2024/25
- For details, see [Tax Newsflash Issue 197](#), GES Tax Newsflash ([30 October 2023](#) and 5 December 2024 ([EN](#) | [CN](#))) and [IRD's announcement](#)

Proposed new tax regimes (pending Bills introduction)

Enhancements to the preferential tax regimes for asset and wealth management industry

- Propose to enhance the preferential tax regimes for funds, family-owned investment holding vehicles (FIHVs) managed by single family offices, and carried interest
- Currently under consultation
- For details, see Tax Analysis Issue H115/2024 ([EN](#) | [CN](#)) and Tax Newsflash (Issue 211 ([EN](#) | [CN](#)) and Issue 229 ([EN](#) | [CN](#)))

Court cases

Profits Tax – *Patrick Cox Asia Limited v. The Commissioner of Inland Revenue* [[2024 HKCA 944](#)]

- Upfront payment received under a business cooperation arrangement was not capital in nature and was sourced in Hong Kong
- Royalty income under the sub-licensing arrangement was not entirely onshore-sourced
- The Court of Appeal remitted the issue to the Board of Review to consider apportionment of the royalty income
- Case not yet finalized
- For details, see [Tax Analysis Issue H118/2024](#)

Profits Tax – *Chapman Development Limited v. The Commissioner of Inland Revenue* [[2024 HKCFI 2590](#)]

- Management fee paid to a related interposed management service agent were not deductible
- For details, see [Tax Analysis Issue H117/2024](#)

Profits tax – *Touax Container Investment Limited v. The Commissioner of Inland Revenue* [[2024 HKCFI 2242](#)]

- Whether the taxpayer carried on a business in Hong Kong and its profits from shipping containers trading and leasing operations were onshore sourced
- The Court remitted the case back to the Board of Review for rehearing
- Case not yet finalized

Stamp Duty – *John Wiley & Sons UK2 LLP & Wiley International LLC v. Collector of Stamp Revenue* [[2024 HKCA 578](#), [2024 HKCA 863](#)]

- Limited liability partnership in UK was not entitled to stamp duty group relief
- The court granted leave to appeal to the Court of Final Appeal
- Case not yet finalized
- For details, see [Tax Analysis Issue H116/2024](#) and [Court's judgment on leave to appeal](#)

OECD Pillar Two – Global minimum tax

- Consultation on draft user guide for GloBE Information Return XML Schema ([OECD's webpage](#))
- Jurisdictions signed / intended to sign the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI) ([OECD's press release](#))
- The fourth set of administrative guidance was published on 17 June 2024. For details, see [Tax Newsflash – 24 June 2024](#)
- Consolidated commentary was published on 25 April 2024. For details, see [Tax Newsflash – 26 April 2024](#)

Tax treaties signed and/or came into force

- Hong Kong-Bangladesh tax treaty came into force on 20 December 2024
[CDTA](#) | [Tax Newsflash Issue 193](#) and [Issue 232](#)
- Hong Kong-Türkiye tax treaty signed on 24 September 2024
[CDTA](#) | [Tax Newsflash Issue 224](#)
- Hong Kong-Armenia tax treaty signed on 24 June 2024
[CDTA](#) | [Tax Newsflash Issue 219](#)
- Hong Kong-Bahrain tax treaty signed on 3 March 2024
[CDTA](#) | [Tax Newsflash Issue 213](#)
- Hong Kong-Croatia tax treaty signed on 24 January 2024 and came into force on 20 December 2024
[CDTA](#) | [Tax Newsflash Issue 206](#) and [Issue 232](#)

Crypto-Asset Reporting Framework (CARF)

- Hong Kong has committed to implementing the CARF
- For details, see [Tax Newsflash Issue 233](#)

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)

- Synthesized text of Hong Kong-Russia tax treaty as modified by the MLI was published on 7 May 2024
- Effective in Hong Kong on 1 April 2024 for withholding taxes and 1 April 2025 for other taxes
- For details, see [IRD's website](#)

Passage of peer reviews

Hong Kong passed the following OECD's peer reviews during 2024:

- Exchange of Information on Tax Rulings ([Peer review report](#))
- BEPS harmful tax practices: Tax concession for aircraft lessors and aircraft leasing managers, and family office ([Peer review results](#))
- Country-by-Country Reporting ([Peer review report](#))
- Treaty shopping under BEPS Action 6 ([Peer review report](#))

OECD guidance on Country-by-Country Reporting

The OECD released [updated guidance on Country-by-Country Reporting](#) on 27 May 2024

EU's watchlist on tax cooperation

- Hong Kong removed from the EU's watchlist on tax cooperation on 20 February 2024
- [Tax Newsflash Issue 209](#)

IRD's guidance



FSIE regime

- New FAQs and illustrative examples on FSIE
[IRD's webpage](#) | [Tax Newsflash Issue 223](#)
- New advance ruling case on participation requirement on:
 - Received in Hong Kong ([Case No. 75](#))
 - Participation requirement ([Case No. 74](#))



Tax concessions for family office

- Updated guidance on the substantial activities requirement and application for advance ruling
[IRD's webpage](#)
- New advance ruling case
[Case No. 73](#)
- For details, see [Tax Newsflash Issue 208](#)



Aircraft leasing regime

- Updated guidance
[IRD's website](#)
- FAQs
[IRD's website](#)



Guidance on GloBE Rules and HKMTT

[IRD's webpage](#)



Guidance on company re-domiciliation regime

[IRD's webpage](#)



Guidance on tax deductions for lease reinstatement cost and allowances for buildings and structures

[IRD's webpage](#)



Guidance on patent box tax concession

[IRD's webpage](#)



New FAQs for stamping of tenancy agreement

[IRD's webpage](#)



FAQ on interest income from foreign debt instrument

[IRD's webpage](#)



Tax treatment on abolition of MPF offsetting arrangement

Summary placemats ([EN](#) | [CN](#))



Guide to electronic filing of profits tax return

[IRD's webpage](#)



Guide to iXBRL filing

[IRD's webpage](#)



Hotel accommodation tax
[Powerpoint for industry's briefing session](#) and [FAQs](#)

IRD's administrative measures



Appointment of Commissioner of Inland Revenue
[IRD's announcement](#)



Interest on tax reserve certificates
[IRD's announcement](#)



List of qualifying debt instruments
[IRD's announcement](#)

Others



Annual meeting between HKICPA and the IRD 2023
[Meeting minutes](#) | [Tax Newsflash Issue 216](#)



Top Talent Pass Scheme renewal
GES Tax Newsflash - 23 August 2024 ([EN](#) | [CN](#))



New Capital Investment Entrant Scheme opens for application
[Tax Newsflash Issue 212](#) (Chinese only)

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