



Hong Kong Tax Newsflash

Hong Kong obtains qualified status under Pillar Two

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Hong Kong has been added as a jurisdiction with a qualified Income Inclusion Rule (IIR), Qualified Domestic Minimum Top-up Tax Rule (QDMTT) and QDMTT safe harbor¹ according to the recently updated [central record](#) for purposes of the Global Minimum Tax released by the OECD.

Hong Kong enacted the legislation to implement the OECD's Global Anti-Base Erosion (GloBE) Rules and the Hong Kong Minimum Top-up Tax (HKMTT) in June 2025. Multinational enterprise (MNE) groups with consolidated revenue of at least EUR 750 million in at least two of the four fiscal years immediately preceding the tested fiscal year will fall within the scope of the GloBE Rules and HKMTT. Such in-scope MNE groups are subject to the IIR and the HKMTT for fiscal years beginning on or after 1 January 2025.

Hong Kong's inclusion in the central record is a key milestone, showing Hong Kong has met international standards for the new Global Minimum Tax rules.

Central record of legislation with transitional qualified status

The central record sets out the lists of jurisdictions whose local implementation of the Pillar Two global minimum tax rules has been assessed as "qualified" for the purposes of IIR, as well as QDMTT and QDMTT safe harbor, based on self-certification by an implementing jurisdiction. The transitional qualification mechanism is a simplified procedure to assess initial qualifying status, pending the development of a full legislative review and ongoing monitoring process.

The Pillar Two Global Minimum Tax rules incorporate an agreed rule order, which prevents a jurisdiction from levying top-up tax in respect of low tax profits where those profits have already been subject to top-up tax under "qualified" rules in another jurisdiction. With Hong Kong now recognized as having a qualified QDMTT, the HKMTT takes priority over other jurisdiction's top-up taxes (such as a parent entity's IIR) when applied to low-taxed profits in Hong Kong.

Our observation

The confirmation of Hong Kong's qualified status is a positive development, affirming that its Pillar Two legislation, effective from 1 January 2025, meets the requirements established by the OECD/G20 Inclusive

¹ Where a permanent QDMTT safe harbor applies, a business will be able to elect to prepare a single QDMTT computation for a jurisdiction, and no additional top-up tax will arise in other jurisdictions under the IIR or Undertaxed Profits Rule. For the QDMTT safe harbor to apply, the domestic minimum tax must not only be "qualified," but the domestic legislation must also meet an additional set of QDMTT safe harbor standards. (It is therefore theoretically possible that a jurisdiction could introduce rules that are a "qualified" QDMTT but do not qualify for the QDMTT safe harbor).

Framework on BEPS. MNE groups with constituent entities or ultimate parent entities in Hong Kong can have greater certainty that the top-up tax rights will be exercised appropriately by Hong Kong, significantly reducing the risk of overlapping top-up tax claims from other jurisdictions.

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