



Hong Kong Tax Newsflash

Draft legislation on relaxation of stamp duty relief for intra-group transfers gazetted

Hong Kong | Tax & Business Advisory | 2 October 2026 | Issue 280

Following the announcement in the 2026–27 Budget¹, the Hong Kong government gazetted a Bill² today to relax the criteria for stamp duty relief on intra-group transfers of immovable property and Hong Kong stock.

Currently, stamp duty relief is available for the transfer of Hong Kong stock or immovable property from one associated body corporate to another. To qualify for this relief, the bodies corporate must be "associated", i.e. "one is beneficial owner of not less than 90% of the issued share capital of the other, or a third body corporate is beneficial owner of not less than 90% of the issued share capital of each".

The Bill aims to enhance the competitiveness of Hong Kong's tax regime by broadening the scope of eligible entities and lowering the threshold for association from 90% to 75% for the purposes of stamp duty intra-group relief.

Key proposed amendments

Under the proposed Association Test, two bodies corporate would be regarded as "associated" if:

- One body corporate has an "associating interest" in the other body corporate; or
- A third body corporate has an "associating interest" in both of them.

A body corporate (A) will be regarded as having an "associating interest" in another body corporate (B) if:

- Body corporate A has at least 75% of the direct or indirect beneficial interest in body corporate B; or
- Body corporate A is, directly or indirectly, entitled to exercise, or control the exercise of, at least 75% of the voting rights in body corporate B.

Expanding the scope of eligible associated bodies corporate – Instead of using "issued share capital" in the current provision, the Bill adopts the concepts of "beneficial interest" and "voting rights" which do not limit to bodies corporate with share capital. For a body corporate without share capital, "beneficial interest" refers to "ownership interest" which is defined as an interest that carries rights to the profits, capital or reserves and is accounted for as equity under applicable accounting principles. This change would accommodate broader types of entities, such as limited liability partnerships (LLPs) and companies limited by guarantee.

Reducing the associating interest threshold – The required level of associating interest is proposed to be reduced from 90% to 75%, applying to either beneficial interest or voting rights.

¹ For details, please refer to our [Hong Kong Tax Analysis Issue H122/2026](#) and [Tax Newsflash Issue 261](#).

² [Stamp Duty \(Amendment\) \(No. 3\) Bill 2026](#)

Amending the clawback rule – While the current anti-abuse provision requires the associated relationship to be retained for two years after the execution of the instrument, the Bill retains such provision with amendments. In particular, the proposed Section 45(4)(c)(i) would catch cases where the transferor and the transferee were to cease to be associated with each other because of a change in the percentage of the direct or indirect beneficial interest of the transferor or a third body corporate in the transferee. This would replace the existing test, which focuses on a change in the percentage of the issued share capital of the transferee in the beneficial ownership of the transferor or a third body corporate.

Effective date

Subject to enactment of the legislation, the enhanced intra-group stamp duty relief will apply retroactively to instruments executed on or after 25 February 2026.

Transitional measures

Duty payers may submit adjudication applications to the Stamp Office between 25 February 2026 and the date of gazettal of the enacted ordinance without paying stamp duty upfront, provided they meet the relaxed criteria. The Inland Revenue Department (IRD) will formally adjudicate and approve eligible instruments upon enactment of the amendment ordinance.

Our observation

We welcome the proposed improvements which reflect the Government's willingness to take stakeholder views into account. By recognizing both beneficial ownership and voting rights beyond traditional share capital structures and lowering the associating interest threshold to 75%, the reform enhances flexibility and enables a broader range of corporate groups to qualify for intra-group stamp duty relief.

The term "body corporate" is not defined in the Bill although the Legislative Council Brief indicates that entities with separate legal personality will be covered. Without clear guidance, duty payers may face uncertainty when planning cross-border restructurings involving non-traditional foreign entity forms (e.g. US LLCs, UK LLPs, Dutch BVs and NVs, Japanese GKs and KKs etc.) or may even need to obtain a foreign legal opinion as proof to the IRD. We hope that the Government could include an explicit definition of "body corporate" in the Bill and publish a list of recognized foreign entity types that qualify for relief under the revised regime to enhance certainty and support cross-border planning.

In addition, for a body corporate without share capital, the definition of "ownership interest" requires it to be accounted for as equity under applicable accounting principles. There could be cases where an interest is accounted for differently according to the accounting standards adopted by the investee and the investor. For the sake of clarity, we recommend that the IRD issue guidance to address the above.

On the other hand, the drafting of the clawback rule may require attention. Under the existing section 45(4)(c), the clawback is triggered by a change in the percentage of the issued share capital of the transferee held by the transferor or a third body corporate. Accordingly, a transferor may leave the group without triggering the rule because the transferee's issued share capital is unchanged. The amended wording, which refers to a change in the direct or indirect beneficial interest of the transferor or a third body corporate in the transferee, appears less clear. In particular, where the transferor holds the transferee directly or indirectly, the winding up of the transferor would extinguish its beneficial interest in the transferee. On a literal reading, would this trigger the clawback under the Bill? It is noted that the court took a literal approach in interpreting Section 45 and declined to adopt a purposive approach in *John Wiley & Sons UK2 LLP and Wiley International LLC v. The Collector of Stamp Revenue*. To improve certainty, we recommend that the drafting of the relevant provision be

clarified, or that the IRD issue written guidance clarifying the interpretation of the amended section 45(4)(c) in the situation described above.

Businesses considering internal restructurings should closely monitor ongoing developments and are strongly encouraged to seek professional advice to assess eligibility under the enhanced regime.

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