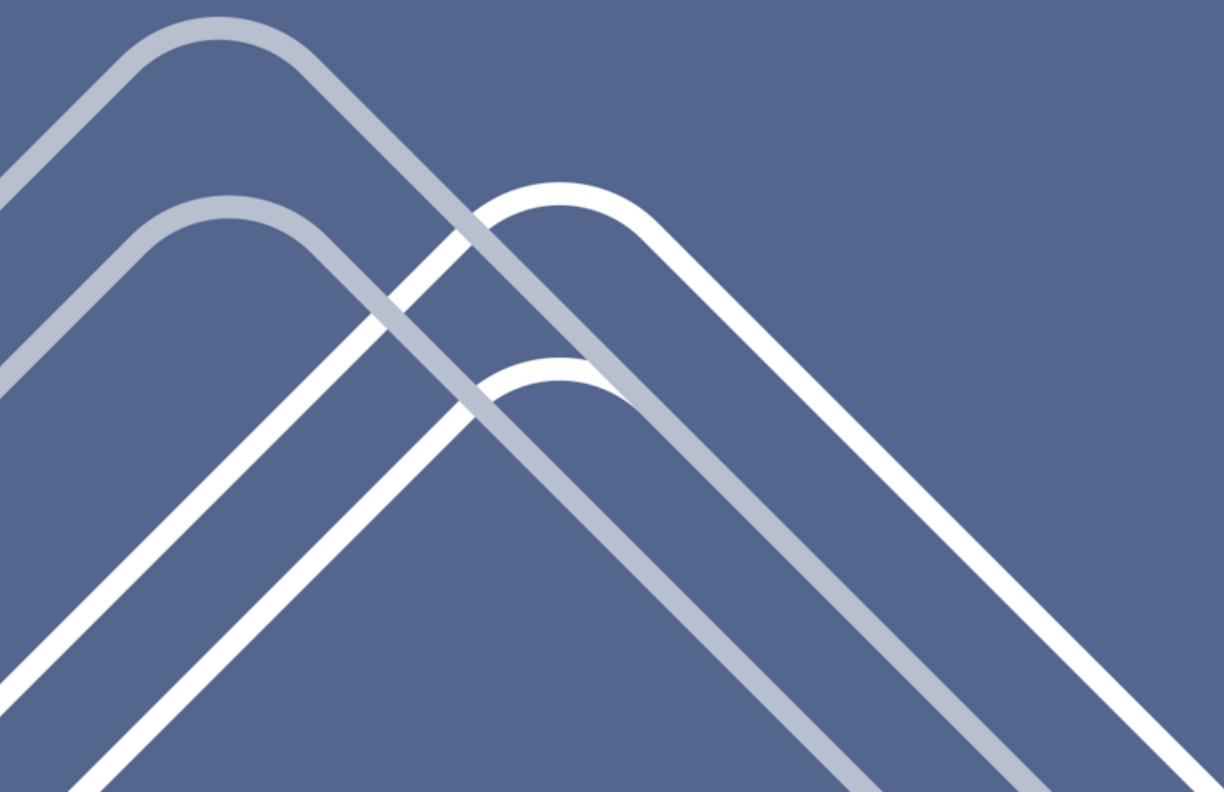


DOING BUSINESS IN HONG KONG



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INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Hong Kong has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2026.

We look forward to helping you do business in Hong Kong.

BUSINESS ENVIRONMENT

BACKGROUND

Hong Kong has grown from a small fishing village to an entrepot for international trade and counts as one of the most important financial, trade and commercial centres in the world. There are many reasons for this evolution:

One-Country, Two Systems

Foremost in the mind of many doing business in this region, are the key issues concerning Mainland China after Hong Kong reverted to Mainland China's control on 1 July 1997. Under the terms of the 1984 Sino-British Joint Declaration, Hong Kong retains its free enterprise system for at least 50 years after that date. In 1990, Mainland China promulgated the Basic Law, the mini-constitution for Hong Kong Special Administrative Region ("HKSAR"), ensuring the implementation of "one country, two systems".

The Joint Declaration provides Hong Kong with a high degree of autonomy, which allows it to administer itself and pass its own legislation. This enables Hong Kong to control its own economic, financial and trade policies, and to participate in international organisations and trade agreements. The many factors contributing to Hong Kong's economic success remains intact.

Gateway to Mainland China

Hong Kong sits on the southern gateway to Mainland China, and has developed into the main base for Chinese operations. As much as two-thirds of the total external investment in Mainland China goes through Hong Kong. The financial ties between Hong Kong and the neighbouring southern Chinese province of Guangdong (e.g. The Pearl River Delta) are especially strong.

In March 2015, the Mainland China announced the development ideas and blueprint of the Belt and Road Initiative. The Belt and Road Initiative, aiming at forging connectivity with countries along the routes in five areas, namely policies, facilities, trade, finance and people-to-people bond, will boost development of the major sections of Hong Kong, including trading and logistics, tourism, financial services, and professional and infrastructure services.

The HKSAR Government will play an active role to facilitate the implementation of the Belt and Road Initiative, Hong Kong has strong complementarity with the Belt and Road countries, and great potential to create synergy with them and by leveraging the combined advantages of “one country” and “two systems”, industries in Hong Kong, regardless of scale, can perform their role as a “super-connector”.

Mainland China And Hong Kong Closer Economic Partnership Agreement (“CEPA”)

CEPA is the first free trade agreement entered into between the Mainland China and Hong Kong. The main text of CEPA was signed on 29 June 2003.

The objectives of CEPA are to strengthen trade and investment co-operations between the Mainland China and Hong Kong and to promote joint development of both sides through progressive reduction or elimination of tariff and non-tariff barriers on substantially all the trade in goods between the two sides; liberalization of trade in services through reduction or elimination of all discriminatory measures; and promotion of trade and investment facilitation.

CEPA brings new business opportunities to the Mainland China, Hong Kong and foreign investors. CEPA enables Hong Kong business to gain greater access to the Mainland market while Mainland corporations may make use of Hong Kong as a “springboard” to reach out to the global market thereby achieving fuller integration with the world economy. Foreign investors may make use of the Hong Kong advantage by setting up businesses in Hong Kong to leverage on the CEPA benefits and to access the vast opportunities of the Mainland market.

CEPA covers 4 broad areas:-

1) Trade in goods

All goods of Hong Kong origin can enjoy zero tariff preference upon importation into the Mainland China provided that they satisfied the rules of origin requirement as “Made in Hong Kong”. To deepen the liberalisation and facilitation of trade in goods between the two sides, the Agreement on Trade in Goods has included four dedicated Chapters on "Customs Procedures and Trade Facilitation", "Sanitary and Phytosanitary Measures", "Technical Barriers to Trade" and "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area".

2) Trade in services

Hong Kong service providers enjoy preferential treatment in entering the Mainland market in various service areas such as financial services, legal services, construction and related engineering services, testing and certification, television, motion pictures and tourism services etc. Professional bodies of Hong Kong and the regulatory authorities in the Mainland China have also signed a number of agreements or arrangements on mutual recognition of professional qualification.

3) Investment

Hong Kong investors enjoy preferential treatment in non-services sectors in the Mainland China. The Investment Agreement also promotes and protects investment, and provides for investment facilitation.

4) Economic and Technical Cooperation

Both sides agreed to enhance cooperation in 22 areas to cater for the trend and support the development and cooperation, as well as to facilitate and promote trade and investment between the two places.

The Guangdong Hong Kong-Macao Greater Bay Area ("Greater Bay Area")

The Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. The total area is around 56000 km². Based on the latest figures provided by the Guangdong Province, the HKSAR Government and the Macao SAR Government, the total population in the Greater Bay Area is over 88 million and the GDP is RMB15 trillion (approximately USD2.11 trillion) in 2025.

The objectives of development of the Greater Bay Area are to deepen cooperation amongst Guangdong, Hong Kong and Macao, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and travelling.

Being the most open and international city in the Greater Bay Area, Hong Kong is known for its status as international financial, transportation, trade centres and aviation hub as well as its renowned professional services. Enjoying the dual advantages of "one country, two systems", Hong Kong plays an important role in the Greater Bay Area Development. Hong Kong will facilitate and support the economic development of the region, with a view to enhancing the role and functions of the Greater Bay Area in the country's two-way opening up; and also, we will facilitate the development of industries in which Hong Kong's strengths lie in the Greater Bay Area, capitalising on Hong Kong's strengths to serve the country's needs.

The promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" on 18 February 2019 signified a new milestone in the development of the Greater Bay Area. Hong Kong will proactively integrate into the overall national development with the support from the Central Government, and thereby expanding the scope of development and generating new impetus for growth to bring new development opportunities to different sectors of the community, especially the young people.

GEOGRAPHY AND POPULATION

Hong Kong consists of Hong Kong Island, Kowloon Peninsula, the New Territories, Lantau Island and more than 260 outlying islands. Hong Kong is one of the most densely populated cities in the world with approximately 7.4 million people living in a 1,114 km² territory. Although over 90% of local residents in Hong Kong are ethnic Chinese, there is a substantial number of expatriates living in the city.

EXCHANGE CONTROLS AND CURRENCY

In Hong Kong, there is no exchange control on any form of foreign investment. The official currency in Hong Kong is the Hong Kong dollar (HK\$). Given the highly externally oriented nature of the economy, a linked exchange rate system was introduced in late 1998 under which the US dollar exchange rate was fixed at HK\$7.8 to US\$1.

LANGUAGE

The official languages of Hong Kong are Chinese and English. Contracts are mostly written, reviewed and executed in English.

COMMUNICATION AND TRANSPORTATION

In Hong Kong, there is comprehensive network of internal and external communication systems and one of the world's safest, efficient and frequent public transport systems. There is a wide range of wireless communication options, including Wi-Fi hotspots and tourist SIM. In addition, there is an extensive railway network covering the majority of places in Hong Kong.

EDUCATION

Hong Kong offers a highly structured, internationally recognized education system spanning kindergarten to postgraduate studies, blending Eastern and Western educational traditions. The well-rounded education system in Hong Kong is designed in a 12-year structure, with 6 years of primary education, 3 years of junior secondary education, and 3 years of senior secondary education. Additionally, the Vocational Training Council offers full-time courses as an alternative for senior secondary students outside mainstream education. Upon completing this 6-year secondary education, students who participated in the local curriculum will take the Hong Kong Diploma of Secondary Education Examination (HKDSE) and join the scheme of the Joint University Programmes Admissions System (JUPAS) for local university admission.

Approximately 25 to 30% of university students are non-local, from over 100 countries, and many academic staff are international. Universities in Hong Kong consistently rank among the top globally, with five institutions in the QS World University Rankings 2026 top 100: HKU, CUHK, HKUST, PolyU, and CityU. The government has expanded scholarships, research funding, and international collaborations to strengthen Hong Kong's global education profile.

HOLIDAYS IN HONG KONG

Hong Kong will observe 17 general public holidays in 2026, including Lunar New Year, Easter and Christmas, with some holidays adjusted when they fall on weekends.

REFERENCE WEBSITES IN HONG KONG

The following substantial resources serve as reference and education tools about the issues surrounding doing business in Hong Kong.

<u>Agency or Resource</u>	<u>Website</u>
GovHK	www.gov.hk
InvestHK Department	www.investhk.gov.hk
Companies Registry	www.cr.gov.hk
Hong Kong Institute of Certified Public Accountants	www.hkicpa.org.hk
Accounting and Financial Reporting Council	www.afrc.org.hk
Immigration Department	www.immd.gov.hk
Inland Revenue Department	www.ird.gov.hk
Labour Department	www.labour.gov.hk
Mandatory Provident Fund Schemes Authority	www.mpfa.org.hk
Trade and Industry Department	www.tid.gov.hk
Securities and Futures Commission	www.sfc.hk

<https://www.cia.gov/library/publications/resources/the-world-factbook/>

<http://data.worldbank.org/country/>

FOREIGN INVESTMENT

The HKSAR Government encourages free enterprise and foreign investment. No distinction is made between local and foreign investment, and both are welcomed. Essentially, there is no restriction on foreign business setting up in Hong Kong nor is there any foreign exchange control. There is also no Hong Kong residential requirement for shareholders and directors of an entity in Hong Kong.

There are few incentives to promote business investments since its low tax rates, excellent financial infrastructure, highly productive labour force, and favorable investment climate are considered as sufficient to attract investments in Hong Kong.

SETTING UP A BUSINESS

To start business in Hong Kong, it is necessary to obtain a business registration certificate from the Business Registration Office of the Inland Revenue Department. This applies to all forms of organisation:-

- 1) Sole Proprietorship
- 2) Partnership
- 3) Non-Hong Kong Companies
- 4) Representative Office
- 5) Limited Companies

Sole Proprietorship

The only formality to set up sole proprietorship is to obtain a business registration certificate from the Business Registration Office. However, the owner of a sole proprietorship business is personally liable without limit for the obligations of the business.

Partnership

The law relating to partnerships is contained in the Partnership Ordinance and the Limited Partnership Ordinance.

In an unlimited or ordinary partnership, all the partners are jointly and severally liable without limit for the obligations of partnership. However, limited partnerships may be formed in which at least one partner has unlimited liability while the others have the protection of limited liability but have limited rights to profits and capital distribution on dissolution.

Non-Hong Kong Companies

A non-Hong Kong Company that establishes a place of business in Hong Kong shall apply to the Companies Registry for registration under Part 16 of the new CO (Cap. 622) within 1 month after the establishment of the place of business, by submitting a specified forms and copies of its corporate documents and disclosing certain corporate information to the Company Registrar including:-

- 1) A certified copy of the charter, statutes or memorandum (including articles, if any) or any other instruments defining the constitution of the company. (remark)
- 2) A certified copy of the company's certificate of incorporation. (remark)
- 3) Incorporation Form NN1, which contains the following information:-
 - The domestic name of the company;
 - The date on which the company established a place of business in Hong Kong;
 - The address of the principal place of business in Hong Kong and in the place of incorporation, if any;
 - The address of the registered office in the place of incorporation; and
 - The particulars of the directors, company secretary and the authorized representative in Hong Kong.
- 4) A certified copy of the latest published accounts of the company. (remark)

Remark: If the document is not written in English or Chinese, a certified English or Chinese translation should be submitted instead.

Representative office

Representative office is useful if a company wishes to explore Hong Kong market before making a larger investment and can only fulfil limited functions, for example promotion and liaison work. It is prohibited from carrying on any business in Hong Kong or entering into any contract in Hong Kong. If the company commences carrying on a business, it will need to be changed to either a limited company or a non-Hong Kong Company.

Limited companies

Limited companies are regulated in Hong Kong under the Companies Ordinance. Public limited companies may offer their shares for sale to the public. Private limited companies are those which:-

- 1) Restrict the right of transfer of their shares;
- 2) Limit the number of members to 50; and
- 3) May not offer shares for sale to the public.

Most of the limited companies incorporated in Hong Kong are private companies limited by shares.

To incorporate in Hong Kong, a limited company must register its name at, and submit Incorporation Form NNC1 (for company limited by shares), Notice to Business Registration office (IRB R1) and its article of association to, the Companies Registry. The article states the company's name, company's objects, maximum number of shares that the company may issue and members' liability. The articles also define the powers and other internal regulations for the management and procedures of the company. A quicker way to incorporate in Hong Kong is to purchase a ready-made company, which has not yet started business but has already been registered with the Companies Registry and has acquired a Certificate of Incorporation.

A private limited company in Hong Kong requires at least one shareholder, one director who is a natural person and one company secretary. If the company has one director only, the sole director cannot be the company secretary of the company at the same time. A non-Hong Kong resident can be appointed as a director. If the company secretary is an individual, he/she should ordinarily reside in Hong Kong. If the company secretary is a body corporate, its registered office or place of business should be in Hong Kong. There is no requirement for shareholders to be Hong Kong residents. The sole shareholder can be a director of the company.

Minimum capital requirements are not imposed on companies except for licensed banks, insurance and deposit-taking companies, and securities/commodities dealers.

A company must have a registered office in Hong Kong and maintain such records as registers of members, directors and secretaries and charges and minutes books of meetings. Certain accounting and business records are required to be kept in Hong Kong.

A Hong Kong company can freely remit tax-free dividends out of the retained distributable profits to an overseas investor.

LABOUR

Hong Kong people are productive and well-trained. They have an essential mix of international market perception combined with different business culture in the fast-growing Mainland China and other cities around the world. Most of them can speak English, Cantonese and Putonghua.

Particular policies have been designed by the Hong Kong Immigration Department to attract professionals, talents and investors to ensure Hong Kong is continued competitiveness and enrich the quality of Hong Kong's workforce.

The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong. It covers a comprehensive range of employment protection and benefits for employees.

The Employment Ordinance requires that the terms and conditions of employment are conferred upon each employee by the employer regardless of whether the contract of employment is in writing or not. Employers are also required to maintain employment record regarding wages, holidays and leave records, etc.

Labour relations in Hong Kong are stable, compared with other nations in South East Asia. Industrial harmony is reflected by the small number of working days lost due to industrial conflicts, which is among the lowest in the world. In the case of labour disputes, the Labour Department offers conciliation service to the parties concerned to facilitate an amicable settlement.

Wages rates differ among various economic sectors, depending upon the level of skills and experience required.

Statutory minimum wage ("SMW")

The SMW came into force on 1 May 2011. With effect from 1 May 2026, the SMW rate was increased to HK\$43.10 per hour. It applies to all employees, whether they are full-time, part-time or casual employees, and regardless of whether or not they are employed under a continuous contract as defined in the Employment Ordinance, with the following exceptions:-

- 1) persons to whom the Employment Ordinance does not apply
- 2) live-in domestic workers
- 3) student interns as well as work experience students during a period of exempt student employment

Mandatory provident fund (“MPF”)

Implemented by the HKSAR Government, the MPF came into effect on 1 December 2000. Except for exempt persons and persons employed for fewer than 60 days, employees and self-employed, aged between 18 and 65, are required to join MPF schemes.

Employees and employers are both required to make mandatory contribution of 5% of the employee’s relevant income into the employee’s MPF account, subject to the minimum and maximum relevant income levels. For monthly paid employees, the current minimum and maximum relevant income levels are HK\$7,100 (equivalent to US\$910) and HK\$30,000 (equivalent to US\$3,846) respectively.

Employers must make mandatory contributions for their employees with their own funds. They must also deduct the employee’s contributions from his/her relevant income for each contribution period (generally the wage period).

Pursuant to the Employment Ordinance, Chapter 57, the company has the obligation to pay LSP to qualifying employees under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) $\times$ 2/3 $\times$ Years of service

Last monthly wages are capped at HK\$22,500 (equivalent to US\$2,885) while the amount of LSP shall not exceed HK\$390,000 (equivalent to US\$50,000). This obligation is accounted for as a postemployment defined benefit plan.

Furthermore, the MPF Schemes Ordinance passed in 1995 permits the company to utilise the company’s mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the “Offsetting Arrangement”).

The Amendment Ordinance 2022 was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset the LSP (the “Abolition”). The Abolition officially took effect on 1 May 2025 (the “Transition Date”). Separately, the Government of the Hong Kong Special Administrative Region is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the company’s mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date.

Entry visas and work permits

While nationals of Hong Kong's major trading partners do not need visas for short-term stays in Hong Kong, valid passports or other travel documents are required for all visitors to Hong Kong.

Persons wishing to stay in Hong Kong must show evidence that they have been offered employment in Hong Kong, and must be in possession of an Employment Visa. Applications can be made at the Chinese Diplomatic and Consular Missions in their place of residence, or to the Hong Kong Immigration Department direct by post or through a local sponsor.

In determining an application for a visa or work permit to enter Hong Kong for employment or investment, the Immigration Department takes into consideration whether there is a genuine vacancy for an employee in Hong Kong; the skills, knowledge and experience needed for the job; whether the terms and conditions of employment are comparable to those in the local market; the applicant's suitable qualifications and experiences relating to the job; and whether the vacancy can be filled locally.

Payroll records

A company, as an employer, has obligations to keep proper payroll records starting from hiring of the first employee. The record of employees including personal particulars, nature of employment, capacity in which employed, amount of cash remuneration, non-cash and fringe benefits, contributions to the MPF or its equivalent, employment contract, period of employment, etc.

The company should inform IRD of staff commencing and terminating employment with the company and report annually the remuneration and other benefits paid to the employees, who shall be subject to salaries tax in Hong Kong.

TAXATION

The Hong Kong tax system is generally considered to be one of the most simple, transparent and straightforward tax systems in the world.

The law governing the imposition of tax in Hong Kong is contained in the Inland Revenue Ordinance (“IRO”) and its subsidiary legislation, the Inland Revenue Rules (“IRR”).

Hong Kong tax is territorial in nature so that only income which has a source in Hong Kong is taxable. Various rules are adopted by the courts to determine sources of income and all circumstances of the transactions are considered. By corollary, income that is not included in one of the above categories, or does not arise in or derive from Hong Kong, is not subject to tax.

Instead of one all-encompassing income tax, Hong Kong has separate and distinct direct and indirect taxes on income as follow:-

- 1) Profits tax (corporation tax)
- 2) Salaries tax (individual income tax)
- 3) Property tax (real estate tax)
- 4) Stamp duty (government levies on documents)

On top of the tax on assessable profits/income/value under Profits tax, Salaries tax and Property tax, a taxpayer is required to pay a provisional tax, based on the actual assessable profits or income or value for the preceding year of assessment. When the actual assessable profits or income or value for the year of assessment is ascertained, a final assessment is issued and credit is given for the provisional tax paid. Any excess/deficit of provisional tax paid over the final liability is offset against/added to the provisional tax payable for the following year of assessment. When any balance of provisional tax is available, it is refunded to the taxpayer. There are provisions to enable collection of profits, salaries and property taxes, and provisional taxes to be held over in appropriate circumstances.

Profits Tax

Any persons (including individuals, corporations, partnerships and unincorporated entities) carrying on a trade, profession or business in Hong Kong are assessable to tax on all profits arising in, or derived from, Hong Kong from such trade, profession or business.

A two-tiered profits tax rates regime was implemented from the year of assessment 2018/2019 onwards. The profits tax rate for the first HK\$2 million of assessable profits of corporations and unincorporated businesses will be lowered to 8.25% and 7.5% respectively. Profits above that amount will continue to be subject to the corporation rate of 16.5% and the standard rate of 15% respectively. For connected entities, the two-tiered rates will only be applicable to one entity nominated among them.

The latest international tax standards require a taxpayer benefitting from a preferential tax treatment in a jurisdiction to have substantial economic presence in the jurisdiction, and to establish an explicit link between the relevant income and real activities in the jurisdiction. Accordingly, Hong Kong committed to amending its Foreign-sourced Income Exemption (FSIE) regime for passive income in accordance with the Guidance on FSIE regimes promulgated by the European Union.

On 1 January 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (the Amendment Ordinance), came into operation. Under the FSIE regime, certain foreign-sourced income accrued to a member of a multinational enterprise (“MNE”) group (MNE entity) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong. Also, the IRO was amended to provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In December 2022, the EU promulgated an updated guidance on FSIE regimes (“Updated FSIE Guidance”), which explicitly sets out disposal gains as one of the categories of passive income covered by an FSIE regime. Jurisdictions with ongoing FSIE reforms, including Hong Kong, were requested by the EU to further amend their tax treatments of foreign-sourced disposal gains in compliance with the Updated FSIE Guidance by the end of 2023 for implementation with effect from January 2024. To bring the FSIE regime in line with the Updated FSIE Guidance, the Inland Revenue (Amendment) (Taxation on Foreign-sourced Disposal Gains) Ordinance 2023 (the 2023 Amendment Ordinance) was enacted on 8 December 2023 to refine the FSIE regime. Under the 2023 Amendment Ordinance, the scope of assets in relation to foreign-sourced disposal gains is expanded to cover all types of property. The exception requirements provided under the 2022 Amendment Ordinance, i.e. economic substance requirement, participation requirement and nexus requirement, remain unchanged and are equally applicable to different types of disposal gains. A new intra-group transfer relief is introduced to defer charging of tax if the property concerned is transferred between associated entities, subject to specific anti-abuse rules. The 2023 Amendment Ordinance becomes effective from 1 January 2024.

Deemed trading receipts

Sums deemed to be receipts arising in or derived from Hong Kong:-

- 1) Sums received from the exhibition or use in Hong Kong of cinematography or television film or tape, sound recording or their connected advertising materials.
- 2) Sums received for the use, or the right to the use, in Hong Kong of any patent, design, trade mark, copyright material, layout-design (topography) of an integrated circuit, performer's right, plant variety right, secret process or formula.
- 3) Sums received for the use, or the right to the use, outside Hong Kong when such sums are deductible in ascertaining the assessable profits of a person under Profits Tax, of any patent, design, trade mark, copyright material, layout-design (topography) of an integrated circuit, performer's right, plant variety right, secret process or formula.
- 4) Sums for an assignment of, or an agreement to assign, a performer's right in relation to a performance given by a performer in Hong Kong on or after 29 June 2018 and the sums were paid or accrued to the performer or an organizer.
- 5) Sums received by or accrued to a person carrying on business in Hong Kong by way of grant, subsidy or similar financial assistance other than sums in connection with capital expenditure.
- 6) Sums received by way of hire, rental or similar charges for the use of movable property or the right to use movable property in Hong Kong.

Excluded income

- 1) Dividends from a corporation which is chargeable to Hong Kong Profits Tax;
- 2) amounts already included in the assessable profits of other persons chargeable to Profits Tax;
- 3) interest on Tax Reserve Certificates;
- 4) interest on, and any profit made in respect of certain government bonds;
- 5) interest income and trading profits derived from certain qualifying long term debt instruments;
- 6) interest, profits or gains from qualifying debt instruments (issued on or after 1 April 2018) exempted from payment of Profits Tax; and
- 7) sums received or accrued in respect of certain specified investment scheme.

Deductible expenses

The general rule for deductibility of expenditure is allowance for all outgoings and expenses to the extent to which they are incurred in the production of profits chargeable to Profits Tax.

Capital expenditure including capital losses and withdrawals are not deductible for tax purposes. However, capital allowances are granted to the following types of assets:-

1) Depreciation Allowances

a) Industrial buildings allowances

Initial allowance: 20% on the cost of construction of an industrial building

Annual allowance: 4% on the cost of construction of an industrial building

Balancing allowance or charge will be due upon disposal of an industrial building

b) Commercial buildings allowances

Annual allowance: 4% on the cost of construction of a commercial building

Balancing allowance or charge will be due upon disposal of a commercial building

c) Plant and Machinery

Initial allowance: 60% on the cost

Annual allowance: at rates of 10%, 20% or 30% on the reducing balance of the particular category of asset. Items qualifying for the same rate of annual allowance are grouped under one "pool".

A balancing allowance is available only on cessation of a business to which there is no successor.

A balancing charge can, however, arise whenever the disposal proceeds of one or more assets exceed the reducing value of the whole "pool" of assets to which the disposed items belong.

2) Expenditure on building refurbishment

Capital expenditure on the renovation or refurbishment of business premises is allowed to be deducted over a period of 5 years.

3) Expenditure on plant and machinery specially related to manufacturing, and on computer hardware and software ("prescribed fixed assets")

Prescribed fixed assets is fully written-off in the period in which the assets was acquired.

4) Expenditure on environmental protection facilities

a) Expenditure on environmental protection machinery

With effect from the year of assessment 2008/2009, a full deduction is allowed during the year in which the assets were acquired.

b) Expenditure on environmental protection installation

With effect from the year of assessment 2008/2009, a deduction at 20% of the expenditure is allowed in each of the 5 consecutive years commencing from the year in which the assets were acquired.

With effect from the year of assessment 2018/2019, a full deduction is allowed during the year (instead of over five years) in which the assets were acquired for procuring environmental protection installations.

c) Expenditure on environment-friendly vehicle

With effect from the year of assessment 2010/2011, a full deduction is allowed during the year in which the assets were acquired.

Non-deductible expenses

Deduction is specifically prohibited in respect of the following :-

- 1) domestic or private expenses and any sums not expended for the purpose of producing the profits;
- 2) any loss or withdrawal of capital, the cost of improvements and any expenditure of a capital nature;
- 3) any sum recoverable under insurance or contract of indemnity;
- 4) rent of or expenses relating to premises not occupied or used for the purpose of producing the profits;
- 5) taxes payable under the IRO, except Salaries Tax paid in respect of employees' remuneration;
- 6) any remuneration or interest on capital or loans payable to or, contribution made to a mandatory provident fund scheme in respect of the proprietor or the proprietor's spouse or, in case of a partnership, to its partners or their spouses.

Salaries Tax

All income of individuals arising in or derived from Hong Kong, from any office, employment or pension, including income derived from services rendered in Hong Kong, is subject to salaries tax. The individual income, less allowable deductions, charitable donations and personal allowances, (equivalent to net assessable income) is chargeable to salaries tax at the progressive rates from 2% up to 17%. The maximum salaries tax payable is, however, limited to tax at the standard rate of 15% on the individual's assessable income for year of assessment 2023/2024. From year of assessment 2024/2025 and onwards, the two-tiered standard rates are implemented. On the first HK\$5,000,000 of net income at the rate of 15% and the remainder of net income at the rate of 16%.

An expatriate employee employed by a local employer has no salaries tax liability only if he visits Hong Kong for not more than 60 days in a tax year. Where an expatriate employed by a foreign employer renders services in Hong Kong during visits exceeding 60 days in a relevant year of assessment, only that part of his income attributable to services rendered in Hong Kong during his visits is subject to salaries tax.

Income includes the value of accommodation provided rent-free by an employer or the excess of the value over the rent actually paid by the employee to his employer for the accommodation, subject to a maximum of 10% of the employee's total income from the employer.

The personal allowances and deductions for the years of assessment 2025/2026 and 2024/2025 are as follows:-

Allowances and Deduction		2025/2026	2024/2025
		HK\$	HK\$
Personal allowances:-			
Single		132,000	132,000
Married		264,000	264,000
Single parent		132,000	132,000
Personal disability		75,000	75,000
Child	1st to 9th child		
	- year of birth	260,000	260,000
	- other years	130,000	130,000
Dependent	Parent/grandparent		
	- Aged 60 or above		
	• not residing with taxpayer	50,000	50,000
	• residing with taxpayer	100,000	100,000
	- Aged 55 to 59		
	• not residing with taxpayer	25,000	25,000
	• residing with taxpayer	50,000	50,000
Disabled dependent		75,000	75,000
Dependent brother/sister		37,500	37,500

Allowances and Deduction	2025/2026	2024/2025
	HK\$	HK\$
Deductions (maximum amount):-		
Self-education	100,000	100,000
Home loan interest - Basic	100,000	100,000
- Additional	20,000	20,000
Elderly residential care expenses	100,000	100,000
Contributions to recognised retirement schemes	18,000	18,000
Qualifying Premiums Paid under Voluntary Health Insurance Scheme Policy (For each insured person)	8,000	8,000
Qualifying Annuity Premiums and Tax Deductible MPF Voluntary Contributions	60,000	60,000
Domestic Rents Deduction - Basic	100,000	100,000
- Additional	20,000	20,000
Expenses on Assisted Reproductive Services	100,000	100,000
Approved charitable donations (percentage of assessable income or profits)	35%	35%

Property Tax

Property tax is charged annually to the owner of land and/or buildings in Hong Kong, which are generating rental income, at a standard rate of 15% on the net assessable value. The net assessable value is the rental income earned by the owner of land and/or buildings, less any irrecoverable rental receivable during that year, less rates paid by the owner and a 20% notional allowance of this net figure, no deduction for actual expenses will be allowed.

Rental income derived by a company from a Hong Kong property is subject to profits tax. The company that is subject to profits tax may apply for an exemption from property tax in respect of the property. If no exemption is applied, the property tax paid can be used to offset against the profits tax payable by the company.

Stamp Duty

Stamp duty is a tax a government levies on documents that are required to legally record certain types of transactions. In terms of property transaction, such documents are those recording the legal transfer of the property. After the stamp duties are paid, those documents are granted legal protection, as only stamped documents can be used as evidence in court.

Exemption is available for certain transactions, such as transfer of shares or immovable property between associated bodies corporate, transfer of shares or units of exchange traded funds (ETFs) listed in Hong Kong SAR, transfer of shares by ETF market makers in the course of allotting and redeeming ETF units listed in Hong Kong SAR, transfer of shares relating to dual-counter stock made by dual-counter market makers, and certain stock borrowing and lending transactions, provided that the specified conditions for exemption (if any) are satisfied.

Late payment of stamp duty will incur a penalty of up to a maximum of 10 times of the original amount.

Length of delay	Penalty
Does not exceed 1 month	Double the amount of stamp duty
Exceeds 1 month, but not exceeding 2 months	4 times the amount of stamp duty
Other conditions	10 times the amount of stamp duty

Stamp duty is chargeable on the following transactions:-

- 1) Assignment of immovable property in Hong Kong
 - a) Ad Valorem Stamp Duty ("AVD")
 - b) Special Stamp Duty ("SSD") (Note 1a)
 - c) Buyer's Stamp Duty ("BSD") (Note 1b)

Note:-

1a : There is an SSD on resale of residential property within 24 months from the date of acquisition. Effective from 11 am on 28 February 2024, the rate of SSD payable is reduced to 0%.

1b : A BSD is payable on acquisition of Hong Kong residential properties by any person (including Hong Kong and foreign companies) other than a Hong Kong permanent resident. Effective from 11 am on 28 February 2024, the rate of BSD payable is reduced to 0%.

2) Lease of immovable property in Hong Kong

Stamp duty is calculated at rates which vary with the term of the lease as follows:-

Term		Rate
Not defined or is uncertain		0.25% of the yearly or average yearly rent (Note 1a)
Exceeds	Does not exceed	
	1 year	0.25% of the total rent payable over the term of the lease (Note 1a)
1 year	3 years	0.5% of the yearly or average yearly rent (Note 1a)
3 years		1% of the yearly or average yearly rent (Note 1a)
Key money, construction fee, etc. mentioned in the lease		4.25% of the consideration if rent is also payable under the lease. Otherwise, same duty as for a sale of immovable property

Note:-

1a : The yearly rent/average yearly rent/total rent has to be rounded-up to the nearest \$100.

1b : Any deposit which may be mentioned in the lease will not be taken into account in assessing the stamp duty.

3) Contract notes on the transfer of Hong Kong shares and marketable securities

Nature of Document	Rate (with effect from 17 November 2023)
Contract Note for sale or purchase of Hong Kong shares	0.1% of the amount of the consideration or of its value on every sold note and every bought note
Transfer operating as a voluntary disposition inter vivos	HK\$5 + 0.2% of the value of the stock to be transferred
Transfer of any other kind	HK\$5

Ad Valorem stamp duty ("AVD")

Effective from 11 am on 28 February 2024, ad valorem stamp duty on transfer of properties is charged at progressive rates ranging from HK\$100 (for property consideration of up to HK\$3 million) to 4.25% (for property consideration exceeding HK\$20 million). The stamp duty payable is computed by applying the relevant rate to the consideration or market value of the property (whichever is higher). Marginal relief is available for transfer where the consideration is marginally above the lower bound of each rate band.

Exceeds	Does Not Exceed	Stamp Duty Rates
HK\$0	HK\$3,000,000	HK\$100
HK\$3,000,000	HK\$3,528,420	HK\$100 + 10% of excess over HK\$3,000,000
HK\$3,528,420	HK\$4,500,000	1.5%
HK\$4,500,000	HK\$4,935,480	HK\$67,500 + 10% of excess over HK\$4,500,000
HK\$4,935,480	HK\$6,000,000	2.25%
HK\$6,000,000	HK\$6,642,860	HK\$135,000 + 10% of excess over HK\$6,000,000
HK\$6,642,860	HK\$9,000,000	3%
HK\$9,000,000	HK\$10,080,000	HK\$270,000 + 10% of excess over HK\$9,000,000
HK\$10,080,000	HK\$20,000,000	3.75%
HK\$20,000,000	HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20,000,000
HK\$21,739,120	—	4.25%

The Government announced that the Stamp Duty Ordinance would be amended to raise the maximum value of properties chargeable to a stamp duty of \$100 to \$4 million with effect from 26 February 2025. The Government will introduce the Stamp Duty (Amendment) Bill 2025 (the Bill) into the Legislative Council to take forward the proposed adjustment. The Chief Executive has also made the Public Revenue Protection (Stamp Duty) Order 2025 (the Order) under the Public Revenue Protection Ordinance (Cap. 120) to give full force and effect of law to the Bill before its enactment. Subject to the eventual passage of the Bill, Scale 2 rates applicable to instruments executed on or after 26 February 2025 as listed below:-

Exceeds	Does Not Exceed	Stamp Duty Rates
HK\$0	HK\$4,000,000	HK\$100
HK\$4,000,000	HK\$4,323,780	HK\$100 + 20% of excess over HK\$4,000,000
HK\$4,323,780	HK\$4,500,000	1.5%
HK\$4,500,000	HK\$4,935,480	HK\$67,500 + 10% of excess over HK\$4,500,000
HK\$4,935,480	HK\$6,000,000	2.25%
HK\$6,000,000	HK\$6,642,860	HK\$135,000 + 10% of excess over HK\$6,000,000
HK\$6,642,860	HK\$9,000,000	3%
HK\$9,000,000	HK\$10,080,000	HK\$270,000 + 10% of excess over HK\$9,000,000
HK\$10,080,000	HK\$20,000,000	3.75%
HK\$20,000,000	HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20,000,000
HK\$21,739,120	—	4.25%

Effective from 28 February 2026, the AVD rates are as follows:

Applicable to instruments of residential property

Exceeds	Does Not Exceed	Stamp Duty Rates
HK\$0	HK\$4,000,000	HK\$100
HK\$4,000,000	HK\$4,323,780	HK\$100 + 20% of excess over HK\$4,000,000
HK\$4,323,780	HK\$4,500,000	1.5%
HK\$4,500,000	HK\$4,935,480	HK\$67,500 + 10% of excess over HK\$4,500,000
HK\$4,935,480	HK\$6,000,000	2.25%
HK\$6,000,000	HK\$6,642,860	HK\$135,000 + 10% of excess over HK\$6,000,000
HK\$6,642,860	HK\$9,000,000	3%
HK\$9,000,000	HK\$10,080,000	HK\$270,000 + 10% of excess over HK\$9,000,000
HK\$10,080,000	HK\$20,000,000	3.75%
HK\$20,000,000	HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20,000,000
HK\$21,739,120	HK\$100,000,000	4.25%
HK\$100,000,000	HK\$109,574,470	HK\$4,250,000 + 30% of excess over HK\$100,000,000
HK\$109,574,470		6.5%

Applicable to instruments of non-residential property

Exceeds	Does Not Exceed	Stamp Duty Rates
HK\$0	HK\$4,000,000	HK\$100
HK\$4,000,000	HK\$4,323,780	HK\$100 + 20% of excess over HK\$4,000,000
HK\$4,323,780	HK\$4,500,000	1.5%
HK\$4,500,000	HK\$4,935,480	HK\$67,500 + 10% of excess over HK\$4,500,000
HK\$4,935,480	HK\$6,000,000	2.25%
HK\$6,000,000	HK\$6,642,860	HK\$135,000 + 10% of excess over HK\$6,000,000
HK\$6,642,860	HK\$9,000,000	3%
HK\$9,000,000	HK\$10,080,000	HK\$270,000 + 10% of excess over HK\$9,000,000
HK\$10,080,000	HK\$20,000,000	3.75%
HK\$20,000,000	HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20,000,000
HK\$21,739,120	—	4.25%

ACCOUNTING AND REPORTING

Accounts and audit

Every company should keep proper books of accounts in respects of all receipts, payments, sales and purchases of goods and assets and liabilities of the company. A company should retain its business and accounting records for not less than 7 years.

It is also required to prepare a statement of comprehensive income and statement of financial position every year, accompanied by a directors' report. The statement of comprehensive income and statement of financial position have to be audited by a certified public accountant (practising), registered under the Professional Accountants' Ordinance in Hong Kong.

The Directors should lay before the shareholders in its Annual General Meeting the financial statements that are audited.

Annual general meeting

A private company must hold its first annual general meeting within 9 months after the anniversary of the company's incorporation date or 3 months after the end of that accounting reference period, if it is the first accounting reference period and is longer than 12 months, whichever is the later.

In respect of each subsequent financial year, the private company must hold its annual general meeting within 9 months after the end of its accounting reference period.

The business transacted at an annual general meeting is regulated by the company's articles of association and would typically include the consideration of the company's financial statements and the reports of the directors and auditor, the declaration of dividends, election of directors and the appointment of auditor.

Filing of annual returns

Private companies having share capital must file an annual return with the Registrar of Companies within 42 days from the anniversary of its date of incorporation. The annual return contains details concerning, mainly, the share capital of the company; its directors; its secretary and shareholders; its indebtedness in the form of mortgages and charges; all business names under which the company carries on business; and the address of its registered office.

Companies other than private companies with share capital must file an annual return with the Registrar of Companies within 42 days after the company's return date. The return date for a public company is 6 months after the end of the company's accounting reference period while the return date for a guarantee company is 9 months after the end of the company's accounting reference period. The accounting reference period is the period by reference to which the company's annual financial statements are to be prepared. The annual return of public companies must also include a certified copy of the financial statements, together with the relevant auditor's and directors' reports. Private companies are not required to file annual financial statements with the Registrar of Companies.

Companies, other than public companies, are not required to file their audited financial statements with the Registrar of Companies. However, audited financial statements must be filed with the IRD every year as part of an annual profits tax return.

A non-Hong Kong company registered in Hong Kong must file with the Registrar of Companies a copy of the company's audited financial statements, and consolidated financial statements, if appropriate, every year.

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