

Table of Contents

About Wolters Kluwer Hong Kong Limited	iii
About the Technical Reviewer	v
Foreword	vii
Contact Details of BDO in Hong Kong.....	viii
Detailed Table of Contents	x
Highlights of 2024/25 Revenue Developments	1

Chapter

1 Introduction to Hong Kong Revenue Law.....	29
2 Salaries Tax	61
3 Personal Allowances	273
4 Personal Assessment	299
5 Property Tax	329
6 Profits Tax: Chargeability, Basis Period and Profits Tax Rates	351
7 Profits Tax: Stock Valuation, Deductions and Losses.....	581
8 Profits Tax: Special Items, Businesses and Taxpayers ...	731
9 Depreciation and Other Capital Allowances	865
10 Returns and Information • Assessment to Tax	
• Provisional Tax	927
11 Payment and Recovery of Tax.....	995
12 Objections • Appeals.....	1019
13 Offences and Penalties	1077
14 Advance Rulings • Anti-Avoidance Measures.....	1115
15 Stamp Duty.....	1201
16 International Tax Considerations:	
Tax Treaties and BEPS.....	1301
17 Transfer Pricing	1389
Section Finding List.....	
Case Table	
Board of Review Decisions	
Index	

References to Ordinance

Unless otherwise specified, section references relate to the *Inland Revenue Ordinance (Cap 112)*.

Detailed Table of Contents

About Wolters Kluwer Hong Kong Limited	iii
About the Technical Reviewer	v
Foreword	vii
Contact Details of BDO in Hong Kong.....	viii
Detailed Table of Contents	x
 HIGHLIGHTS OF 2024/25 REVENUE DEVELOPMENTS	
Highlights of 2024/25 Revenue Developments	¶100
The Inland Revenue Department's	
e-Filing Project.....	¶110
Profits tax cases.....	¶120
Salaries tax cases	¶130
Stamp duty cases.....	¶140
Legislation	¶150
Departmental Interpretation and Practice	
Notes (DIPN) and Stamp Duty Office	
Interpretation and Practice Notes (SOIPN)	¶160
Tax Rates and Personal Allowances	
at a Glance	¶300
Due Dates for Tax Returns.....	¶400
Time Limits for Notices, Elections, Objections and Appeals.....	¶500
Penalty Levels.....	¶600
Chapter 1 INTRODUCTION TO HONG KONG REVENUE LAW	
Scope of this Chapter.....	¶1-0500
Hong Kong Special Administrative Region.....	¶1-0700
Applicable Laws	¶1-0900
Inland Revenue Ordinance	¶1-1500
Stamp Duty Ordinance.....	¶1-4500
Chapter 2 SALARIES TAX	
Overview	¶2-0050
Flowchart.....	¶2-0100
Definition of "Income"	¶2-0300
Deemed Employment Income.....	¶2-0500

Statutory Exemptions	¶2-0800
Common Law Income Principles.....	¶2-1100
Taxation of Fringe Benefits.....	¶2-1500
Taxation of Wages, Bonuses, Allowances, etc.....	¶2-1750
Taxation of Retirement Benefits	¶2-1900
Taxation of Housing Benefits.....	¶2-2100
Taxation of Share/Stock Option Benefits.....	¶2-2600
Taxation of Share Awards	¶2-2750
Identifying “Employment” or “Office”	¶2-2800
Source of Income	¶2-3000
Exemption for Services Rendered Outside Hong Kong	¶2-3600
The “60 Days Rule”	¶2-3700
Preventing Double Taxation.....	¶2-4100
Determining Salaries Tax Liability	¶2-4250
Assessable Income	¶2-4500
Allowable Deductions.....	¶2-4900
General Deductibility of Outgoings and Expenses	¶2-4950
Deduction for Self-Education Expenses.....	¶2-5300
Deductibility of Other Expenses	¶2-5350
Claiming Deductions for Expenses	¶2-5800
Deduction of Capital Allowances.....	¶2-6100
Deduction of Losses Carried Forward.....	¶2-6150
Addition of Balancing Charge.....	¶2-6200
Net Chargeable Income	¶2-6300
Concessionary Deductions	¶2-6400
Approved Charitable Donations	¶2-6450
Elderly Residential Care Expenses	¶2-6550
Home Loan Interest.....	¶2-6700
Contributions to Recognised Retirement Schemes	¶2-6900
Health Insurance Premiums.....	¶2-7000
Annuity Premiums and MPF Voluntary Contributions	¶2-7020
Deductions of domestic rents.....	¶2-7030
Personal Allowances	¶2-7050

	Joint Assessment of Spouses	¶2-7100
	Salaries Tax Rates and Computation	¶2-7700
Chapter 3	PERSONAL ALLOWANCES	
	Overview	¶3-0100
	Basic Allowance	¶3-0500
	Married Person's Allowance	¶3-1000
	Dependent Parent Allowance	¶3-2000
	Dependent Grandparent Allowance	¶3-2500
	Dependent Brother or Dependent Sister Allowance	¶3-3000
	Child Allowance	¶3-3500
	Disabled Dependant Allowance	¶3-5000
	Personal Disability Allowance	¶3-5800
	Single Parent Allowance	¶3-6000
	Restrictions on Eligibility	¶3-7000
Chapter 4	PERSONAL ASSESSMENT	
	Overview	¶4-0200
	Why Elect Personal Assessment?	¶4-0700
	Eligible Taxpayers	¶4-1200
	Making the Election	¶4-2700
	Calculation of Total Income	¶4-3500
	Allowable Deductions	¶4-5000
	Personal Allowances	¶4-6500
	Charge to Tax	¶4-8000
Chapter 5	PROPERTY TAX	
	Overview	¶5-0100
	Flowchart	¶5-0200
	Ownership of Property	¶5-1000
	Net Assessable Value of Property	¶5-3000
	Prescribed Deductions	¶5-5000
	Exemption and Relief From Tax	¶5-7000
	Property Tax Rate and Computation	¶5-8500
Chapter 6	PROFITS TAX: CHARGEABILITY, BASIS PERIOD AND PROFITS TAX RATES	
	Overview	¶6-0030

Flowchart.....	¶6-0070
The Departmental Information and Technology	
Plan and the e-Filing Project	¶6-0100
Liability to Profits Tax	¶6-0200
Definition of Trade	¶6-0350
Characteristics of Trade	¶6-0500
Types of Trade	¶6-0970
Definition and Characteristics of Business.....	¶6-1100
Characteristics of a Profession	¶6-1250
Commencement and Cessation of Trade,	
Business, or Profession	¶6-1400
Company Amalgamation	¶6-1550
Carrying on Business in Hong Kong	¶6-1650
Source of Profits.....	¶6-1700
Determining Source of Specific Profits.....	¶6-1860
Deemed Hong Kong-Sourced	
Trading Receipts	¶6-2200
Exemptions and Tax Relief.....	¶6-3400
Exemption of Capital Receipts	¶6-3440
Exemption for Stock Borrowing and Lending	¶6-3760
Exemption for Mutual Funds, Unit Trusts	
and Other Investment Scheme Profits.....	¶6-3840
When Have Profits Arisen or Been Derived?	¶6-4100
Basis Period for Profits Tax Assessment.....	¶6-8700
Profits Tax Rates	¶6-9100
Chapter 7 PROFITS TAX: STOCK VALUATION, DEDUCTIONS AND LOSSES	
Trading Stock and Work in Progress.....	¶7-2850
Allowable Deductions.....	¶7-4600
Specific Deductions Under Sections 16–16I	¶7-4900
Deduction for Borrowing Expenses	¶7-4940
Deduction for Rent, Foreign Tax, Bad Debts.....	¶7-5060
Deduction for Repair and	
Replacement Costs	¶7-5180
Deduction for Intellectual Property	
Registration Costs	¶7-5260

Deduction for Retirement Scheme	
Payments.....	¶7-5300
Deduction for Research and	
Development Costs	¶7-5420
Deduction for Technical Education	
Payments.....	¶7-5500
Deduction for Charitable Donations	¶7-5540
Deduction for Patent and Know-How	
Purchase Costs	¶7-5580
Deduction for Capital Expenditure for	
Purchase of Intellectual Property Rights	¶7-5590
Deduction for Building Refurbishment	
Expenditure	¶7-5620
Deduction for Capital Expenditure on	
Prescribed Fixed Assets	¶7-5660
Deduction for Capital Expenditure on	
Environmental Protection Facilities	¶7-5720
Deduction for Management Fees.....	¶7-5740
Non-Deductible Expenses and Losses	¶7-6000
Treatment of Losses	¶7-6500
Balancing Charges and Depreciation	
Allowances	¶7-6950
Chapter 8 PROFITS TAX: SPECIAL ITEMS, BUSINESSES AND TAXPAYERS	
E-Commerce and Digital Economy	¶8-2750
Financial Instruments	¶8-3300
Exemption of Funds	¶8-3850
Relief for Qualifying Debt Instrument	
Interest and Profits	¶8-3880
Relief for Qualifying Aircraft Lessors and	
Qualifying Aircraft Leasing Managers.....	¶8-3900
Relief for Qualifying Ship Lessors and	
Qualifying Ship Leasing Managers.....	¶8-3905
Relief for Qualifying Corporate	
Treasury Centre.....	¶8-3910
Relief for Qualifying Reinsurance Business	
and Captive Insurance Business	¶8-3920

Special Taxpayers	¶8-7100
Partnerships	¶8-7140
Life Insurance Corporations	¶8-7380
Non-Life Insurance Corporations	¶8-7500
Insurance Agents	¶8-7585
Ship Owners.....	¶8-7620
Aircraft Owners	¶8-7860
Clubs	¶8-8020
Trade, Professional or Business	
Associations	¶8-8140
Non-Residents	¶8-8260
Recognised Retirement Schemes.....	¶8-8460
Charitable Bodies.....	¶8-8500
Chapter 9 DEPRECIATION AND OTHER CAPITAL ALLOWANCES	
Overview	¶9-0100
Allowances for Industrial Buildings or Structures	¶9-0300
Allowances for Commercial Buildings or Structures	¶9-1200
Buildings and Structures Bought Unused	¶9-2000
Building Refurbishment Deduction.....	¶9-2300
Allowances for Machinery or Plant.....	¶9-2600
Leasing Arrangements	¶9-4000
Sale and Leaseback.....	¶9-4200
Leveraged Leasing.....	¶9-4400
Balancing Allowances and Charges	¶9-5000
Valuation of Assets.....	¶9-5800
Prescribed Fixed Assets.....	¶9-6200
Chapter 10 RETURNS AND INFORMATION • ASSESSMENT TO TAX • PROVISIONAL TAX	
RETURNS AND INFORMATION	
Overview	¶10-0100
Taxpayer's duty to furnish returns	¶10-0300
Taxpayer's duty to provide general information	¶10-1000

Obtaining fuller or further information.....	¶10-1300
Statement of assets and liabilities.....	¶10-2000
Powers of entry, search and seizure	¶10-2300
Duties of employers and public officers	¶10-3000
Signature and service of notices	¶10-3500
Persons responsible for furnishing returns and information.....	¶10-3800
ASSESSMENT TO TAX	
Overview	¶10-5500
Making assessments.....	¶10-5700
Types of assessment	¶10-6200
Notification of assessment	¶10-6800
Finality and validity of assessment.....	¶10-7100
PROVISIONAL TAX	
Overview	¶10-8000
Persons liable.....	¶10-8200
Calculation, assessment and notification of liability	¶10-8400
Application against tax liability	¶10-8700
Application for holding over payment	¶10-8900
Chapter 11 PAYMENT AND RECOVERY OF TAX	
Overview	¶11-0200
Payment of Tax	¶11-0700
Holding Over Payment.....	¶11-3100
Recovery of Tax	¶11-6200
Repayment of Tax	¶11-8700
Chapter 12 OBJECTIONS • APPEALS	
OBJECTIONS	
Overview	¶12-0100
Requirements for valid objection.....	¶12-0600
Determination of objection	¶12-0800
Objection to personal assessment.....	¶12-2100
APPEALS	
Overview	¶12-3000
Appeal to Board of Review.....	¶12-3250
Transfer of appeal	¶12-5000

Appeal to Court of First Instance.....	¶12-5250
Appeals to other Courts	¶12-6000
Finality of assessment.....	¶12-7000
Correction of errors	¶12-7250
Appeal by spouses under personal assessment	¶12-7500
Appeal against additional tax	¶12-7750
Judicial review.....	¶12-8000
Chapter 13 OFFENCES AND PENALTIES	
Overview	¶13-0200
Offences Relating to Returns and Information.....	¶13-0900
Fraud and Wilful Evasion	¶13-5100
Additional Tax as Penalty	¶13-5800
Surcharge for Late Payment of Tax.....	¶13-7900
Breach of Secrecy.....	¶13-8600
Chapter 14 ADVANCE RULINGS • ANTI-AVOIDANCE MEASURES	
ADVANCE RULINGS	
Overview	¶14-0100
Application Procedures	¶14-0700
ANTI-AVOIDANCE MEASURES	
Overview	¶14-3000
Service Companies	¶14-4300
Artificial or Fictitious Transactions.....	¶14-5200
Transactions with Tax Benefit Purpose	¶14-5800
Transfer of Loss Companies	¶14-6700
Advance Rulings on Anti-Avoidance Provisions	¶14-7600
Published Advance Rulings Cases	¶14-7800
Chapter 15 STAMP DUTY	
Overview	¶15-0100
Chargeable Instruments.....	¶15-0180
Instruments for the Transfer of Immovable Property	¶15-0400

Agreements for the Sale of Property	¶15-1080
Transfer of Hong Kong Stock	¶15-1550
Hong Kong Bearer Instruments.....	¶15-2700
Duplicates and Counterparts.....	¶15-2900
Duty Payable and Persons Liable	¶15-3100
Conveyance on sale of immovable property (Head 1(1))	¶15-3150
Agreement for sale of property (Head 1(1A)).....	¶15-3500
Lease of immovable property (Head 1(2))	¶15-3740
Hong Kong stock contract notes (Head 2(1) and (2)).....	¶15-3900
Other Hong Kong stock transfers (Head 2(3) and (4)).....	¶15-4140
Hong Kong bearer instruments (Head 3(1) and (2)).....	¶15-4300
Duplicates and counterparts (Head 4)	¶15-4460
Special Provision for Unit Trusts	¶15-4750
Form Requirements, Methods and Timing of Stamping	¶15-4950
Spoiled, Misused or Unwanted Stamps	¶15-5500
Adjudication and Appeal.....	¶15-6000
Exemption and Relief.....	¶15-7000
Offences Under the Ordinance	¶15-7700
Anti-Avoidance	¶15-8000
Powers of Inspection And Search	¶15-8500
Special Stamp Duty, Buyer's Stamp Duty and Ad Valorem Stamp Duty	¶15-9000
Chapter 16 INTERNATIONAL TAX CONSIDERATIONS: TAX TREATIES AND BEPS	
Overview	¶16-0500
Comprehensive Double Taxation Agreements	¶16-0600
Limited Double Tax Agreements for International Shipping and Aircraft Income	¶16-3000

THE BASE EROSION AND PROFIT SHIFTING INITIATIVE AND ITS IMPLEMENTATION IN HONG KONG	
Overview	¶16-5100
Chapter 17 TRANSFER PRICING	
Transfer Pricing	¶17-8000
Transfer Pricing Legislation	¶17-8200
Transfer Pricing Documentation	
Requirements	¶17-8300
Advance Pricing Arrangement.....	¶17-8400
Other Relevant Transfer Pricing Guidance	
Issued by the Inland Revenue	
Department.....	¶17-8500
Guidance on Tax and Transfer Pricing Issues	
Arising from Covid 19 Pandemic	¶17-8700

References to Ordinance

Unless otherwise specified, section references relate to the *Inland Revenue Ordinance (Cap 112)*.

Professional Bookshop
www.pbookshop.com