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SUMMARY OF TAXATION IN HONG KONG

Contents

Preface

The Journal is formulated on the basis of Hong Kong's current tax legislation, public information of HKIRD, and tax relief measures for 2019/2020 Hong Kong Budget.

We hope the Journal will help investors understand more about Hong Kong's tax environment of "simplicity and low tax rate", so that they can expand their business by taking advantage of the Hong Kong platform.

As a summary, the Journal explains the tax legislation of Hong Kong only in an extensive manner. For detailed information and consultation, please contact us.

Overview of Hong Kong Taxation

Hong Kong is acclaimed for low tax rates and few tax types. At present, its taxes, only include profits tax, salaries tax, property tax, stamp duty, and customs duty (applicable to a few commodity categories).The current Inland Revenue Ordinance of Hong Kong is under heavy influence of the UK Legal System. Ever since its first promulgation in 1947, Censorship Review Committee had been established for many times, desiring to reform Hong Kong taxation. As of today, Hong Kong taxation, however, has not been adjusted on a large scale.

Hong Kong Taxation and Basic Law

On 1 July 1997, Hong Kong returned to the People's Republic of China. In accordance with the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, the Inland Revenue Ordinance, the Inland Revenue Rule and the Stamp Duty Ordinance, which took effect from 30 June 1997, are still legally effective in Hong Kong, and the basic tax policy remains unchanged.

Tax Jurisdiction

Under the guidance of the "Territorial Source Principle", tax is collected only on the incomes arising in Hong Kong no matter whether they are made by businesses registered in Hong Kong or Hong Kong residents.

Main Taxes

Profits Tax

Scope of Charge
Profits arising in or derived from Hong Kong made by any individuals through business activities (including trade, profession or business) in Hong Kong.

Assessment Guidelines:
•Tax payers include individuals (sole-proprietors), corporations, partnerships, trusts, and organizations.
•Profits tax shall be collected on the profits arising in Hong Kong made by businesses or organizations, whether registered or incorporated in Hong Kong or not, except for the profits of capital in nature.
•In no event shall profits tax be collected on profits made outside of Hong Kong, even if remitted to Hong Kong.
•Whether profits arise in or are derived from Hong Kong is determined by the operation itself.

Tax Rate
The profits tax rate for the first $2 million of the limited company is 8.25% and profits above that amount will continue to be subject to the tax rate of 16.5%; the profits tax rate for the first $2 million of the company in sole proprietorship or partnership is 7.5% and profits above that amount will continue to be subject to the tax rate of 15%.

Note: To ensure that small and medium enterprises account for the majority of the beneficiaries, a related company may nominate only one company to benefit from the lower tax rate.

Basis of Assessment
•Tax shall be collected according to the assessable profits of each year of assessment.
•The basis period of year of assessment is generally based on the accounting year of tax payers.
•Except for the tax of the current year, the tax for the next year of assessment shall be prepaid in accordance with the evaluated assessable profits.
•The paid-in provisional tax may be counted in the final tax of next year of assessment, with balances paid to either side as the case may be.

•If a business is newly incorporated, tax shall be collected according to the assessable profits from the date of commencement of business to the accounting year-end date of the current year.
•If a business is ceased, tax shall be collected according to the assessable profits from the end of basis period of the previous year of assessment to the date on which the business is ceased.
•HKIRD adopts the principle of "assess first, review later", and therefore a notice of assessment sent by HKIRD to tax payers may not mean that HKIRD has acknowledged the tax amount. HKIRD reserves its right to audit the account later and appropriately adjust the tax amount according to tax legislation.
•HKIRD has the right to investigate the accounts and recover payable tax of up to seven years in the near past.

Exemption and Deduction

The expenses paid by tax payers pursuant to the business for the assessable profits, except for those of capital in nature or stipulated otherwise, may be deducted as paid-in tax. In addition, dividend income or profits of capital in nature may be exempted from tax.

1. Expenses which are deductible as paid-in tax for the benefit of assessable profits include but are not limited to:

•Loan interests
•Rent
•Bad debts and bad loans
•Repair fee or repair charge
•Research and development expenditure
•Registration fee for royalty, design and patent
•Purchase expenditures on royalty, design and patent used in Hong Kong
•Education expenditures pursuant to the business paid to the accreditation bodies
•Charitable donation in conformity with provisions
•The contribution of the employer in the beginning of the recognized occupational retirement schemes or special contribution may be deducted in five years, and the upper deduction limit of each year's defined contribution is 15% of the employee's annual salary.
•As for sole proprietors or partners of a partnership, the upper limit of deduction from mandatory contribution paid in as self-employed persons is 18,000 HKD per person in accordance with the legal liability stated in the Mandatory Provident Fund Schemes Ordinance.

2.Expenses which may not be deducted as paid-in tax include but are not limited to:
•Family or private expenses and any other expenses not intended for assessable profits
•Investments for improvement and any expenses of capital in nature
•Depreciation or amortization of fixed assets
•Recoverable expenses according to an insurance plan or contract of indemnity
•Rent and related expenses arising from building occupation, not for the purpose of assessable profits
•Various kinds of taxes paid in according to Inland Revenue Ordinance, except for salaries tax arising in paying salaries to employees or board directors
•Salaries, capital interests and loan interests paid to the sole proprietor or his/her spouse and the partner of a partnership or his/her spouse
•Contribution or provision as per unrecognized occupational retirement schemes

Tax Incentive

•The direct and exclusive expenses on purchase of industrial units and machines for manufacturing or production purposes may be deducted at a time in the year of purchase.
•The expenses on purchase of computer hardware, software or peripherals may be deducted at a time in the year of purchase.
•The capital expenditure on renovation of the business place or building may be amortized in five tax years.
•Accelerated deduction is applicable for the capital expenditure on indicated eco-friendly facilities or equipment added to buildings or structures.
•The capital expenditure on purchasing indicated environment-friendly vehicles or machines may be deducted at a time in the year of purchase.
•Interest income and profit made through eligible “long-term debt instruments” may be exempted from tax.
•The interest income and profit from treasury debt in RMB may be exempted from tax.
•The profits from offshore business of a captive insurance company may be levied at a half of general tax rate.
•The interest accrued on a deposit in accreditation bodies in Hong Kong may be exempted from tax.
•The profits, if categorized as offshore funds, gained in Hong Kong through securities, futures contract and foreign exchange contract by corporations and authorized financial institutions, which were licensed or registered according to Securities and Futures Ordinance, may be exempted from tax.

Loss Treatment

•The tax loss in a certain accounting year may be carried forward to offset the assessable profit of the next accounting year.
•Provided a tax payer engages in several industries, the tax loss of an industry may offset the assessable profit of another one.

Depreciation Allowance

•As for the expenditure on purchase of fixed assets, 60% of tax may be exempted at a time in the first year and 10%, 20% or 30% of the balance after that tax exemption may be deducted (which is determined by the nature of the fixed assets). Thereafter, the same proportion of tax will be deducted annually from the balance of the previous year.
•As for the qualifying construction expenditure on industrial buildings and structures, an initial allowance of 20% is provided, and thereafter, an annual allowance of 4% is provided.
•As for the qualifying construction expenditure on commercial buildings and ancillary structures, an annual allowance of 4% is provided.

Book of Account and Recorde

•Breakdown of revenue and expenditure shall be kept and recorded in Chinese or English so as to determine the assessable profits.
•Business record, after the transaction is finished, shall be kept for at least seven years.
•A business could be fined a maximum of 100,000 HKD for failure to keep a proper record

Salaries Tax

Scope of Charge

Income of any individual arising in or from Hong Kong, including the position allowance, remuneration, and pension

Assessment Guidelines

1.Remuneration

•Jobs are divided into Hong Kong employment and non-Hong Kong employment so that the tax rates are different.

•Provided that an employee negotiates, enters into and works under an employment contract with an employer residing in Hong Kong and the employee's salary is paid in Hong Kong, the employee is regarded as a "Hong Kong employed worker".

•The following table may serve as a reference for ascertaining salaries tax rate in the case of Hong Kong employment and non-Hong Kong employment:

Working Condition	Tax Payment	
	Hong Kong employment	Non-Hong Kong employment
All service is provided in Hong Kong.	Total income shall be assessable	Total income shall be assessable.
Only part of the service is provided in Hong Kong.	Total income shall be assessable	The income assessable is calculated based on days of the stay in Hong Kong.
All service is provided outside Hong Kong.	No need to pay salaries tax.	No need to pay salaries tax.
The employee usually resides outside Hong Kong and renders service only during his/her visits to Hong Kong, which total 60 days or less in a year of assessment.	No need to pay salaries tax.	No need to pay salaries tax.
The employee usually resides outside Hong Kong and renders service only during his/her stays in Hong Kong, which total 60 days or less in a year of assessment. Such a stay is not interpreted as a visit.	Total income shall be assessable	The income assessable is calculated based on days of the stay in Hong Kong.
The employee usually resides outside Hong Kong and renders service only during his/her visits to Hong Kong, which total more than 60 days in a year of assessment.	Total income shall be assessable	The income assessable is calculated based on days of the stay in Hong Kong.

•Other stipulations shall apply for crew, aircraft crew, Chinese citizens and people who have already paid similar salaries tax outside of Hong Kong.

2. **Position Allowance**

•Regardless of the place of residence, salaries tax shall be levied on all income of an individual who holds office as a board director in a company subject to central control and administration in Hong Kong even though none or only part of service is provided in Hong Kong.
•Provided decision-making board meetings of a company are convened in Hong Kong, the company is generally viewed as being subject to central control and administration in Hong Kong.

3. **Pension Income**

• If the pension fund of a retiree is managed outside Hong Kong, the retiree is exempted from any salaries tax pursuant to his/her pension.
• If the pension fund of a retiree is managed in Hong Kong, the retiree shall pay salaries tax only regarding the pension arising from service in Hong Kong (which may be distributed proportionately).

Tax Rate

There are two types of tax basis and tax rate:

1.Net assessable income with tax allowance deducted
•Net assessable income = assessable income – deductible items – tax allowance
•Progressive tax rate of 2%-17% shall apply (see the following table):

Progressive Tax Rate	Current Year
First HK$50,000	2%
Next HK$50,000	6%
Next HK$50,000	10%
Next HK$50,000	14%
On the remainder	17%

2.Net assessable income with tax allowance
•Net assessable income = assessable income – deductible items
•Standard tax rate of 15%.

In order to ease the burden of tax payers, HKIRD chooses an above-mentioned method which gets lower tax.

Basis of Assessment
• The basis period is from 1 April of the current year to 31 March of the next year.
• Except for the tax of the current year, the tax for the next year of assessment should be prepaid in accordance with the evaluated assessable income.
• The paid-in provisional salaries tax may be counted in the final tax of next year of assessment, with balances paid to either side as the case may be.

Deductible Items and Maximum Limit
The following items may be deducted when calculating salaries tax:

Deductible Items	Maximum Limit
Charitable donation	35% of assessable income
Expenses of self-education	HK$100,000
Home loan interest	HK$100,000
Elderly residential care expense	HK$100,000
Contribution to recognized occupational retirement scheme	HK$18,000
Qualifying Voluntary Health Insurance Scheme Policy Premiums	HK$8,000

Tax Allowance
The tax allowance of salaries tax/personal assessment is as follows:

Allowance	Amount
Basic Allowance	HK $132,000
Married person's allowance	HK $264,000
Child Allowance 1st to 9th child (each): Year of birth Other years	 HK $240,000 HK $120,000
Dependent Parent / Grandparent Allowance	
Aged 60 or above; Not residing with taxpayer Residing with taxpayer throughout the year Aged 55 to 59; Not residing with taxpayer Residing with taxpayer throughout the year	 HK $50,000 HK $1,00,000 HK $25,000 HK $50,000
Dependent Brother / Sister Allowance (For whom no child allowance has been claimed by his/her parent)	HK $37,500
Single Parent Allowance	HK $132,000
Disabled Dependent Allowance (in addition to any allowances already granted for the disabled person)	HK $75,000
Introduce a personal disability allowance for eligible taxpayers	HK $75000

Property Tax

Scope of Charge
The owner of a rental property (land, building or parking lot) in Hong Kong shall pay property tax regarding the net assessable value arising from the rental property whether the owner is a person or a company.

Tax Rate
The property tax shall be 15% (the standard tax rate) of the net assessable value.

Basis of Assessment
•The property tax shall be collected at the standard tax rate of the net assessable value of each year of assessment.
•The basis period is from April 1 of the current year to March 31 of the next year.
•Net assessable value is the assessable profits deducted by the rates paid by the owner and 20% statutory allowance for repairs and outgoings.
•If the rent is not collected, it may be deducted, but if the same rent is collected thereafter, property tax shall be paid in the collecting year.
•Assessable profits are stipulated according to the consideration of the owner for the purpose of obtaining the right to use land or real estate, including:
  •Total amount of rent received or receivable
  •License fee paid for the purpose of obtaining the right to use building
  •Total amount of royalties
  •Service charge and administrative fee paid to the owner
  •Owner expenditure paid by the dweller, such as the repair charge
•Except for the property tax of the current year, the property tax for the next year of assessment should be prepaid in accordance with the evaluated net assessable value.
•The paid-in provisional property tax may be counted in the final tax of next year of assessment, with balances paid to either side as the case may be.

Deduction Items
•Rates paid by the owner
•Annual 20% statutory allowance for repairs and outgoings (whether the owner has it maintained or not)
•Irrecoverable rent

Tax-exempt Items

Property tax may be exempted for the following real estate or income:
•Real estate owned by the government and consuls
•The company which has already paid profits tax regarding the rent income arising from leasing or subleasing real estate is eligible to apply for property tax exemption from HKIRD in writing (in default of tax exemption application, the property tax paid may be counted in the payable profits tax).

Stamp Duty

Scope of Charge
Stamp duty is collected on documents. For this reason, the tax payers, whether a person or a company, shall pay stamp duty if their documents are dutiable. Dutiable documents are classified into four types:
•Documents certifying the transfer or lease of the immovable property in Hong Kong
•Documents certifying the transfer of Hong Kong securities
•Published Hong Kong non-bearer instruments
•Duplicates and counterparts of dutiable documents
(If stamp duty has already been collected on the original dutiable document, another 5 HKD of fixed duty shall still be levied on each and every duplicate or copy of it.).

Assessment Guidelines
•Any dutiable documents on which stamp duty is not collected shall not be generally accepted as evidence in any legal procedures.
•In any case, if the Collector of Stamp Revenue considers that the price declared for transfer of the immovable property or stocks in Hong Kong is underestimated (for instance, below the market price), the stamp duty on such transfer may be collected in accordance with the market price of the date of transfer.

Tax Rate
1.Ad Valorem Stamp Duty

According to the revised “Stamp Duty Ordinance”, for instance:
•Any company or individual who acquires a residential or non-residential property in Hong Kong on or before 22 February 2013;
•A Hong Kong permanent resident and his/ her non-HKPR close relative (i.e. spouse, parents, child or siblings) jointly acquired residential property in Hong Kong, who are acting on his/ her own behalf and neither the Hong Kong permanent resident nor his/ her close relative owns any residential property in Hong Kong at the time of acquisition;
•Close relatives acquire or transfer residential property, irrespective of whether they are HKPRs and whether they own residential property in Hong Kong at the time of acquisition;
•Nomination of a close relative(s) (be they HKPRs or not) to take up the assignment of a residential property; or
•A Hong Kong permanent resident acquires a Hong Kong residential property on or after 23 February 2013 who is acting on his/ her own behalf and does not own any residential property in Hong Kong at the time of acquisition; then

stamp duty is chargeable at the higher of the purchase consideration or market value of the acquired property at ad valorem rates at Scale 2 below.

Consideration or Market Value of the Property (whichever is higher)	Tax Rate
Up to HK$ 2,000,000	HK$ 100
HK$ 2,000,001 – HK$ 2,351,760	HK$ 100 + 10% of excess over HK$ 2,000,000
HK$ 2,351,761 – HK$ 3,000,000	1.5%
HK$ 3,000,001 – HK$ 3,290,320	HK$ 45,000 + 10% of excess over HK$ 3,000,000
HK$ 3,290,321 – HK$ 4,000,000	2.25%
HK$ 4,000,001 – HK$ 4,428,570	HK$ 90,000 + 10% of excess over HK$ 4,000,000
HK$ 4,428,571 – HK$ 6,000,000	3%
HK$ 6,000,001 – HK$ 6,720,0000	HK$ 180,000 + 10% of excess over HK$6,000,000
HK$ 6,720,001 – HK$ 20,000,000	3.75%
HK$ 20,000,001 – HK$ 21,739,120	HK$ 750,000 + 10% of excess over HK$20,000,000
Above HK$ 21,739,120	4.25%

Ad valorem rates at Scale 1 should be applied to the following situations:

•Any company or individual who acquires a non-residential property in Hong Kong on or after 23 February 2013;
•Any company or non-Hong Kong permanent resident who acquires a residential property in Hong Kong on or after 23 February 2013 to 4 November 2016;
•A Hong Kong permanent resident who acquires a residential property in Hong Kong on or after 23 February 2013 to 4 November 2016, and he / she already owned a residential property in Hong Kong at the time of acquisition; or
•A Hong Kong permanent resident who acquires a non-residential property in Hong Kong on or after 23 February 2013, and he / she already owned a residential property in Hong Kong at the time of acquisition. Ad Valorem Stamp Duty (Scale 1)

Consideration or Market Value of the Property (whichever is higher)	Tax Rate
Up to HK$ 2,000,000	1.5%
HK$ 2,000,001 – HK$ 2,176,470	HK$ 30,000 + 20% of excess over HK$ 2,000,000
HK$ 2,176,471 – HK$ 3,000,000	3%
HK$ 3,000,001 – HK$ 3,290,330	HK$ 90,000 + 20% of excess over HK$ 3,000,000
HK$ 3,290,331 – HK$ 4,000,000	4.5%

Consideration or Market Value of the Property (whichever is higher)	Tax Rate
HK$ 4,000,001 – HK$ 4,428,580	HK$ 180,000 + 20% of excess over HK$ 4,000,000
HK$ 4,428,581 – HK$ 6,000,000	6%
HK$ 6,000,001 – HK$ 6,720,000	HK$ 360,000 + 20% of excess over HK$ 6,000,000
HK$ 6,720,001 – HK$ 20,000,000	7.5%
HK$ 20,000,001 – HK$ 21,739,130	HK$ 1,500,000 + 20% of excess over HK$ 20,000,000
Above HK$ 21,739,130	8.5%

New Ad Valorem Stamp Duty
On 4 November 2016, the Hong Kong Government announced that an increase in the ad valorem stamp duty rates for residential property transactions. A flat rate of 15% for Ad Valorem Stamp Duty on residential property transactions would be applied to the following situations:
•Any company or non-Hong Kong permanent resident who acquires a residential property in Hong Kong on or after 5 November 2016; or
•A Hong Kong permanent resident who acquires a residential property in Hong Kong on or after 5 November 2016 and he / she already owned a residential property in Hong Kong at the time of acquisition.

Note: A Hong Kong permanent resident acquired a new residential property, if he signed an agreement for sale and purchase ("ASP") and disposed of his only original property within 12 months after the date of assignment of the new property, he could benefit from the mechanism of acquiring a new residential property as replacement before disposing of their original one, entitling refund of the difference between the old and new ad valorem stamp duty rates.

2. Special Stamp Duty
On top of the ad valorem stamp duty, special stamp duty is also imposed on any individual or company for disposal of residential properties acquired during certain relevant periods and resold within specific time limit of ownership.

If the residential property is acquired on or after 27 October 2012, higher Special Stamp Duty rates will apply:

Holding Period of Property (Months)	Tax Rate
Period≤6 months or less	20%
6< Period≤More than 6 months but for 12 months or less	15%
12 <Period≤More than 12 months but for 36 months or less	10%

3.	Buyer's Stamp Duty
On top of the ad valorem stamp duty and the Special Stamp Duty, 15% Buyers' Stamp Duty is imposed on any person, including Hong Kong companies and overseas companies, on the acquisition of Hong Kong residential properties on or after 27 October 2012, except for buyer who is a Hong Kong Permanent Resident.

Tax Exemption
The situations in which tax may be exempted include but are not limited to:
•Where the rights and interests of Hong Kong immovable property or securities are transferred between associated body corporates, tax exempt may only be obtained on condition that such transfer is in compliance with the relevant definitions and other requirements of Inland Revenue Ordinance pursuant to "associated body corporate" and is adjudicated by the Collector of Stamp Revenue. In addition, the association relationship between the transferor and the transferee must be maintained for at least two years or more as of the date of such transfer.
•Transfer the rights and interests of Hong Kong immovable property or securities to exempt organizations by way of donation (for instance, qualified charity organizations).
•	Transfers that do not involve substantial rights and interests (for instance, the consignee is in possession of the property on behalf of the owner, or the consignee returns the property to the beneficiary), but the transfer instrument should record the relevant exemption information.

Customs duty
Customs duty, tariff-rate quota, or surcharge is not collected on import and export of goods in Hong Kong. At present, customs duty is collected only on liquor (grape wine and liquor with alcohol concentration less than 30% excluded), tobacco, hydrocarbon oil, and methyl alcohol.

Major Tax Issues

Holdover of Provisional Tax
Provisional tax is a kind of pre-collected revenue based on the evaluation of the tax payer in the coming year and may be used to offset the tax to be paid in the coming year. The tax payer can apply for holdover of part or all of provisional tax for a reason stipulated in Hong Kong's Inland Revenue Ordinance.

Time-limit of Application
•28 days before the deadline of paying provisional tax
•Within 14 days from the date when the notice of paying provisional tax is sent Either time limit, whichever is later, shall apply.

Holdover of Profits Tax
Holdover of profits tax is applicable in any of the following situations:
•The assessable profits of the coming year of assessment is less than or may be less than 90% of the assessable profits in the previous year of assessment.
•Any amount of loss carried forward in the coming year of assessment for the purpose of offset is unnoticed or inauthentic.
•A business is ceased or a business will be ceased before the ending of the coming year of assessment, and the assessable profits evaluated in the coming year of assessment is less than or may be less than that of the previous year of assessment.
•Personal assessment is selected in the light of the year of assessment for provisional tax, and the amount
of tax will be short paid according to such method.
•Objection was made to the profits tax assessment of the previous year.

Holdover of Salaries Tax
Holdover of salaries tax may be applicable in any of the following situations:
•The tax payer has the right to obtain the amount of tax exemption which is not calculated in the notice of provisional tax.
•The net assessable income of the tax payer in the year of assessment for provisional tax is less than or may be less than 90% of that of the previous year.
•The tax payer has ceased to earn or will cease to earn assessable income before the ending of the year of assessment for provisional tax.
•Objection was made to the salaries tax assessment of the previous year.

Holdover of Property Tax
Holdover of property tax may be applied in any of the following situations:
•The net assessable profits of property in the year of assessment for provisional tax is less than or may be less than 90% of that of the previous year.
•The tax payer is or will no longer be the owner of a certain property before the ending of the year of assessment for provisional tax, which reduces the net assessable profits for provisional tax.
•Personal assessment is selected in the light of the year of assessment for provisional tax, and the amount of tax will be short paid according to such method.
•Objection was made to the property tax assessment of the previous year.

Illegally Declaring Dutiable Goods and Its Penalty

According to Hong Kong Inland Revenue Ordinance, providing a false tax return or deterring tax application is deemed illegal, and any serious violation will be punished according to legislations.

False Tax Return
Every tax return has a statement, on which the tax payer should sign his/her name to guarantee that all information provided in the tax return is authentic and complete. Any understatement or omission of profit or income or providing wrong information is deemed illegal.

Penalty for Wrong Tax
•Any person who provides false information in the tax return without reasonable excuses will be fined 10,000 HKD, and an additional penalty of 3 times of the tax shortage will also be executed.
•The action of providing a false tax return with an intention to conceal facts to avoid proper taxation is a serious violation of law. Such action will be fined a maximum of 50,000 HKD, and an additional penalty of 3 times of the tax shortage will also be executed. In addition, the tax payer in question will be imprisoned for 3 years.

Delinquent Tax
According to Inland Revenue Ordinance, any legal amount of tax shall be paid by way of the designated method in the notice of assessment on or before the scheduled date. If the amount of tax is not paid on time, it will be regarded as delinquent tax.

Penalty for Delinquent Tax
•If the tax payer fails to pay the amount of tax of phase one till the designated date in the notice of assessment, the amount of tax of phase two will become due immediately and the unpaid total amount of tax dutiable in the notice of assessment will be regarded as tax arrears.
•Commissioner of Inland Revenue may take statutory recovery actions of tax immediately, including collection of 5% surcharge, dispatching of notice of recovery of tax and legal action.

Advance Ruling
Advance ruling will help reduce the disputes between Inland Revenue Department and the tax payers, providing the tax payers with the guidance for execution of Inland Revenue Ordinance. Any person may present to the Commissioner of Inland Revenue a written application for a nominal charge, which however, cannot be taken as an excuse for delaying the filing of the tax return.

Ruling Items
Commissioner of Inland Revenue may give a ruling of how a clause in Inland Revenue Ordinance applies to the applicant or the application arrangement, regardless of whether the appli-

cant refers to such a clause.

Personal Assessment
Relax the requirement for the election of Personal Assessment commencing from the year of assessment 2018/19 by allowing married persons the option to elect personal assessment separately. The tax payer may choose to calculate personal assessment on the basis of total income so as to avoid dividing the total amount of assessable income into several assessable items.

Situations Covered

• Financing interest expenses will be paid in terms of property on which property tax should be collected according to the rental income.

•Income was made from profits tax and property tax, but the total income has not reached the taxable balance yet.

•Salaries tax may be collected according to the marginal tax rate, which is lower than standard tax rate, with assessable profit of profits tax or net assessable value of property tax.

•Charitable donation may not exceed the legal limit applied to salaries tax or profits tax, with net assessable value of property tax.

•There is applicable tax loss in profits income, whereas there is assessable income or net assessable value in salaries tax or property tax.

Persons Covered
Hong Kong permanent residents or temporary residents who are over 18 years old or whose parents are deceased (or whose spouse is a Hong Kong permanent resident or a temporary resident, if married).

CROSS BORDER TAX ISSUES

Avoidance of Double Taxation

Double taxation may occur when two or more regions collect tax on the same income or profit made by the same tax payer. Hong Kong government has signed avoidance of double taxation agreements with many countries and regions in the world and explicitly determined the taxing rights in order to reduce double taxation on Hong Kong residents or corporations, or residents or corporations from other side of agreement.

Avoidance of Double Taxation Agreements and Tax Information Exchange Agreements
As of 24 May 2018, Hong Kong has already signed 40 comprehensive avoidance of double taxation agreements and 7 tax information exchange agreements with countries and regions around the world.

Comprehensive avoidance of double taxation agreements including:

AUSTRIA BELARUS BELGIUM BRUNEI

CANADA CZECH FINLAND FRANCE

GUERNSEY HUNGARY INDIA INDONESIA

IRELAND ITALY JAPAN JERSEY

KOREA KUWAIT LATVIA LIECHTENSTEIN

LUXEMBOURG MAINLAND CHINA MALAYSIA MALTA

MEXICO NETHERLANDS NEW ZEALAND PAKISTAN

PORTUGAL QATAR ROMANIA RUSSIA

SAUDI ARABIA SOUTH AFRICA SPAIN SWITZERLAND

THAILAND UAE UNITED KINGDOM VIETNAM

Tax information exchange agreements including:

DENMARK FAROES GREENLAND ICELAND
NORWAY SWEDEN USA

Revenue Arrangement between Hong Kong and Mainland China

On 21 August 2006, Hong Kong and Mainland China signed Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. Hong Kong and Mainland China also signed the Second Protocol, the Third Protocol and the Forth Protocol on 30 January 2008, 27 May 2010 and 1 April 2015 respectively.

Types of Taxes Covered
Mainland China: Individual Income Tax and Corporate Income Tax Hong Kong: Profits Tax, Salaries Tax and Property Tax

Summary of Taxation in Hong Kong

Time of Application
Mainland China: income earned on or after 1 January 2007 Hong Kong: income earned on or after 1 April 2007

Offshore Claim
Considering that Hong Kong adopts "Territorial Source Principle", the tax payers who make their income outside of Hong Kong may not pay tax in Hong Kong, but need to apply for tax exemption or advance ruling from the HKIRD.
General conditions for offshore claim:
•Do not have an office in Hong Kong.
•Preparation, negotiation and signing of quotation, agreement and order are not made in Hong Kong.
•The freight is not transported by way of or stored in Hong Kong.
•No staff or agent is employed in Hong Kong to engage in purchasing or marketing on behalf of the company concerned.

•Board directors, administrative staff, purchasing or marketing personnel of the company concerned have never come to Hong Kong for the purpose of purchasing or marketing or negotiating with clients.
•Provision of services is outside of Hong Kong.

International Tax on Inbound Investment

Inbound investment refers to the investment in Hong Kong by non-Hong Kong residents through establishing a branch or a subsidiary. The following factors should be considered:

Permanent Establishment and Business Operation

If an avoidance of double taxation agreement has been signed between Hong Kong and the place of residence of the person who invests in Hong Kong, such agreement will prevail, whereas tax should be paid to Hong Kong government given the condition that permanent establishment (according to the definitions of relevant avoidance of double taxation agreement) is set up in Hong Kong. However, it should not be construed as per local laws that the person undertakes business activities in Hong Kong and has tax liabilities.

Determination of Assessable Profits

Assessable profits refer to profits made by the enterprise through trade, profession or business in Hong Kong. Hong Kong government collects tax on any profits arising in Hong Kong, which is not subject to avoidance of double taxation agreement.

Expense Deduction for Branch and Subsidiary

1.Branch: considering the fact that the headquarters and branches belong to the same enterprise entity and that no agreement shall be entered into between them, no tax deduction shall be made in terms of any expenses levied on a branch by headquarters.
2.Subsidiary: any administrative fee levied by overseas parent enterprise may be deducted as tax if it produces for the purpose of assessable profits for the subsidiary and is reasonable.

International Tax on Outbound Investment

Outbound investment refers to overseas investment made by Hong Kong enterprises. The following factors should be considered:

Assessment of Overseas Profits

Where a Hong Kong enterprise invests overseas, the profits of such investment will generally be regarded as profits coming from outside of Hong Kong, and no profits tax shall be paid in Hong Kong.

Unilateral Exemption on Avoidance of Double Taxation

Hong Kong government only collects tax on income and profits arising in or from Hong Kong. Hence, no exemption of double taxation shall be declared.

Bilateral Exemption on Avoidance of Double Taxation

Bilateral exemption on avoidance of double taxation applies to avoidance of double taxation agreements signed with other countries and regions. The range of application will be further expanded as Hong Kong government signs agreement with a growing number of countries and regions.

Withholding Tax

Where a Hong Kong enterprise invests overseas, it may be required to pay withholding tax to the local government in terms of dividend, interest, royalty, rent or service fee. As Hong Kong government does not collect tax on dividend, no exemption of avoidance of double taxation will be given out with regard to overseas withholding tax in terms of dividend.

Rated 5 Star ⭐⭐⭐⭐⭐by Enterprises & Individuals

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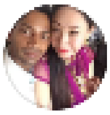

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I recommend Visa Giza, Karen for the marvellous, honest business practices. You can trust them even with your eyes closed. I used their service and 100% satisfy with the result of the approved application. Visa Giza is fantastic and they know what they are doing. Thanks Karen. Keep it up.

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Very professional people who know what they are doing unlike most the people in the market. Guys, if you want to get your visas done the first time without any rejection..this is the place to go!! Hat's off to Karen.

ABOUT “**GLOBAL TRUSTED GROUP**”

GTG is a Hong Kong’s leading professional corporate services provider known for helping corporates and entrepreneurs on a global scale with incorporating company set up (company formation, corporate bank account opening, accounting & audit arrangements, taxation & immigration visas) in

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