Tax FAQs

Hong Kong

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Contents

The content of this document is current as of 1 December 2024. The content is next expected to be updated by 1 February 2026.

General Hong Kong tax queries

1. How is my income taxed in Hong Kong?

Generally, there are only three types of income taxes an individual need to consider:

- Income from employment derived from Hong Kong will be taxed under salaries tax.
- Rental income derived from properties located in Hong Kong will be taxed under property tax.
- Business income derived from sole-proprietorship, partnership or incorporated business derived in Hong Kong will be taxed under profits tax.

There are no capital gains tax, inhabitant tax, interest tax and, or dividend tax in Hong Kong.

2. What are the Hong Kong tax year dates, filing and payment deadlines?

The Hong Kong tax year runs from 1 April to the following 31 March (e.g., the 2024/25 tax year runs from 1 April 2024 to 31 March 2025).

After the end of each tax year, Individuals Tax Return (BIR60) would normally be issued in early May by the Hong Kong Inland Revenue Department ("IRD"). If a Tax Return is issued, individuals are required to complete and send the signed tax return back to the IRD within 1 month from the date of issue of the return, even if individual does not receive any income in the tax year. An extension of 1 month will be given automatically if the return is filed electronically.

For first time taxpayer, even if you do not receive a tax return, if you consider you are liable to Hong Kong salaries tax, profits tax or property tax, you still have an obligation to write or fax to notify the IRD for a tax return.

Tax filing and payment key dates to remember are as follows:

- IRD issues Individuals Tax Return Form for the year

  Early May following the end of the tax year
- Deadline for submitting a tax return on paper:

  1 month within issue date of tax return form, i.e., by early June
- Deadline for submitting a tax return (online):

  1 month automatic extension, i.e., by early July
- IRD issues Notice of Assessment with tax balance and provisional tax payment:

  August to December following the end of the tax year
- First instalment payment to be payable:

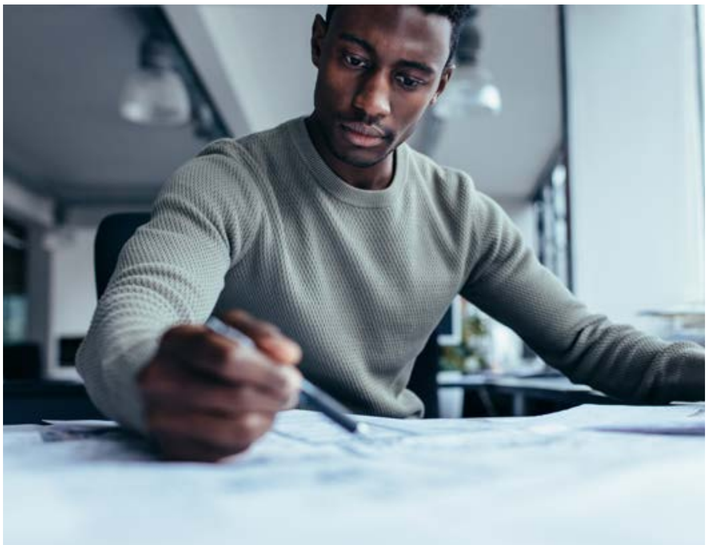
  Early January in the following year
- Second instalment payment to be payable:

  Early April in the following year

3. What are consequences of not filing tax return on time?

If you do not file your tax return on time, you may be required to pay a penalty, or even prosecuted. Failure to filing tax return on time can commit an offense 80(2)(d) of the Hong Kong Inland Revenue Ordinance ("IRO"). If convicted, you may be fined up to HK$10,000 and 3 times the amount of tax for the year of assessment.

A further possible consequence is that you may be required to pay more tax. This is because without your furnishing the relevant details, the Assessor will issue an estimated assessment and demand for tax without granting your allowance entitlements and deductions in respect of contributions to Mandatory Provident Funds, approved charitable donations, expenses of self-education and home loan interest etc.



Tax residency

4. How do the tax residency rules work in Hong Kong?

A person's residence, domicile or citizenship is generally not relevant in determining liability to Hong Kong salaries tax under the domestic law. The term 'resident' is defined in each of the Double Taxation Agreements (DTAs) signed by HK and is used in applying a DTA.

The residence status of an individual is not a determinative factor in examining one's liability to salaries tax except in a tax treaty context.

Employment income

5. How is salaries tax charged in Hong Kong?

Individuals earning income that arises in or is derived from a Hong Kong office or Hong Kong employment, or from services rendered in Hong Kong during visits of more than 60 days in any tax year, are subject to salaries tax.

Hong Kong adopts a territorial basis taxation system. Salaries tax is charged for each year of assessment on individuals in respect of income arising in or derived from HK from an office, employment and any pension during the year, irrespective of the location of payment.

If your source of employment is Hong Kong, e.g. you are employed by a Hong Kong company where its central management and control are in Hong Kong, your full income is chargeable to salaries tax even if part of your duties are performed outside Hong Kong. However, you may claim exemption of income or relief from tax under certain circumstances on a year-by-year basis.

Taxable income consists of all cash emoluments, including bonuses and gratuities. Benefits in kind are largely non-taxable, unless they are convertible into cash or specifically relate to holiday travel or the education of a child. The provision of accommodation by an employer creates a taxable benefit equal to an amount ranging from 4% to 10% of the employee's other taxable income, depending on the type of accommodation.

An employee is subject to salaries tax if his or her employment income is sourced in Hong Kong, even if he or she is not ordinarily resident in the territory. However, except for director's fees, a specific statutory exemption applies if an employee renders all his or her services outside Hong Kong or if an employee renders services in Hong Kong during visits to Hong Kong not exceeding a total of 60 days in a year of assessment.

Conversley, if a non-resident engaged in non-Hong Kong employment renders services in Hong Kong during visits totaling more than 60 days in a year of assessment, he or she may be taxed on a pro rata basis.

Pensions are, in practice, subject to Hong Kong salaries tax if the funds out of which the payment is made are managed and controlled in Hong Kong, and the pensions (other than a government pension) are related to services rendered in Hong Kong.

Rental income

6. How is my rental income taxed in Hong Kong?

If you have derived rental income from letting properties situated in Hong Kong, you should fulfil your tax obligations.

If you receive rental income or lump sum premium from a property, you have to report it in your Tax Return:

Individuals form (if the property is sole-owned by you) or property tax return (if the property is jointly owned or co-owned by you).

Property tax is charged and computed at the standard rate of 15% on the net assessable value of the property for the relevant year of assessment.

Net assessable value of a property is the consideration payable to the owner for the right to use the property less rates paid by the owner and a 20% notional statutory allowance for repairs and outgoings.

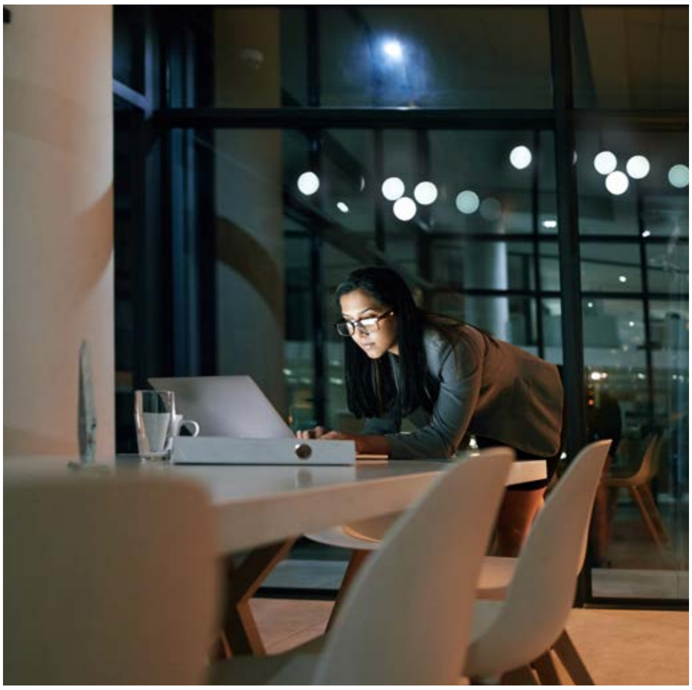
Property occupied by the owner for self-use is not subject to property tax as no rent is receivable with respect to that property.

7. What deductions can be claimed?

You have to report rental income from letting of properties and you can claim deductions of rates and irrecoverable rent, and enjoy statutory allowance for repairs and outgoings.

Rates Paid by Owner(s)

Only rates agreed to be paid and paid by you is deductible. Do not claim deduction for rates already offset by rates concession. Government rent charged with rates under the same quarterly "Demand for Rates and/or Government Rent" is not deductible for property tax purposes.



Irrecoverable Rent

Only the amount of rent confirmed to be irrecoverable during the year is deductible. The amount of rent recovered must be reported as rental income for the year of recovery in the relevant tax return for that year of assessment.

Statutory Allowance for Repairs & Outgoings

There is a broad-brush deduction of 20% of the balance of the rental income after deducting the rates paid by the owner(s) and the irrecoverable rent will be automatically granted to you every year. The 20% is an all-inclusive element. No other deductions separately for government rent, decoration fees, rent-collection fees, building management fees, insurance and mortgage interests can be claimed.

Capital gains, dividends, interest and IHT

8. How is a capital gains taxed in Hong Kong?

There is no capital gains tax in Hong Kong.

9. How is dividend or interest income taxed in Hong Kong?

There is no tax on dividend or interest income in Hong Kong.

10. Is there Inheritance Tax (IHT) in Hong Kong?

There is no form of inheritance or gifts tax in Hong Kong

Business income (sole proprietorship)

11. How do I determine whether I am self-employed?

Without any relationship of master and servant, if your income is derived from the buying and selling of goods, or from providing professional or personal services, you are considered as carrying on a trade, business or profession and a self-employed person. As a self-employed person, you are chargeable to profits tax on the assessable profits of your sole proprietorship.

12. What is the tax obligation if I am sole proprietorship?

As a sole proprietor, you are required to:

- Keep sufficient business records for at least 7 years
- Prepare accounts based on your accounting records
- Complete and submit a tax return for reporting business profits or losses
- Notify the IRD in writing about your liability to tax, not later than 4 months after the end of the basis period for the year of assessment concerned, unless you have already received the tax return from the IRD
- Notify the IRD about the cessation of your business within 1 month of cessation
- Notify the IRD about your change of address within 1 month of the change pay the tax

13. What is the basis period for the business?

You are required to declare the profits/losses from the business during the basis period. In general, the "basis period" means the year ended 31 March of the year printed on the return. For example, if the tax return is for the year of assessment 2023/24, it refers to the basis period from 1 April 2023 to 31 March 2024.

14. What documents shall I provide?

Section 51C of the IRO provides that all business owners should keep business records and prepare annual accounts for their businesses. Even if your gross business income is small, you still have to prepare accounts and retain them for at least 7 years.

Starting from the year of 2022/2023, irrespective of the amount of gross income, all corporations and businesses are required to furnish their Profits Tax Returns together with all the supporting documents including: (1) a certified copy of Statement of Financial Position/Balance Sheet and Statement of Comprehensive Income/Profit and Loss Account in respect of the basis period; (2) a tax computation with supporting schedules showing how the amount of Assessable Profits (or Adjusted Loss) has been arrived at; and (3) other documents and information as specified in the 'Notes to the Profits Tax return'.

To arrive at the assessable profits/adjusted losses to be filled in the tax return, you may also prepare the profits tax computation to show certain adjustments to be made to the net profit/loss of the business account for tax filing purpose.

15. What is the tax rate under the sole proprietorship?

The normal rate of the profits tax under sole proprietorship will be 15%. Two-tier tax rates may also be applicable for the year of assessment 2018/2019 onwards.

Under the two-tiered regime, the rate of tax for the first HK$2,000,000 of profits will be reduced by half (i.e., reduced from 15% to 7.5%). The remainder of the profits will continue to be taxed at the normal applicable rates. Each group of "connected entities" can only elect one entity in the group to benefit from the two-tiered regime for a given year of assessment.

16. What if I did not make any profits but incurred an adjusted loss?

If you incurred an adjusted loss during the period, the loss can be carried forward to set off against the future profits of your business. Alternatively, if you have other income for the same year of assessment, you can elect for Personal assessment so that the loss can be set off against your other taxable income. Any unutilized loss can be carried forward to set off your taxable income for future years by electing for Personal assessment.

17. May I reduce the tax liability by electing Personal Assessment?

The sole proprietor of a business is assessed to Profits Tax at the standard rate 15%. By electing Personal assessment, your tax demand note will be computed at progressive rates.

Applicable to Salaries Tax on the aggregated income from all sources after deduction of the following: elderly residential care expenses, home loan interest, business losses incurred.

By other businesses in the year of assessment, losses brought forward from previous years under Personal assessment, and personal allowances.

Allowances and deductions

18. What basic allowances are available in Hong Kong?

There are personal allowances available in Hong Kong and can be claimed on your Hong Kong Tax Return. These will have the effect of reducing an individual's HK tax liability.

A list of the personal allowances are as follows:

Personal Allowances 2024/2025	HK$
Basic allowance (Single)	132,000
Married person's allowance*	264,000
Child allowance (1st to 9th) (each)	130,000
Child allowance (year of birth)	260,000
Single parent allowance	132,000
Personal disability allowance (each)	75,000
Disabled dependent (each)	75,000
Dependent brother/sister (each)	37,500
Dependant parent/grandparent (each)* (aged 60 or over)	
▸ Living with taxpayer	100,000
▸ Not living with taxpayer	50,000
Dependant parent/grandparent (each)* (aged 55 or over but below 60)	
▸ Living with taxpayer	50,000
▸ Not living with taxpayer	25,000

*Granted to a married person whose spouse does not have any assessable income or under joint assessment. # Dependent parents/grandparents must be ordinarily resident in HK. Other allowances are automatic, regardless of the residence status of the individual or of the family members.

19. What concessionary deductions are available in the Hong Kong?

Along with various personal allowances available, you may also claim other concessionary deductions under salaries tax. Below is a list of concessionary deductions:

Allowable deductions 2024/2025	Maximum limits (HK$)
Out goings and expenses:- Annual professional membership subscription	Limited to one professional association
Self-education expenses	100,000
Elderly residential care expenses	100,000
Home loan interest[1]	Basic : 100,000 Additional : 20,000
Domestic rental expenses	Basic : 100,000 Additional : 20,000
Mandatory contributions to HK recognized retirement schemes	18,000
Annuity premiums and MPF tax deductible voluntary contribution	60,000
Premiums paid under Voluntary health insurance scheme[2]	8,000
Approved charitable donations	35% of assessable income
Expenses on Assisted Reproductive Services*	100,000*

[1] 20 years of relief in total.
[2] Covering taxpayers and their specified relatives.
* Legislative amendment is required for implementing the tax measure.

Mandatory Provident Fund (MPF)

20. Am I covered by the MPF System?

Except for exempt persons, employees and self-employed persons aged 18 to 64 are required to join an MPF scheme under the Mandatory Provident Fund Schemes Ordinance (MPFSO).

Exempt Persons

The following are exempt persons who are not required to join an MPF scheme:

- Employees and self-employed persons who are under 18 or over 65 years of age
- Domestic employees (Babysitters, domestic servants, gardeners who render their services at employer's household etc.,)
- Self-employed hawkers
- People covered by statutory pension or provident fund schemes, such as civil servants and subsidized or grant schoolteachers
- Members of occupational retirement schemes which have been granted MPF exemption certificates
- Overseas persons who enter Hong Kong under section 11 of the Immigration Ordinance for the purpose of employment for not more than 13 months, or who are covered by overseas retirement schemes

For expatriate assigned to work in Hong Kong, since they should be covered under a overseas retirement schemes and continue to contribute to home pension scheme. They are generally not required to enrol in MPF scheme in HK.

21. How much MPF contributions should I make?

Mandatory contributions made for an employee are fully and immediately vested in the employee once they are paid into his/her MPF account. Any investment return derived from the mandatory contributions is also fully and immediately vested in that employee.

Employees and employers are both required to make mandatory contributions of 5% of the employee's relevant income into the employee's MPF account, subject to a cap of HKD1,500 per month.

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).

Employees can also opt to make voluntary contributions to his or her MPF account, but the contributions are not tax-deductible, except for tax deductible voluntary contributions (TVC).

22. Are my MPF contributions tax deductible?

An employee can claim tax deduction for the employee's mandatory contributions made to an MPF scheme, subject to a maximum amount of HKD18,000 for a year of assessment (HKD1,500/month).

Voluntary contributions made by employees are not tax-deductible, except for tax-deductible voluntary contributions (TVC).

For TVC, most MPF schemes offer TVC accounts. Eligible persons can open TVC accounts in any MPF schemes which offer such accounts and make contributions directly to the trustees without involving their employers.

TVC account holders can enjoy tax deduction under salaries tax in HK. The aggregated maximum deduction for TVC (together with Qualifying Annuity Premiums payable under a Qualifying Deferred Annuity Policy) is HKD 60,000 for the year of assessment 2019/20 onwards.

Every year, trustees will provide a contribution summary to scheme members. The summary indicates the amount of TVC made in an assessment year, which would facilitate the filing of tax returns by scheme members.

23. Is withdrawal of MPF subject to tax?

Upon withdrawal of MPF by scheme members, the sum derived from mandatory contributions is not taxable. Generally, when employees withdraw their MPF derived from voluntary contributions, only the voluntary contributions made by their employers may be taxable (depending on the circumstances and timing of the withdrawal).

Income tax rates and personal/ joint assessment

24. What are the income tax rates in Hong Kong?

HK Salaries tax is charged and assessed on the lower of:

- The two-tiered standard rate applying to net chargeable income before personal allowances
  - At 15% of first $5 million of the net income
  - At 16% of net income exceeding $5million
- The progressive rates applying to net chargeable

2024/2025 Progressive Rate	Net Chargeable Income
2%	First HK$50,000
6%	Next HK$50,000
10%	Next HK$50,000
14%	Next HK$50,000
17%	Remainder

25. What is Personal Assessment?

An individual who is a Hong Kong resident may elect for personal assessment whereby income chargeable to salaries tax, profits tax and property tax is aggregated in a single assessment. Personal assessment enables an individual to offset a business loss against income subject to salaries tax or property tax and to claim deduction of loan interest on rental properties which is not available under property tax. Losses brought forward from previous tax years under personal assessment may be used to offset against income in current year or subsequent years. Allowable deductions and appropriate personal allowances are granted under personal assessment and the tax is calculated on the balance in the same manner as for salaries tax. The maximum tax payable is, however, limited to tax at the standard tax rate on the person's total assessable income less allowable deductions, but without a deduction for personal allowances.

A married person may elect for personal assessment on one's own rather than jointly with one's spouse as far as one is an individual who (i) is of or above the age of 18 years or is under that age if both parents are deceased and (ii) is either ordinarily resident in Hong Kong or a temporary resident of Hong Kong.

However, if a married couple has elected for joint assessment for salaries tax purposes, then an election for personal assessment must be made jointly by both individuals of the married couple.

26. What is Joint Assessment?

Although the two individuals of a married couple who both earn taxable income are normally taxed separately, they may elect to be taxed jointly (i.e. election for joint assessment) where it is beneficial to them.

Under joint assessment, the total income of both spouses will be aggregated under one assessment, with adjustments for allowable deductions and appropriate personal allowances. The total tax liability will then be apportioned between the spouses based on each individual's respective share of the total aggregated income.

Visas

27. Can I visit Hong Kong without a visa?

Most people may easily enter Hong Kong for visiting purposes with their passports. The length of time one is permitted to stay in Hong Kong under visitor status depends on the Jurisdiction that issued the passport. For example, a US passport holder is allowed to stay in Hong Kong as a visitor for 90 days. However, for passport holders of some Asian jurisdictions the period may be as short as one week. Visitor status does not permit the passport holder to undertake employment in Hong Kong.

28. What are types of visa in Hong Kong?

Work and self-employment visas

To work in Hong Kong, a foreign national must obtain an employment visa.

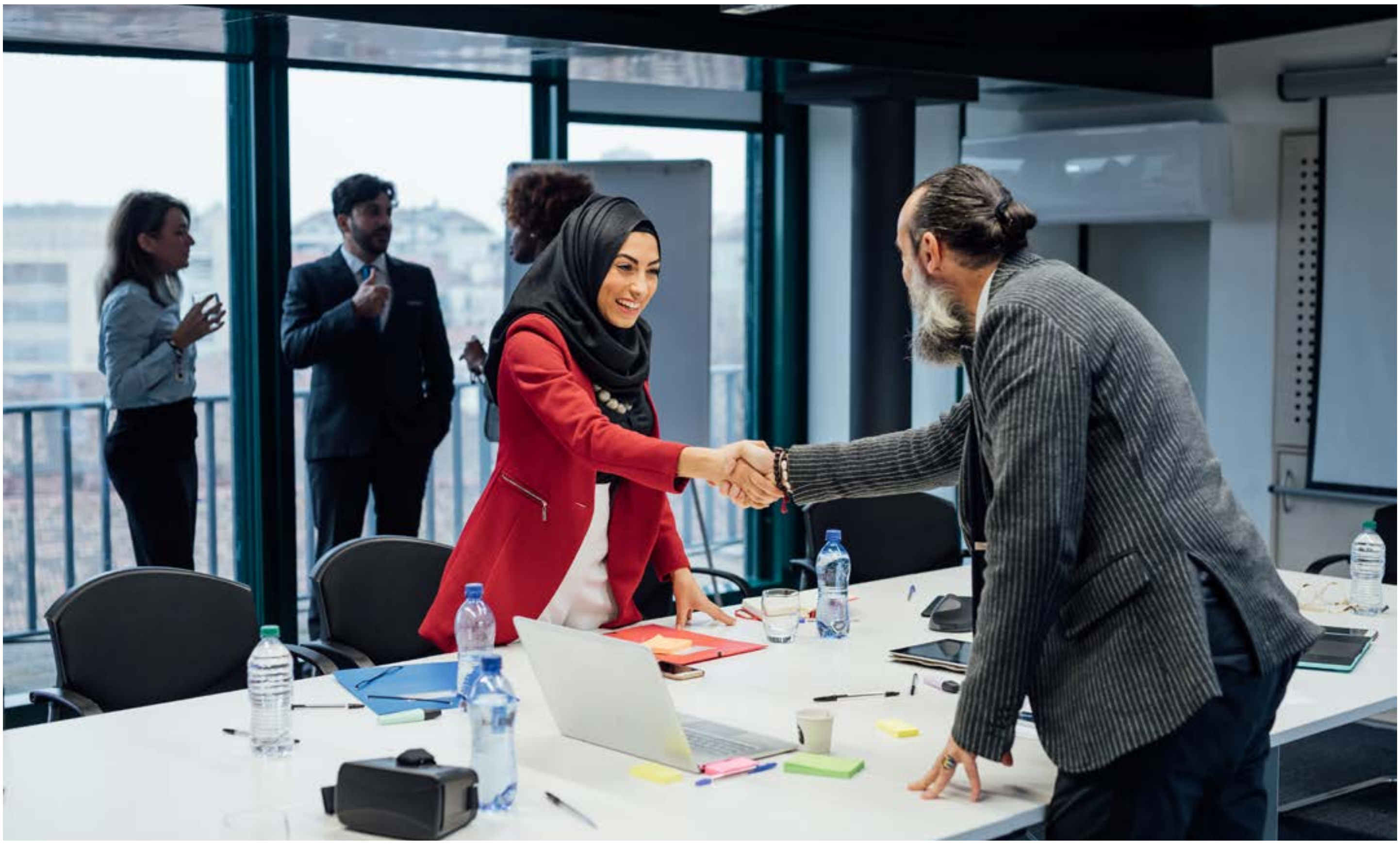
The Immigration Department recommends that foreign nationals apply for work visas from their home jurisdictions or where they reside prior to their arrival in Hong Kong. The entire process takes four to six weeks.

Work visas are granted for a particular job with a particular employer. A work visa is generally valid for an initial period of up to two years and may be renewed. The first extension is granted for a maximum period of three years.

After seven consecutive years of employment in Hong Kong, an individual may apply for permanent residence. This enables him or her to work in Hong Kong without a work visa.

Self-employment visas

A foreign national wishing to invest in or start a business in Hong Kong must apply for an employment (investment) visa. To obtain this type of visa, the applicant must demonstrate that the business that he or she proposes to invest in and carry on will benefit the Hong Kong economy. Because the application for the employment (investment) visa is more complicated than for other visas, it generally requires from four to eight weeks for the Immigration Department to process.



Residence Visas

In addition to work visas, other visas permitting residence in Hong Kong include the following:

- **Training visas:** Issued to foreign nationals coming to Hong Kong for training purposes. This visa is granted for the period of training or for 12 months, whichever is shorter.
- **Student visas:** Issued to foreign nationals coming to Hong Kong to study. They are granted for the normal duration of the post-secondary program, subject to a maximum period of 6 years, or for up to 12 months in accordance with the duration of their studies for those studying other courses. The visa generally does not allow its holder to take up employment in Hong Kong.
- **Dependent visas**: If an applicant wants to bring his or her family to Hong Kong, the family members may apply together with the applicant as his or her dependents for dependent visa status. Dependent visas are normally granted for the same time period as the work visa. A dependent visa holder (except a dependent of a person who has been admitted to study unless prior permission is obtained from the Immigration Department) is allowed work in Hong Kong without prior approval from the Immigration Department under current Hong Kong immigration policy.

Disclaimer:

This material contains only general information based on the current Hong Kong tax legislation and the related interpretation and practice thereof, all of which are subject to change possibly on a retrospective basis. We would recommend that you seek independent professional advice on any tax matters as the consequences or implications may differ depending on the facts and circumstances of your case.

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