

Profits Tax

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Key proposals

No changes proposed to tax rates.
Reduction of 100% in Profits Tax payable for 2024-25, subject to a

ceiling of **HKD 1,500**



Formulate proposals on enhancing preferential tax regimes for funds and single family offices



Review tax deduction arrangement for purchase of intellectual property usage rights and related transactions



Expand Hong Kong's network of comprehensive avoidance of double taxation agreements with 17 countries



Provide half-rate tax concession to eligible commodity traders



Enhance tax measures for the maritime industry including introduction of tax deduction on ship acquisition cost for ship lessors under an operating lease



Tax rates		
	Corporations	Unincorporated businesses
Standard tax rate*	16.5%	15%
Two-tiered Profits Tax rates regime Qualifying taxpayers may be taxed at the following rates: - First HKD 2 million of assessable profits - Remaining balance <i>Note: Only one entity within a group can benefit from the two-tiered rates</i>	8.25% 16.5%	7.5% 15%

*Concessionary regimes are available for certain specified industries or business activities.

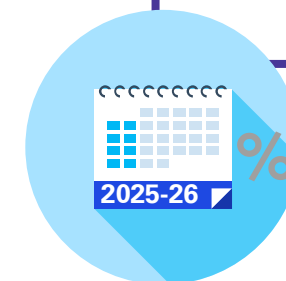
Profits Tax on royalties paid to non-residents

When royalty payment is made to a non-resident associated person and the underlying intellectual property has once been owned by any Hong Kong taxpayer, the assessable profits of the non-resident associated person are deemed to be 100% of the payment (i.e. effective tax rate is 15% or 16.5%). In other cases, the assessable profits of the non-resident person are generally deemed to be 30% of the payment (i.e. effective tax rate is 4.5% or 4.95%). The effective tax rate may be reduced under the terms of the applicable double taxation agreement or election of the two-tiered Profits Tax rates.

Capital allowances	
Depreciation allowances for plant and machinery - Initial allowance - Annual allowance	60% 10%, 20% or 30%
Industrial building allowances - Initial allowance - Annual allowance	20% 4%
Commercial building allowance	4%
Building refurbishment	20% deduction for 5 years
Expenditure on computer hardware and software	100% deduction
Expenditure on environmentally friendly machinery and equipment	100% deduction
Enhanced tax deduction for qualifying research and development expenditure	300% (for the first HKD 2 million) 200% (for the remaining balance)

Source: Inland Revenue Ordinance

No changes proposed in tax rates for 2025-26



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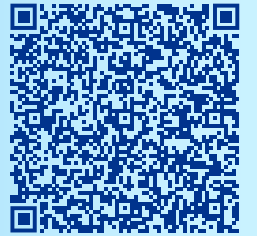


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