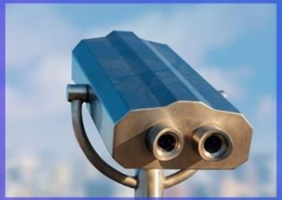
BEPS 2.0 implementation in Hong Kong (SAR): Practical insights for the Real Estate sector



Capital income, such as property revaluation gains, are generally not subject to Hong Kong profits tax.

However, this non-taxable income may lead certain in-scope taxpayers to incur **top-up tax** under Pillar 2 of BEPS 2.0 in the future.

What should the industry be doing?

- Conducting comprehensive impact assessments
- Managing expectations of the board of directors and shareholders
- Exploring planning opportunities to minimise top-up tax liabilities

How can KPMG assist?

- Provide preliminary calculations of top-up tax exposure
- Evaluate the applicability of the "unrealised fair value adjustments" election
- Understand clients' investment plans and discuss group restructuring options

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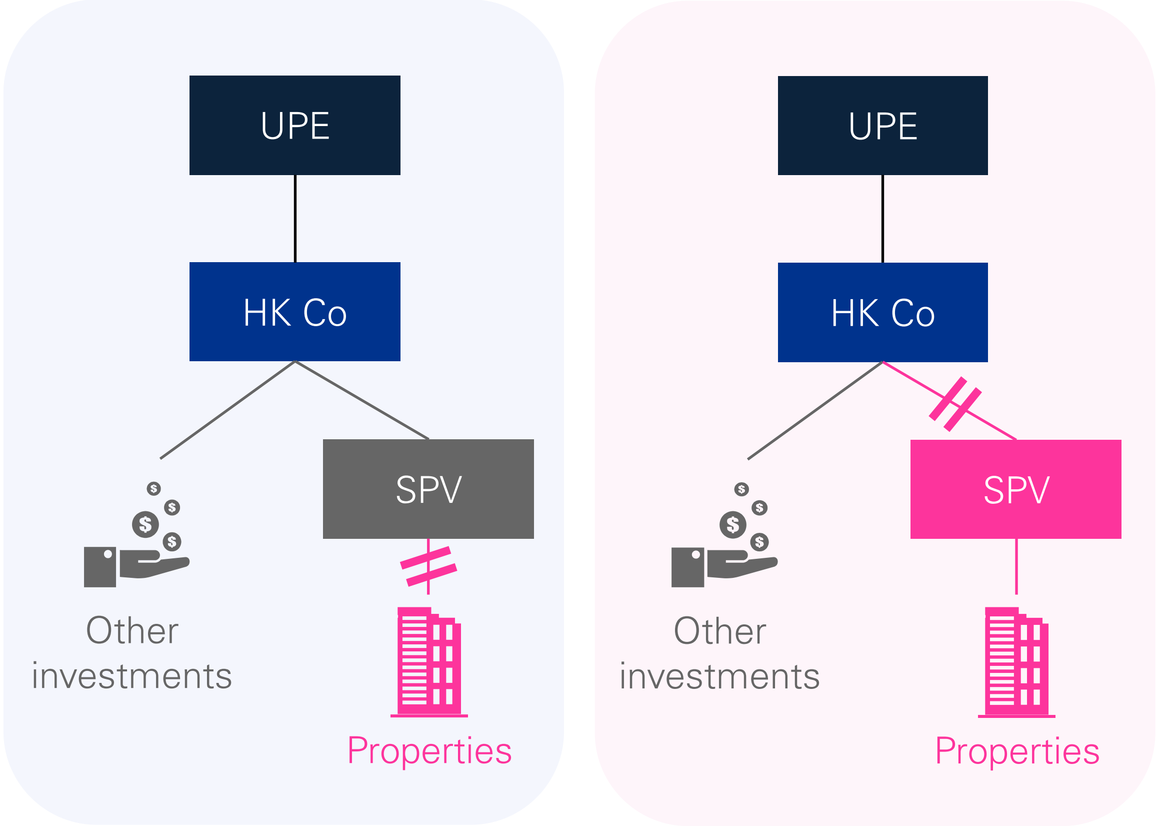
You may have heard of asset deal versus share deal … …



But have you also considered the tax implications in the post-GloBE world?

- **Tax outcomes:** Asset deals and share deals could result in different tax consequences under domestic laws in relevant jurisdictions, impacting both direct and indirect taxes.
- **Pillar Two implications:** With the implementation of Pillar Two rules, certain gains from equity disposals may be excluded from the Global Minimum Tax (GloBE) calculations, potentially reducing top-up tax liabilities.
- **Hong Kong tax perspective:** Taxpayers should assess the value of pursuing the capital non-taxable claims on disposal gains, consider the applicability of stamp duty group relief and review other Hong Kong tax implications.

"Real estate businesses should evaluate these tax implications when deciding on disposal methods to optimise their tax position."

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