Hong Kong (SAR) Tax Alert

April 2025 | Issue 1

A quick guide to the 2024/25 Hong Kong Profits Tax filing

Summary

The 2024/25 Profits Tax filing season has kicked off with the bulk issuance of the 2024/25 Profits Tax returns on 1 April 2025.

In this tax alert, we (1) list out the important due dates for 2024/25 Profits Tax filing and other tax reporting obligations, (2) highlight the major changes to the 2024/25 Profits Tax returns and the new supplementary forms for Profits Tax filing, (3) discuss the key tax developments that may impact the 2024/25 Profits Tax filing and (4) provide an update on the digitalisation of tax reporting in the Hong Kong SAR (Hong Kong).

1. Due dates for filing the 2024/25 Profits Tax returns

For taxpayers with a tax representative, the extended due dates for filing the 2024/25 Profits Tax returns under the Block Extension Scheme[1] are as follows:

Accounting date code	Extended due date	Further extended due date for semi-electronic / electronic filing upon application
"N" code (1 April 2024 to 30 November 2024)	2 May 2025 *(No extension)*	2 June 2025
"D" code (1 December to 31 December 2024)	15 August 2025	15 September 2025
"M" code profit cases (1 January 2025 to 31 March 2025)	17 November 2025	17 December 2025
"M" code loss cases (1 January 2025 to 31 March 2025)	2 February 2026	2 February 2026 *(No further extension)*

1 For more details, please refer to the Circular Letter on the Block Extension Scheme issued by the IRD: https://www.ird.gov.hk/eng/pdf/bel25e.pdf

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2. The 2024/25 Profits Tax returns, new forms and update on e-filing

Key changes in the 2024/25 Profits Tax returns (i.e. BIR 51 and BIR 52)

We summarise in the table below the major changes in the 2024/25 Profits Tax returns.

Items in the return	Major changes
Items 7.1.1 and 7.1.2 in BIR 51	A new checkbox for taxpayers to indicate whether their financial statements (FS) are audited by a Hong Kong practice unit. If yes, the taxpayers need to provide the **practicing certificate number**[2] of the certified public accountant (practising) who signed the auditor's report that is filed together with the Profits Tax return.
Item 9.19 in BIR 51 / Item 9.7 in BIR 52	A new checkbox on the **new Supplementary Form S19** (replacing Form IR1478) regarding specified foreign sourced income (see more details discussed below).
Item 9.21 in BIR 51 / Item 9.9 in BIR 52	A new checkbox on the **new Supplementary Form S21** (replacing Form IR1481) regarding the tax certainty enhancement scheme (see more details discussed below).
Item 9.22 in BIR 51 / Item 9.10 in BIR 52	A new checkbox on the **new Supplementary Form S22** (replacing Form IR1482) to be completed by taxpayers claiming the 5% concessionary tax rate for onshore eligible intellectual property (IP) income under the patent box tax incentive[3].
Items 10.21 in BIR 51 / item 10.20 in BIR 52	A new checkbox for taxpayers to state the amount of deduction claimed for lease reinstatement costs.

New supplementary forms

The following new supplementary forms[4] have been introduced from the year of assessment (YOA) 2024/25:

- New **Supplementary Form S19 –** to be filed by taxpayers deriving and/or receiving any specified foreign sourced income. The new form is largely the same as Form IR1478 except that a **new box 6.4** is added to ask the taxpayer to indicate whether during the YOA 2024/25, it sold any foreign assets which were acquired from an associated entity under an intra-group transfer arrangement and the intra-group transfer relief has been applied to the disposal gain of the associated selling entity. In such case, when computing the taxpayer's foreign asset disposal gain for the YOA 2024/25, the taxpayer's acquisition cost of the asset is taken to be the same as the acquisition cost of the associated selling entity.
- New **Supplementary Form S21 –** to be filed by taxpayers claiming onshore equity disposal gains as non-taxable under the tax certainty enhancement scheme (no change as compared to Form IR1481).
- New **Supplementary Form S22 –** to be filed by taxpayers claiming the tax concession for onshore eligible IP income under the patent box tax incentive (no change as compared to Form IR1482).

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2 The amended HKSA 700 (Revised) mandates the disclosure of the name of the auditor and the practising certificate number of the certified public accountant (practising) who signed the auditor's report in the auditor's report. This requirement applies to audits of financial statements for periods ending on or after 31 March 2025. For more details, please refer to this link: https://www.hkicpa.org.hk/-/media/Document/SSD/handbookupdate/bc326hksa700.pdf

3 Hong Kong-sourced taxable profits derived from use or sale of eligible IPs will be taxed at a 5% concessionary tax rate under the patent box tax incentive in Hong Kong, subject to fulfillment of the specified conditions. Please refer to our Hong Kong (SAR) Tax Alert – Issue 7, July 2024 for more details.

4 The new supplementary forms can be accessed via this link: https://www.ird.gov.hk/eng/paf/for.htm

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Modes of Profits Tax filing

There is no change in the Profits Tax filing arrangement for the YOA 2024/25 from last year. The following three filing modes are available:

Filing mode	Profits tax return (BIR 51 or BIR 52)	Supplementary forms / IR1478 / IR1481 / IR1482	Supporting documents
Paper	Paper	XML	Paper
Electronic	Electronic	XML	iXBRL
Semi-Electronic	Paper*	XML	iXBRL

* *Same as last year, a simplified profits tax return is required to be printed for signature and submission in paper form.*

New online portals

The Inland Revenue Department (IRD) has indicated that it will launch the Individual Tax Portal, Business Tax Portal (BTP) and Tax Representative Portal (TRP) in July 2025 to provide various digitalised tax reporting services to taxpayers and tax representatives, including enhanced e-filing services.

The BTP and TRP will be pre-launched for users to register their accounts in late April 2025. Further details will be announced on the IRD's website shortly.

New versions of the IRD Taxonomy Package and Preparation tool

New versions of the IRD Taxonomy Package (in both English and Traditional Chinese) and iXBRL Data Preparation Tools have be launched from 1 April 2025 with certain updates / enhancements[5].

When opting for e-filing, the iXBRL data files to be submitted should be in conformance with the IRD Taxonomy Package and comply with the technical requirements of the iXBRL data files. Amongst these requirements, all textual, financial and tax information in the financial statements and tax computation, either tagged or non-tagged, should be embedded in the iXBRL data files as HTML text. Tagging should be done inline at the corresponding location within the HTML text as opposed to reconstructed tables with images of scanned file. These allow documents viewed on the browser look like the traditional supporting documents in paper form and ensure consistency in the information being read by humans and machine.

3. Key Profits Tax developments relevant to return filing

The expanded FSIE regime in Hong Kong

The foreign-sourced income exemption (FSIE) regime was first introduced in Hong Kong on 1 January 2023 to cover foreign-sourced dividends, interest, royalties and equity disposal gains derived by MNE groups.

Effective from 1 January 2024, the scope of the regime has been expanded to cover **foreign-sourced gains from disposal of all kinds of assets**, and a trader exclusion and an intra-group transfer relief have been introduced at the same time. For "D code" and "N code" taxpayers, the YOA 2024/25 is the first year to which the expanded FSIE regime became applicable.

Where the FSIE regime applies, adjustment in the tax computation is required to exclude specified foreign-sourced income accrued but not yet received in Hong Kong during the YOA 2024/25. If any specified foreign-sourced income accrued on or after 1 January 2023 was received in Hong Kong during the YOA 2024/25 and is chargeable to Profits Tax because the tax exemption / deferral under the FSIE regime does not apply, taxpayers would need to (1) report the income as assessable profits in the Profits Tax filing (if a Profits Tax return has been issued) or (2) notify the IRD in writing within 4 months after the fiscal year end (if no Profits Tax return has been issued).

Starting from the YOA 2024/25, taxpayers will need to complete and file **Supplementary Form S19** electronically to report the details of their specified foreign sourced income.

5 Please refer to paragraph 30 of the Circular Letter on the Block Extension Scheme for a summary of the updates / enhancements.

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In addition, taxpayers should take note of the additional guidance and advance rulings on the FSIE regime issued by the IRD during the past year. These additional reference materials cover various aspects of the FSIE regime including the covered income, economic substance requirements and the participation requirement.

For more details of the FSIE regime, please refer to our FSIE webpage.

Tax certainty enhancement scheme for non-taxation of onshore equity disposal gains

Under the tax certainty enhancement scheme that became effective from **1 January 2024**, a bright-line test with the equity holding conditions (i.e. an ownership threshold of at least 15% and a holding period of at least 24 months before disposal) will be applied to regard onshore equity disposal gains as capital in nature and non-taxable, subject to certain exclusions. The YOA 2024/25 is the first year of which "D code" and "N code" taxpayers could purse this non-taxable claim.

Starting from the YOA 2024/25, taxpayers pursuing such non-taxable claim on their onshore equity disposal gains need to complete and file **Supplementary Form S21** electronically.

For more details of the scheme, please refer to our Hong Kong (SAR) Tax Alert – Issue 28, December 2023.

Tax deduction for lease reinstatement costs

Effective from the YOA 2024/25, taxpayers can claim a tax deduction for reinstatement costs actually incurred for leased premises (i.e. reinstatement costs not related to any provisions made under HKFRS 16 or other relevant accounting standards) at the end or early termination of the lease, subject to certain conditions.

Other than making an adjustment in the tax computation to exclude the accounting provisions for lease reinstatement costs, taxpayers (especially those with multiple leased premises) should maintain sufficient records and a schedule to keep track of the movement of the provisions for the purposes of claiming a tax deduction on the lease reinstatement costs when they are actually paid.

For more details about the tax deduction for lease reinstatement costs, please refer to our Hong Kong (SAR) Tax Alert – Issue 13, October 2024.

New rules for claiming annual allowances for second-hand commercial and industrial buildings

For a second-hand commercial or industrial building acquired by a taxpayer in or after the YOA 2024/25 (irrespective of whether the 25-year usage period has expired), the taxpayer can claim an annual allowance equals to 4% of the building's residue of expenditure immediately after the sale (including any balancing charge imposed on the seller) from the year of acquisition till the amount is fully claimed.

In addition, starting from the YOA 2024/25, an annual allowance is available to a taxpayer who acquired an industrial building before the YOA 2024/25 even if the 25-year usage period has expired in the year of acquisition. The annual allowance is computed in the same way as above and can be claimed from the YOA 2024/25 till the amount is fully claimed. Taxpayers with such buildings would need to assess whether they have sufficient records to ascertain the residual of expenditure of the buildings for claiming the annual allowance from the YOA 2024/25.

For more details of these new rules, please refer to our Hong Kong (SAR) Tax Alert – Issue 13, October 2024.

Tax treatment of provisions for long services payment (LSP)

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was enacted in June 2022. It abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payments and LSP payable to employees (the Abolition). The Abolition will take effect on 1 May 2025.

Entities in Hong Kong are required to adopt one of the two acceptable accounting approaches specified in the HKICPA guidance[6] to account for the Abolition and the subsequent provision for LSP.

For Profits Tax filing purposes, the IRD has clarified that specific provisions for LSP (i.e. the current services cost and the relevant interest expense booked on a gross or net basis, depending on the accounting approach adopted) are deductible, subject to certain conditions (e.g. the amounts are made in accordance with the Employment Ordinance (EO)). Alternatively, tax deduction could be claimed based on the actual amount of LSP paid in accordance with the EO provided that a consistent basis is adopted.

For more details of the accounting and tax treatments of LSP provisions, please refer to our Hong Kong (SAR) Tax Alert – Issue 10, September 2024.

6 Please refer to the HKICPA guidance via this link: https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/gMPFLSP.pdf

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Tax treatment of insurers under the Risk-based Capital regime

The HKSAR Government implemented the Risk-based Capital (RBC) regime for the insurance industry in Hong Kong on 1 July 2024. Insurance business groups in Hong Kong (apart from the early adopters) should take note of the new Profits Tax treatments for insurers under the RBC regime contained in the Insurance (Amendment) Ordinance 2023.

For the taxation arrangement for insurers under the RBC regime, please refer to our Hong Kong (SAR) Tax Alert – Issue 9, May 2023.

4. Hong Kong profits tax case relevant to return filing

In Board of Review Case No. D12/22, the Board held that the sums received by a property developer, which represent interest income derived from funds placed in stakeholder accounts for pre-sale of uncompleted residential units, do not qualify for the Profits Tax exemption for bank interest income in the hands of the property developer. For a more detailed discussion of the case, please refer to our Hong Kong (SAR) Tax Alert – Issue 20, November 2023.

We understand that the taxpayer in the above case has lodged an appeal against the Board’s decision to the court. At the time of writing, the court judgement has not yet been published.

Taxpayers in the real estate sector with similar arrangements should closely monitor the development of this case and carefully consider the position to be taken in their 2024/25 Profits Tax filings.

5. The latest roadmap on digitised tax reporting in Hong Kong

The IRD’s ultimate goal continues to be implementing full-scale mandatory e-filing of profits tax returns by 2030. The phased approach remains unchanged and is summarised below:

- All Hong Kong entities (inclusive of dormant and inactive entities) of the in-scope MNE[7] groups that have a Profits Tax filing obligation will be required to e-file their Profits Tax returns for the YOA 2025/26 and subsequent YOAs, regardless of where the ultimate parent entity (UPE) is located.
- Businesses with turnover above a certain threshold are expected to be the next batch of taxpayers requiring to e-file their Profits Tax returns in 2028. The threshold has yet been finalised.

6. Other tax reporting requirements

We summarise below the due dates of other tax reporting obligations that may be applicable to business groups in Hong Kong:

Tax reporting obligation	Due date
Notification of chargeability	Within **4 months** after the end of the basis period for the YOA in which the taxpayer (1) became chargeable to tax or (2) received in Hong Kong specified foreign-sourced income that is chargeable to tax
Filing of CbCR notification	Within **3 months** after the end of the UPE’s accounting period
Filing of CbCR return	Within **12 months** from the end of the reporting group’s accounting period

KPMG observations

As the Hong Kong corporate tax regime gets more complex and with the growing demand for accurate reporting of tax data, taxpayers should exercise due care and give thorough consideration on the positions adopted and the data reported in their tax filings to minimise the potential challenges from the IRD.

E-filing of Profits Tax returns is now imminent. Hong Kong business groups should take the opportunity to review their existing financial reporting system, tax compliance process and data readiness before being mandatorily required to e-file their Profits Tax returns. Businesses should also consider leveraging technology and automation to streamline the tax compliance process. For groups that will opt-in for e-filing, they should be aware of the latest taxonomy development, and ensure the iXBRL data files generated from the tagging tool used comply with the IRD’s technical requirements.

This is particularly true for those MNE groups that are within the scope of BEPS Pillar 2 as the mandatory requirement of filing Profits Tax Return electronically will apply to all Hong Kong constituent entities within their groups starting from the 2025/26 Profits Tax return.

7 The definition of “multinational enterprise” (MNE) for e-filing purposes will follow that of Pillar 2 under BEPS 2.0, which will cover those groups with annual consolidated revenue of EUR 750 million or more in 2 of the 4 preceding fiscal years.

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