

# Hong Kong (SAR) Tax Alert

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## Hong Kong's company re-domiciliation regime set to launch

### Summary



The draft legislation to implement an inward company re-domiciliation regime in the Hong Kong SAR (Hong Kong) was passed by the Legislative Council on 14 May 2025. Companies incorporated outside Hong Kong can soon apply to re-domicile to Hong Kong while maintaining its legal identity and business continuity, subject to fulfilment of the specified conditions.

The Companies (Amendment) (No.2) Bill 2024 (the Bill)<sup>1</sup>, which contained the draft legislation for implementing an inward company re-domiciliation regime in Hong Kong, was gazetted on 20 December 2024. Subsequently, the HKSAR government proposed various amendments<sup>2</sup> (as Committee Stage Amendments or CSAs) to the Bill and provided its responses<sup>3</sup> to the submissions received on the Bill.

The Bill and all the proposed amendments were passed by the Legislative Council on 14 May 2025. The re-domiciliation regime will take effect **prospectively** from the date the corresponding Amendment Ordinance is published in the Gazette, which is expected to take place on 23 May 2025.

This Hong Kong tax alert (1) highlights some of the key amendments to the Bill, (2) discusses the government's clarifications on certain issues related to re-domiciled companies and (3) share our observations on the practical application of the regime.

### A quick overview of the re-domiciliation regime

We set out below a quick overview of the re-domiciliation regime. For a more detailed discussion of the regime, please refer to our previously issued [Hong Kong \(SAR\) Tax Alert - Issue 18, December 2024](#).

- The regime offers an inward re-domiciliation mechanism for non-Hong Kong incorporated companies to re-domicile to Hong Kong and become a "re-domiciled company". The regime does not allow outward re-domiciliation (i.e. re-domiciling from Hong Kong to overseas jurisdictions).
- The following four types of companies (or their comparable types in the original domicile) are allowed to re-domicile to Hong Kong:
  - private companies limited by shares,
  - public companies limited by shares,
  - private unlimited companies with a share capital, and
  - public unlimited companies with a share capital.

<sup>1</sup> The Bill can be accessed via this link: <https://www.gld.gov.hk/egazette/english/gazette/file.php?year=2024&vol=28&no=51&extra=0&type=3&number=32>

<sup>2</sup> A complete list of CSAs can be accessed via this link: [https://www.legco.gov.hk/yr2025/english/counmtg/papers/CB\(2\)724\\_2025\(01\)\\_e.pdf](https://www.legco.gov.hk/yr2025/english/counmtg/papers/CB(2)724_2025(01)_e.pdf)

<sup>3</sup> The government's responses can be accessed via this link: <https://www.legco.gov.hk/yr2025/english/bc/bc01/papers/bc0120250314cb1-370-3-e.pdf>

## Hong Kong (SAR) Tax Alert

- A non-Hong Kong incorporated company applying for re-domiciling to Hong Kong under the regime (the Applicant) is required to submit various application documents to the Registrar of Companies and pay an application fee. The key documents required include:
  - a completed and signed re-domiciliation form together with the supporting documents,
  - a legal opinion prepared by a legal practitioner who practises the law of the place of incorporation of the Applicant (Legal Opinion) confirming the fulfilment of various eligibility criteria<sup>4</sup>,
  - a certificate signed by a director and issued by the board of directors (Director's Certificate) of the Applicant confirming the fulfilment of various eligibility criteria<sup>4</sup>, and
  - Audited or non-audited financial statements (whichever is applicable) as at a date no earlier than 12 months prior to the application date.
- The Registrar of Companies will generally approve the application **within two weeks** after receiving all required information and documents.
- Special rules apply to applicants in the regulated financial services industry. Insurers and authorised financial institutions re-domiciled to Hong Kong would be regulated as if they were incorporated in Hong Kong. Such regulated entities are required to approach their respective regulators and conduct an advance assessment on their capability to fulfil the applicable regulatory requirements in Hong Kong before making a re-domiciliation application.

### Key amendments to the Bill

We highlight below some of the key amendments to the Bill. For a full list of CSAs, please refer to the Legislative Council paper issued by the government<sup>2</sup>.

- **Legal Opinion to be submitted with the application**

The Applicant is required to submit a Legal Opinion confirming the fulfilment of various eligibility criteria when making an application. The Bill has now been amended to specify that the Legal Opinion must be issued **within 35 days** before the application date.

- **The 75% threshold for the members' consent requirement**

If the law of the Applicant's place of incorporation or its constitutional document does not impose a members' consent requirement for re-domiciliation, the Applicant is required to obtain members' consent by a resolution duly passed by at least 75% of the eligible members.

The Bill has now been amended to clarify the members' consent requirement and the 75% threshold as follows:

- a resolution of members for the re-domiciliation must be duly passed either at a meeting or in writing under the law of the place of incorporation and the constitutional document of the Applicant,
- the resolution must be passed by a majority of at least 75%, and
- the rules of determining whether the 75% threshold is met when the resolution is passed at a meeting or in writing are specified in the legislation.

- **The debt repayment requirement**

The Bill originally required the board of directors to form an opinion that the Applicant will be able to pay its debts in full within the period of 12 months beginning on the application date. This has now been amended such that the board of directors is only required to form an opinion that the Applicant will be able to pay **its debts which fall due** within the period of 12 months beginning on the application date.

### Clarifications on treatments of a re-domiciled company

We set out below the government's clarifications in relation to the treatments of a re-domiciled company.

- **Application for a Hong Kong Certificate of Resident Status (HK CoR)**

A re-domiciled company is given a 120-day transition period to complete the de-registration in its original place of incorporation. During this transition period, if the re-domiciled company applies for a HK CoR based on the "place of incorporation" test instead of the "place of normal management or control" test, the Inland Revenue Department (IRD) will only issue a HK CoR to it upon receipt of a proof of its de-registration in the original place of incorporation. This is so even though a re-domiciled company will be regarded as a company incorporated in Hong Kong (and therefore a Hong Kong tax resident) with effect from the re-domiciliation date (i.e. the date on which the certificate of re-domiciliation is issued).

<sup>4</sup> The eligibility criteria are grouped under four categories, namely (i) general, (ii) integrity, (iii) member and creditor protection and (iv) solvency and in good standing.

## Hong Kong (SAR) Tax Alert

For the sake of clarify, the HK CoR issued would specify that a re-domiciled company is a Hong Kong tax resident with effect from the re-domiciliation date.

- **Unilateral tax credits**

To provide a relief for double taxation, unilateral tax credits are available for a re-domiciled company in respect of the Hong Kong profits tax payable on the actual profits derived in Hong Kong after re-domiciliation where the same profits have been taxed by the company's original place of incorporation upon exit.

As a response to our submission on the Bill, the government clarified that if the credit amount claimed by a re-domiciled company in a year of assessment (YOA) exceeds the Hong Kong profits tax payable for that YOA by the company in respect of the relevant income, the excess amount is deductible for ascertaining **the assessable profits** of the company for that YOA.

- **Eligibility to the company amalgamation regime in Hong Kong**

A re-domiciled company is eligible for the court-free company amalgamation regime in Hong Kong as it is regarded as a company incorporated in Hong Kong and registered under the Companies Ordinance from the re-domiciliation date.

### KPMG observations

- The newly introduced re-domiciliation regime will provide a mechanism for companies incorporated in offshore jurisdictions to re-domicile to Hong Kong with minimal business interruption. Currently, offshore jurisdictions commonly used by Hong Kong business groups that have an outward re-domiciliation regime include the BVI, the Cayman Islands and Bermuda. The HKSAR government has indicated that it has been reaching out to the relevant authorities of these offshore jurisdictions to solicit their facilitation for an orderly re-domiciliation of these offshore companies to Hong Kong.
- In particular, under Bermuda's outward re-domiciliation regime, approval from the Minister of Finance of Bermuda is required unless a Bermuda company is applying for re-domiciling to an appointed jurisdiction<sup>5</sup>. Given Hong Kong is currently not an appointed jurisdiction, companies applying to exit Bermuda for re-domiciling to Hong Kong will be subject to approval on a case-by-case basis. The HKSAR government has indicated that its request for the designation of Hong Kong as an appointed jurisdiction for re-domiciliation would be processed by the Bermuda government upon completion of the legislative exercise in Hong Kong.
- Business groups planning to re-domicile a non-Hong Kong incorporated company to Hong Kong should take note of the followings:
  - Although the HKSAR government has indicated that it would only take around two weeks to process the re-domiciliation application after receiving all required information, considerable work and time are required to prepare all the required application documents. In addition, the legal and regulatory requirements of outward re-domiciliation as well as the deregistration procedures can vary across different jurisdictions. These requirements and procedures could be complex and time consuming. Business groups should therefore plan ahead and allow for sufficient time to complete the process to ensure a seamless re-domiciliation to Hong Kong.
  - For Hong Kong profits tax purposes, the tax bases of certain assets of a re-domiciled company that have not been used in a trade or business carried on in Hong Kong before the re-domiciliation date need to be marked down to the market value as at the re-domiciliation date. In such cases, a valuation of the assets concerned may be required.
  - Business groups should consider whether re-domiciling a foreign intermediate holding company (e.g. a BVI intermediate parent company holding a foreign subsidiary) to Hong Kong would be regarded as an indirect transfer of the underlying foreign subsidiary by its parent company and therefore triggers the indirect transfer tax in the foreign subsidiary jurisdiction. In case the indirect transfer tax applies, business groups should assess whether the tax deferral treatment for internal group reorganisation / intra-group transfer (if any) is applicable.
  - Business groups should stay tuned for the designated webpage on the Companies Registry's website from which the prescribed re-domiciliation form, comprehensive guidance and frequently asked questions in relation to the re-domiciliation regime will be accessible. They should also seek professional support to fully understand the legal, corporate and tax implications (including any BEPS Pillar 2 issues) of re-domiciliation to the company, the business and its directors and employees.

<sup>5</sup> A list of appointed jurisdictions can be accessed via this link: <https://www.gov.bn/sites/default/files/appointed-jurisdiction-4-28-2022.pdf>

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