

# Hong Kong SAR Tax Alert

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## Preliminary proposed enhancements to the stamp duty relief for intra-group asset transfer

### Summary



The HKSAR Government has released its preliminary proposed enhancements to the stamp duty relief for intra-group asset transfers under section 45 of the Stamp Duty Ordinance (section 45 relief). This follows the 2026/27 Budget delivered on 25 February 2026, which announced that the scope of section 45 relief will be expanded. Subject to the enactment of the relevant legislative amendments, the proposed enhancements apply to the relevant instruments **executed on or after 25 February 2026**.

### Background

The Court of Final Appeal (CFA) held in *John Wiley & Sons UK2 LLP and Another v The Collector of Stamp Revenue*<sup>1</sup> (the *John Wiley* case) that for the purposes of the section 45 relief, the “90% association test” for bodies corporate has to be met via beneficial ownership in issued share capital. Subsequent to the CFA judgment, we (and various stakeholders) have made submissions to the government advocating for a modernisation of the section 45 relief regime to keep pace with the emerging forms of business entity that are commonly used by business groups and to make the regime more competitive.

In the 2026/27 Budget Speech<sup>2</sup> delivered on 25 February 2026, the government proposed a few business-friendly stamp duty measures. One of them is to relax the criteria for section 45 relief to expand its scope of application (the enhanced section 45 relief).

The Inland Revenue Department (IRD) then released further details of the enhanced section 45 relief on its webpage<sup>3</sup>, which are discussed below.

The government plans to introduce the relevant amendment bill to the Legislative Council in 2026. Subject to the enactment of the relevant legislative amendments, the enhanced section 45 relief applies to instruments for sale and purchase or transfer of assets **executed on or after 25 February 2026**.

<sup>1</sup> For details, please refer to our previously issued [Hong Kong SAR Tax Alert – Issue 4, June 2025](#).

<sup>2</sup> The 2026/27 Budget can be accessed via this link: <https://www.budget.gov.hk/2026/eng/index.html>

<sup>3</sup> The updated IRD’s webpage on stamp duty can be accessed via this link: <https://www.ird.gov.hk/eng/tax/sdu.htm#a12>

### The enhanced section 45 relief

#### *The preliminary proposed enhancements*

- The preliminary proposed enhancements to the section 45 relief are as follows:
  - to expand the scope of business entities eligible for the relief to include bodies corporate that **do not issue or allot share capital** such as limited liability partnerships (LLPs) which have **separate legal personality**; and
  - to lower the minimum threshold for association between the transferor and the transferee **from 90% to 75%**.
- A body corporate will be deemed as having an associating interest in another body corporate if a body corporate (1) has **at least 75% of direct or indirect beneficial interest** in another body corporate or (2) is entitled to exercise (or control the exercise of) **at least 75% of the voting rights** in another body corporate.
- A body corporate's beneficial interest in another body corporate is determined based on the percentage of the issued share capital of the other body corporate held by that body corporate, or the body corporate's ownership interest in the other body corporate.

#### *The transitional arrangement*

- Before the enactment of the relevant amendment ordinance on the enhanced section 45 relief, duty payers can submit adjudication requests for instruments which satisfy the conditions for the enhanced relief. The Stamp Office will decide whether the relief can be approved after the enactment of the relevant amendment ordinance.
- Duty payers are **not required** to pay the stamp duty upfront and apply for a refund subsequently.

### A stamp duty waiver measure proposed in the Budget

- To further promote the development of the market for real estate investment trusts (REITs) in Hong Kong, the government also proposed in the 2026/27 Budget to waive the stamp duty in respect of acquisition of non-residential properties for REITs seeking to list in Hong Kong where specified conditions are met. Details of the proposed stamp duty waiver have yet to be released. The government plans to introduce an amendment bill on this measure to the Legislative Council in the first half of 2027.

### KPMG observations

- We commend the government for adopting our (and other stakeholders') recommendations on enhancing the section 45 relief and applying the enhanced relief during the transitional period. In particular, we applaud the government's decision to take onboard the recommendation of lowering the association threshold from 90% to 75% for the stamp duty intra-group relief purposes. This will make Hong Kong's association threshold on par with those of the stamp duty group relief regimes in Singapore and the UK. The 75% threshold is also in line with the 75% threshold set for member vote cast to approve certain major corporate changes under Hong Kong's Companies Ordinance.
- The above proposed enhancements will make the stamp duty regime in Hong Kong more competitive and strengthen Hong Kong's position as an international financial centre and investment holding hub. They will also largely align the approach to granting stamp duty relief for intra-group asset transfer with the approach currently adopted for intra-group transfer relief for foreign-sourced gains from disposal of assets under the foreign-sourced income exemption regime.
- While the IRD's webpage on stamp duty refers to LLPs as an example of entities that do not issue or allot share capital, the enhanced section 45 relief could equally apply in respect of other associated bodies corporate that do not issue or allot share capital but possess separate legal personality (e.g. Limited Liability Companies or LLCs). Business groups contemplating an intra-group transfer of Hong Kong immovable property or Hong Kong stock that involves an LLP or LLC should carefully assess whether they can benefit from the enhanced section 45 relief.

If you have any questions or require assistance regarding the above developments, please feel free to contact us via [taxservicesenquiry@kpmg.com](mailto:taxservicesenquiry@kpmg.com).

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