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THE TWO-TIER PROFITS TAX REGIME WILL BE EFFECTIVE FROM YEAR OF ASSESSMENT 2018/19

Inland Revenue (Amendment) (No.3) Ordinance 2018 was gazetted on 29 March 2018 which introduces the two-tier profits tax regime in Hong Kong.

The new two-tiers profits tax regime, applies to both corporations and unincorporated businesses, will be effective from the year of assessment 2018/19, with details as follows:

1. For corporations : The first HK\$2 million of assessable profits will be

taxed at 8.25% and the remaining profits will continue

to be taxed at existing 16.5%.

2. For unincorporated businesses: The first HK\$2 million of assessable profits will taxed

at 7.5% and the remaining profits will continue to be

taxed at the existing 15%.

For a group of "connected entities", only one entity within the group can elect to apply the two-tier tax rates.