

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 be 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.