

Press Release

Inland Revenue Ordinance to be amended to implement two-tiered profits tax rates regime

Wednesday, December 27, 2017

The Inland Revenue (Amendment) (No. 7) Bill 2017 (Amendment Bill) will be gazetted this Friday (December 29). The Amendment Bill seeks to implement the two-tiered profits tax rates regime announced in the 2017 Policy Address.

"It is our objective to adopt a competitive taxation system to promote economic development while maintaining a simple tax regime and low tax rates. Introducing a two-tiered profits tax rates regime will reduce the tax burden on enterprises, especially small and medium enterprises (SMEs) and startup enterprises. This will help foster a favourable business environment, drive economic growth and enhance Hong Kong's competitiveness," a government spokesman said.

Under the proposed regime, the profits tax rate for the first \$2 million of profits of corporations will be lowered to 8.25 per cent. Profits above that amount will continue to be subject to the tax rate of 16.5 per cent. For unincorporated businesses which are mostly partnerships and sole proprietorships, the two-tiered tax rates will correspondingly be set at 7.5 per cent and 15 per cent. A tax-paying corporation or unincorporated business may save up to \$165,000 and \$150,000 each year respectively.

The proposed two-tiered profits tax rates regime will benefit all eligible enterprises with assessable profits irrespective of their size. To ensure that the tax benefits will target SMEs, the Government proposes to introduce restrictions to limit the application to only one enterprise nominated from among those which are connected.

The Amendment Bill will be introduced into the Legislative Council on January 10, 2018.

Ends