

EXPATRIATES

Hong Kong

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

Individuals are subject to income tax on earnings arising in or derived from Hong Kong (any office or employment of profit thereof), including pensions. Since Hong Kong adopts a territorial source rule, liability to tax is determined not on residence status, but on the source of income.

Employment income derived from Hong Kong sourced employment is fully subject to Hong Kong income tax irrespective of where the individual renders his employment services. However, employment income from a Hong Kong sourced employment can still be fully considered non-taxable if the individual does not render any employment services in Hong Kong at all; or the individual is a visitor and his physical presence in that year of assessment (Hong Kong's fiscal year ends on 31 March) is not more than 60 days (60-day exemption rule).

For tax paid in a jurisdiction where a double tax treaty is in place with Hong Kong, tax credit claim might be lodged depending on the facts and circumstances. An exemption claim is available on income derived from services rendered outside Hong Kong in a non-treaty jurisdiction where the income is subject to income tax in that jurisdiction and the foreign tax is paid.

BREAKING RESIDENCY - EXIT PROCEDURES

Employees, under Hong Kong employment, who are seconded to work outside Hong Kong are still required to file an annual Individual Tax Return.

With regards to employees that are departing from Hong Kong permanently, their employers are required to file a Departure Notification (Form I.R. 56G) within one month before the employee's cessation of employment or departure from Hong Kong.

In cases where the employee departs from Hong Kong permanently, the employer is also required to withhold final payment to the employee for a period of one month after submission of the Form I.R. 56G, or until a letter of release is received from the Inland Revenue Department after the employee has cleared all his tax liabilities, whichever is earlier.

Concurrently, the departing employee is required to clear all outstanding tax matters before departure, including the submission of the final tax return and settlement of all outstanding taxes.

INCOME TAX RATES

Net chargeable income	Tax rate
First \$50,000	2%
Next \$50,000	6%
Next \$50,000	10%
Next \$50,000	14%
Remainder	17%

Note: Hong Kong income tax is charged at the lower of:

- Standard tax rate - 15% on net income (taxable income less deductions)
- Progressive tax rates - on net chargeable income (taxable income less deduction less allowances)

SOCIAL TAX RATES

Employees and self-employed individuals (unless exempted) are required to make contributions to the Mandatory Provident Fund. Both the employer and employees are required to make mandatory contribution at 5% of the employee's relevant income, capped at HK\$1,500 per month.

For further information and to register for future updates contact expat@bdo.global

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