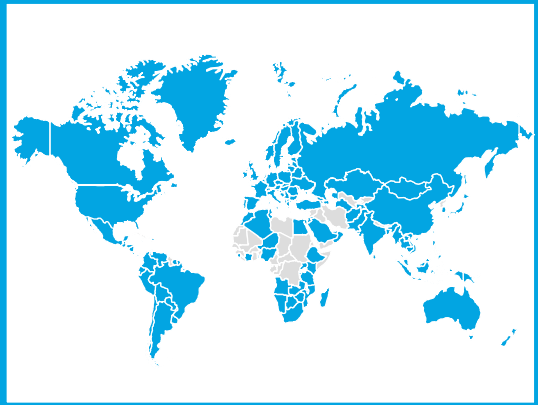


INPATRIATES

Hong Kong

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

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 residency status, but on the source of income. In determining the source of employment, the following factors are relevant:

- Where the contract of employment was negotiated/entered into and is enforceable;
- The employer's place of residence; and
- The place where the employee's remuneration is paid.

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).

Employment income derived from non-Hong Kong sourced employment will be taxable with reference to the working days in Hong Kong (subject to formula calculation).

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.

REGISTRATION/FORMALITIES

The employer should file a Commencement Notification (Form I.R. 56E) within three months from the date of commencement of employment or Hong Kong assignment. In addition, the employer is required to file an Employer's Return of Remuneration and Pension (Form I.R. 56B) annually to the Inland Revenue Department to report the amount of remuneration paid to each of its employees during each fiscal year ended 31 March.

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 salaries 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

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication. No entity of the BDO network, its partners, employees and agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter: 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was US\$ 11.8 billion in 2021. These public accounting, tax and advisory firms provide professional services in 167 countries & territories, with 97,292 people working out of 1,728 offices worldwide.

© Brussels Worldwide Services BV December 2022

www.bdo.global