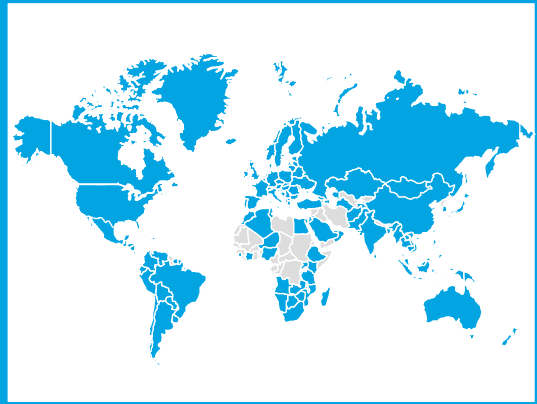


INPATRIATES

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 employee renders his employment services. However, employment income from a Hong Kong sourced employment can still be fully considered non-taxable if the employee's 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); or the employee does not render any employment services in Hong Kong at all, even if he/she stays in Hong Kong for more than 60 days.

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).

An exemption claim is available on income derived from services rendered outside Hong Kong which is subject to foreign income tax and foreign tax 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

2018/19		2019/20	
Net chargeable income	Tax rate	Net chargeable income	Tax rate
First \$50,000	2%	First \$50,000	2%
Next \$50,000	6%	Next \$50,000	6%
Next \$50,000	10%	Next \$50,000	10%
Next \$50,000	14%	Next \$50,000	14%
Remainder	17%	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

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