



The 6th BRITACOF

Shared Progress in Taxpayer Service for a Better Business Environment

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Tax Rule of Law Governance in Hong Kong, China

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1

Tax Legal System

Hong Kong's Tax Legal System



Clear and transparent requirements in legislation



Common law system – Judicial precedent established by court judgments



Consistent and predictable interpretation of tax laws

Guiding Principles



Simple tax system



Territorial source principle



Compliance with international tax standards



Ease of compliance and administration



Appropriate safeguards against abuses

2

Tax Rule of Law Environment

Improving Tax Certainty – Advance Rulings



The Inland Revenue Department (IRD)'s confirmation on tax treatments in relation to contemplated arrangements / transactions



Publications of rulings that are of general importance or common interest



Commissioner's opinions may be provided for proposed tax measures

Improving Tax Certainty – Advance Pricing Arrangement (APA)



Agreement between IRD and taxpayers on application of transfer pricing principles to related party transactions



Wide scope of transactions to which APAs can apply



APAs can be unilateral, bilateral or multilateral

Enhancing Tax Compliance



Transparent Tax Practice

Contribute to a better compliance environment for taxpayers



Client-focused Approach

Strengthen the working relationship between IRD and taxpayers and tax representatives



Promotion of self-compliance

Encourage taxpayers to self-monitor compliance level



Close Dialogue with Stakeholders

Facilitate effective communications and enhance relationship between IRD and taxpayers

Launch New Tax Portals and eTax Mobile App

Provide seamless, secure and efficient online services through:
Individual Tax Portal, Business Tax Portal, Tax Representative Portal



Use of iXBRL format for e-filing of profits tax returns



Provision of data preparation tools for auto-tagging



Development of Tax Representative Portal



Use of blockchain technology for e-services (e.g. CoR)



Provision of secured platform for communication



Launch of mobile app



Safeguarding Taxpayers' Rights –

Internal Mechanism: Objection and Appeal



Robust internal dispute resolution mechanism



Right to appeal to the Board of Review – An independent tribunal



Right to appeal to courts – Court of First Instance, Court of Appeal and Court of Final Appeal

Safeguarding Taxpayers' Rights –

Cross-border Dispute: Mutual Agreement Procedure



Mechanism to resolve disputes under double taxation agreement (DTAs)



Transfer pricing issues

- Arm's length price of related party transactions
- Attribution of profits to permanent establishments



Non-transfer pricing issues

- Dual residency
- Allocation of taxing rights for income from cross-border employment

Preventing Tax Risks

**Anti-avoidance
provisions**

**Tax review /
audit mechanism**

Penalty policy

The background of the slide features a large, snow-capped mountain peak, likely Mount Everest, under a blue sky with light clouds. At the base of the mountain, there is a dark blue silhouette of a city skyline. Various figures are visible in the foreground, including people on foot, a person on a horse, and a person on a bicycle, suggesting a journey or exploration.

3

Deepening Tax Cooperation

International Tax Cooperation



Expanding DTA network

- Enhance tax certainty for cross-border business activities
- Facilitate resolution of cross-border tax disputes



Participating in the Convention on Mutual Administrative Assistance in Tax Matter to facilitate provision of administrative in tax matters with non-DTA jurisdictions



Implementation of international tax cooperation initiatives such as CRS AEOI, BEPS and CARF

Hong Kong's DTA Network

52 CDTAs concluded
(as of 15 August 2025)



4

Tax Policy Support

Regular Review and Update of Tax Laws



Provide tax incentives to targeted industries according to government's economic policies



Facilitate tax compliance and improve effectiveness in tax administration



Adopt the latest international tax standards

Policy Support through Tax Legislation

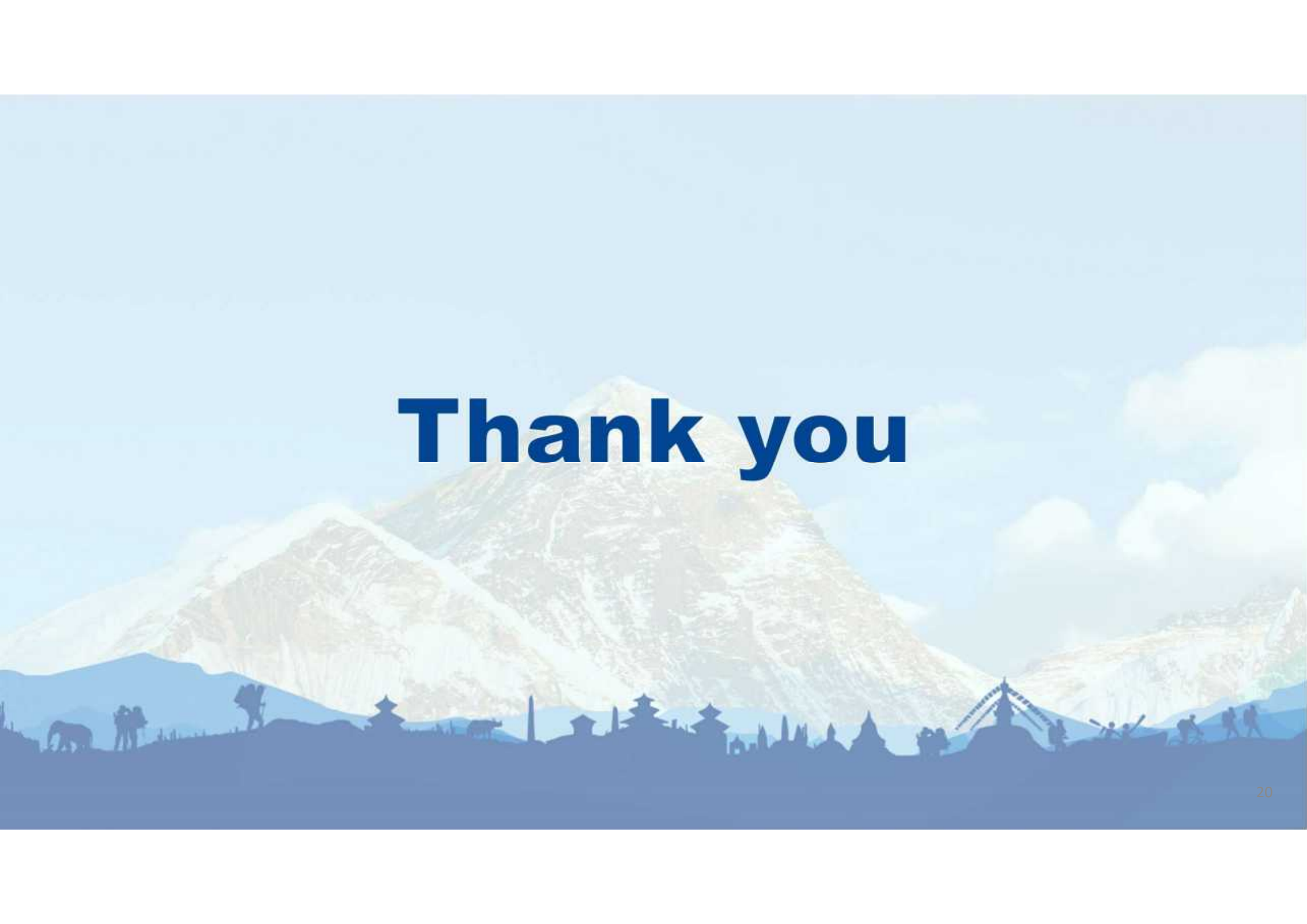
Deductions for
Environmental
Protection Facilities

Patent Box Regime
(Income-based incentives)

Enhanced R&D deductions
(Expenditure-based incentive)

GloBE Rules and Hong
Kong Minimum Top-up Tax

Crypto-Asset
Reporting Framework
(*To be implemented*)



Thank you