



PROFIT TAX

Hong Kong private limited company requires to file the Profits Tax Return to the Inland Revenue Department.
This information provides more information about Profit Tax of a Hong Kong private limited company:

1. Filing Timeline and Tax Rate
2. Profits Tax Return - (Nil) Return
3. Offshore Tax Claim



1. Filing Timeline and Tax Rate

Inland Revenue Department (“IRD”), usually issues the first Profits Tax Return within 1-2 months before the 2nd anniversary date ie. around 20 months from the date of incorporation.

As an example, if a company incorporated in February 2021, the first PTR should be received in December 2022 which should be filed together with an audited accounts within 3 months from the issuance date to avoid late filing penalty. To prepare the audit, you have to:

- 1) Determine the date of your company’s fiscal year.
You should choose the company’s own fiscal year end. The most common year ends are 31 March or 31 December as these two financial year ends can enjoy tax filing extensions to November 15th and August 15th respectively.
- 2) Prepare documents for the period end to proceed with accounting if the company has commenced business:
 - a. All bank statements
 - b. All invoices
 - c. All expense receipts
 - d. Agreement (suppliers or customers) or contracts

Note: We can prepare the accounts (General ledger and financial statements (balance sheet & income statement) upon receipt of documents above

- 3) Prepare audited accounts. We can assist to issue the audited accounts.
- 4) Submit the PTR with the audited accounts to the IRD
The submission deadline of the annual PTR, together with the audited financial statements for your second PTR and thereafter, is shown in the following example:

Financial year end	Tax filing date	Documents ready for audit
31st Dec 20120	15th Aug 2021	No later than 1st Jun 2021
1st Jan 2021– 31st Mar 2021	15th Nov 2021	No later than 1st Sep 2021
Dates other than above e.g. 30th Jun 2020	30th Jun 2021	No later than 1st Feb 2021

The profits tax rate is **8.25%** on profits up to **HKD\$ 2,000,000** (approx. USD\$ 256,000) it is 16.5% on profits thereafter.

2. “NIL” Profits Tax Return

The commencement of business is when the company starts its business activities. The exact day of business commencement is not easy to determine, however in general it would be when a business undergoes activities in relation to the business. Companies that have not commenced any business transactions throughout the period in any country, a “NIL” Profits Tax Return may be filed.



If the company has not commenced business of any kind, then it may file a “NIL” PTR as declaring NO BUSINESS ACTIVITY for the company. Filing the PTR form as “NIL” in effect states that the company has not conducted business, neither in Hong Kong nor anywhere else.

3. Offshore Tax Exemption Claim

If the company’s income does not arise nor derive in Hong Kong, the company can claim offshore exemption, relieving your firm of Hong Kong tax. Based on available evidence from the applicant company, Inland Revenue Department (IRD) will decide if the business income is occurred outside Hong Kong. Generally speaking, the following steps for offshore claim are as follows:

- 1) The applicant company must submit the PTR and financial statements and file an offshore exemption claim
- 2) IRD will issue an offshore claim query letter for the company to establish proof of activities
- 3) The applicant company must answer the IRD query with evidence not limited to company invoices, contracts, shipping documents, etc.
- 4) The IRD will consider offshore claim based on totality of fact of the applicant company. Upon verification, the IRD will confirm the applicant company’s offshore tax exemption