Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 gazetted

The Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 was published in the Gazette today (December 27).

The Bill seeks to implement the international tax reform framework, Base Erosion and Profit Shifting (BEPS) 2.0, promulgated by the Organisation for Economic Co-operation and Development in October 2021, and put in place the global minimum tax and the Hong Kong minimum top-up tax (HKMTT) from 2025. Currently, more than 140 jurisdictions (including Hong Kong) have accepted the reform framework to tackle BEPS risks arising from the digitalisation of the economy.

Under BEPS 2.0, large multinational enterprise (MNE) groups with an annual consolidated revenue of 750 million euros or above (in-scope MNE groups) need to pay a global minimum tax of at least 15 per cent in every jurisdiction in which they operate. This will reduce the incentive for large MNE groups to shift profits to low- or no-tax jurisdictions to evade tax responsibility, and minimise harmful competition among countries/regions to attract investment by lowering profits tax rates, thus creating a fairer taxation environment.

With the implementation of the HKMTT, if the effective tax rate of an in-scope MNE group in Hong Kong is lower than 15 per cent, Hong Kong has the right to collect top-up tax from the group's entities in Hong Kong to bring their effective tax rate up to 15 per cent. Otherwise, according to the BEPS 2.0 rules, other relevant jurisdictions have a right to collect top-up tax in respect of these low-taxed Hong Kong entities. Therefore, implementing the HKMTT can safeguard Hong Kong's taxing rights instead of ceding them to other jurisdictions. In-scope MNE groups will also be spared the need to pay top-up tax in respect of their low-taxed Hong Kong entities in other relevant jurisdictions in which they operate, thereby reducing their compliance burden. It is estimated that the collection of top-up tax will bring to the Government an annual revenue of about $15 billion from 2027-28.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "As an international financial centre and a responsible member of the global community, Hong Kong has been rendering unwavering support to international efforts in combating tax evasion. In a fairer global taxation environment, our various advantages for attracting businesses and investment will only be more accentuated, including the strong support from the motherland and close connection with the world under the 'one country, two systems', our simple and transparent tax regime, mature financial markets, an independent judicial system, modern infrastructure and a quality talent pool.

"The Government conducted a public consultation from December last year to March this year. We are pleased to note that stakeholders, including business chambers, professional bodies, tax professionals and MNE groups, generally support our legislative proposals. In drafting the Bill, we have also incorporated their views on the design of the HKMTT, implementation timeframe, tax administration and compliance, etc. To better help MNE groups ascertain their tax liabilities following the implementation of the global minimum tax and the HKMTT, the Inland Revenue Department has set up a dedicated team to provide technical support and will publish online guidance addressing common concerns," Mr Hui added.

The Bill will be introduced into the Legislative Council for first reading on January 8, 2025.