Hong Kong: Tax

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Hong Kong has no capital gains tax, no wealth tax, no dividend tax and, since 2006, no estate duty. Profits tax applies at 16.5 per cent (8.25 per cent on the first HK$ 2 million for qualifying corporations) to profits arising in or derived from Hong Kong from a trade, profession or business. The Inland Revenue Department's Departmental Interpretation and Practice Note 39, revised in March 2020, addresses digital assets. Tokens held as capital assets produce non-taxable gains, tokens traded produce taxable profits, with the badges of trade deciding which is which. Payment in tokens for goods or services is taxable at the token's value. ICO proceeds are revenue or capital depending on the token's nature.[1] There is no sales tax or GST, so the GST question that exercises Singapore and the VAT question that exercises Switzerland does not arise. The 2023 family-office concession exempts family-owned investment holding vehicles managed by an eligible single family office from profits tax on qualifying transactions. Both this concession and the unified fund exemption were proposed for extension to digital assets in 2025.[2]

The result is a tax environment closer to Singapore's than to Switzerland's: territorial, without capital gains tax, with a trading-income line drawn by the badges of trade. The differences from Singapore are the absence of any GST and the absence of Singapore's s. 10L rule on foreign-asset disposal gains. The difference from Switzerland is the absence of wealth tax, which for a token holder with large unrealised gains is often decisive.

Notes

1. Inland Revenue Department, Departmental Interpretation and Practice Notes No. 39 (Revised), "Profits Tax: Digital Economy, Electronic Commerce and Digital Assets", March 2020, paragraphs 61 to 76.
2. Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Ordinance 2023. FSTB, Consultation on the enhancement of preferential tax regimes for funds, single family offices and carried interest, November 2024, proposing to add virtual assets to the list of qualifying assets.

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