

Bill Passed on Global Minimum Tax and Hong Kong Minimum Top-up Tax for Multinational Enterprise Groups

3rd Nov. 2025

The Global Anti-Base Erosion (“GloBE”) rules under Pillar Two of the Organisation for Economic Cooperation and Development’s (“OECD”) Base Erosion and Profit Shifting (“BEPS”) 2.0 and the Hong Kong minimum top-up tax (“HKMTT”) are incorporated into Hong Kong’s Inland Revenue Ordinance (“IRO”), as the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 bill was passed on 6 June 2025.

Pursuant to the passing of the bill, the Inland Revenue Department (“IRD”) has launched a dedicated page (https://www.ird.gov.hk/eng/tax/bus_beps.htm) to disseminate any new information on the implementation framework of the GloBE rules and HKMTT. Moreover, the IRD commenced sending out letters to the potential in-scope multinational enterprise groups for general guidance and collection of information on 24 September 2025.

The key features of the GloBE rules and HKMTT as incorporated into the IRO are summarised in this newsletter.

Implementation framework in Hong Kong

Under the amendment ordinance, Part 4AA and Schedules 61 to 64 are added to the IRO, among which the GloBE Model Rules promulgated by the OECD and the provisions on safe harbours are directly incorporated in Schedule 61 with limited adaptations, while HKMTT and tax administration (other GloBE-related provisions) are provided for under Schedules 62 and 63 respectively.

With this amendment, the 15% global minimum tax is imposed on multinational enterprise groups with annual consolidated revenue of EUR 750 million or above in at least two of the four fiscal years immediately preceding the current fiscal year (i.e. in-scope MNE groups) in the form of top-up tax under the GloBE rules and the HKMTT, which will take effect as follows:-

Core Mechanisms	Effective date
IIR - Income Inclusion Rule	fiscal year beginning on or after 1 January 2025
UTPR - Undertaxed Profits Rule	to be implemented by further Gazette
HKMTT - Hong Kong minimum top-up tax	fiscal year beginning on or after 1 January 2025

This tax administration framework also applies to other entities (i.e. joint ventures, subsidiaries of joint ventures or stateless constituent entities) of in-scope MNE groups located or operating in Hong Kong in the same way as it applies to its Hong Kong constituent entities (“HKCE”).

In addition, the amendment also specifies that all Hong Kong entities of in-scope MNE groups must furnish their profits tax returns electronically for the year 2025/26 onwards. This mandatory e-filing requirement adopts the “once-in, always-in” mechanism, meaning if the applicable entity is mandated to e-file its profits tax return for a year of assessment, the entity will be mandated to e-file its profits tax return for every subsequent year of assessment. Meanwhile, a Pillar Two Portal is being developed to facilitate the e-filing of the top-up tax notifications and returns and will be launched by phases from January 2026 onwards.

Identifying Hong Kong entities of in-scope MNE groups

If confirmed that the group is an in-scope MNE group, the next key step is to determine whether an entity is located in Hong Kong for the purpose of e-filing and collecting top-up tax. Under the GloBE rules, an entity is located where it is a tax resident or was created. In this regard, the amendment also introduced a definition of Hong Kong resident entity, which aligns with the definition generally adopted under Hong Kong’s Comprehensive Avoidance of Double Taxation Agreements or Arrangements (“CDTAs”). This definition (as below) takes retrospective effect from 1 January 2024 for minimizing the top-up tax exposure in other jurisdictions which have implemented the GloBE rules for an accounting period beginning on or after 1 January 2024.

An entity is a tax resident in Hong Kong if it is a) incorporated/constituted in Hong Kong; or b) normally managed or controlled in Hong Kong, if incorporated/constituted outside Hong Kong.

For identification and tax administrative purposes, a unique group code will be assigned to each in-scope MNE group, HK standalone JV or JV group for filing and accessing top-up tax notifications and returns. For this purpose, the IRD has sent out an Application for Group Code in respect of Multinational Enterprise Group, HK Standalone JV or JV Group (“Form IR1485”) to the potential in-scope MNE groups and requested the in-scope MNE groups to provide a list of Hong Kong entities that are required to file their profits tax returns for the year of assessment 2025/26 electronically.

Safe Harbours

The next step is to evaluate the safe harbour eligibility for the in-scope MNE groups. Hong Kong adopts all safe harbours available under the OECD GloBE rules to relieve in-scope MNE groups from performing full GloBE calculations when certain conditions are met. These safe harbours include:

- a) the transitional Country-by-Country Reporting (“CbCR”) Safe Harbour;
- b) the transitional UTPR Safe Harbour;
- c) the QDMTT Safe Harbour; and
- d) the Simplified Calculations Safe Harbour for non-material constituent entities.

The transitional CbCR Safe Harbour is available for fiscal years which begin on or before 31 December 2026, and end on or before 30 June 2028. For an in-scope MNE group that qualifies for this safe harbour, its top-up tax in a jurisdiction will be deemed to be zero for the relevant year in the transition period. Please note this safe harbour is applied by annual election with the “once-out, always-out” mechanism, meaning if the transitional CbCR safe harbour did not apply to the in-scope MNE group for the jurisdiction in the initial year, the MNE group will lose its eligibility in subsequent years.

Key updates to HKMTT

The HKMTT aims to meet the requirements of a qualified domestic minimum top-up tax (“QDMTT”) so that in-scope MNE groups can benefit from the QDMTT Safe Harbour, which will eliminate the need for an MNE group to undertake a second calculation under IIR/UTPR for Hong Kong jurisdiction. Key updates to HKMTT include:

- The exclusion relief for MNE groups in their initial phase of international activities will apply to HKMTT, provided that none of the ownership interests in a HKCE is held, directly or indirectly, by a parent entity subject to a qualified IIR.
- For the purpose of HKMTT, the financial accounting net income or loss of a HKCE of an in-scope MNE group for a fiscal year must be determined in accordance with a local accounting standard, if the relevant conditions are met:
 - a) each HKCE has financial accounts prepared in accordance with the local accounting standard;
 - b) the accounting period of each entity is the same as the fiscal year of the consolidated financial statements of the ultimate parent entity (“UPE”) of the MNE group; and
 - c) each HKCE is required to prepare the entity’s accounts for determining its liability to tax in Hong Kong or to comply with any other Hong Kong law, or each entity’s accounts are subject to external financial audit.

Key updates to top-up tax compliance requirement

Taking into consideration of the stakeholders’ recommendations, the Government has amended various tax compliance time limits in order to improve practicality in Hong Kong. The important compliance time limits with updates are summarised in the table below.

Compliance obligation	Time limit
Filing top-up tax notification	- 6 months after end of the reporting fiscal year
Filing top-up tax return	- 15 months after end of the reporting fiscal year - extended to 18 months for the first transition year
Assessment and demand for top-up tax (No provisional top-up tax is charged.)	- payment due date is 1 month after the expiry of the return filing deadline, or the date of the notice of assessment, whichever is later
Objection period to a top-up tax assessment	- 2 months after the date of the notice of assessment
Additional assessment on top-up tax	- within 8 years after the end of the year of assessment in which the relevant fiscal year ends; or - within 12 years for cases involving fraud or willful evasion
Correcting errors or omissions	- within 8 years after the end of the year of assessment in which the relevant fiscal year ends; or - within 6 months after the issuance date of the notice of assessment, whichever is later
Record keeping	- at least 9 years after the completion of the transactions, acts or operations relevant to the computation of top-up tax

In addition, the “sole or dominant purpose test”, which is a long-standing general anti-avoidance rule in the tax laws of Hong Kong, applies to the GloBE and HKMTT regimes with modifications. The previously proposed “main purpose test” is removed.

Recommendations

The implementation of the GloBE rules and HKMTT marks a significant change in the tax landscape for large multinational enterprises carrying on business in Hong Kong. To ensure compliance and business planning, in-scope MNE groups should review their group structure and JV structure, confirm the tax residency status of all entities, and analyze whether the group qualifies for any of the safe harbour rules to simplify compliance obligations. Furthermore, the in-scope MNE groups should evaluate their current systems’ ability to capture the required financial and tax data on a jurisdictional basis and its ability to conduct e-filing for both profits tax and top-up tax purposes. A communication channel should be established between the tax controller of the UPE and the HKCE designated to file the top-up tax for the group. As the implementation of the GloBE rules and HKMTT is continuously evolving, in-scope MNE groups should monitor the developments closely, especially on the IRD’s dedicated page, and seek professional advice when necessary.

For more information on other key transitional rules and safe harbours, please refer to our article issued on 28 February 2024:-

[*\[Hong Kong to Implement Global Minimum Tax and Hong Kong Minimum Top-up Tax\]*](#)

For more information on e-filing of profits tax return (BIR51), please refer to our article issued on 26 February 2025:-

[*\[2025/26 Hong Kong Budget Commentary\]*](#)

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