

This guide was prepared by an independent third-party firm.

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HONG KONG – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is intended to help individual owners get started in learning about some of the tax requirements that might apply when providing short-term accommodation in Hong Kong.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are an individual owner supplying short-term accommodation in Hong Kong, you should make sure that you understand the following types of tax, and pay the tax that applies to you.

- Property tax; and
- Profits tax.

VAT is not charged in Hong Kong.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

PROPERTY TAX

If you let out property which you own in Hong Kong, it is likely that any income that you derive from the letting of such property (referred to here as “rental income”) is subject to property tax in Hong Kong.

Property tax is chargeable at a standard rate of 15% on the net rental income derived from the property. This is the total amount of rent that is payable to you during the year of assessment (which runs from 1 April to 31 March each year) for letting the property (i.e. the gross “rental income”), less –

- (a) Any rates paid by you in respect of the property, where you have agreed to pay rates; and
- (b) A fixed allowance for repairs and outgoings, calculated at 20% of the rental income from

the property, after deducting the rates referred to in (a) above.

No other expenses are deductible in calculating your net taxable rental income, even if the actual expenses which you incur (e.g. on paying utilities, conducting repairs etc.) exceed the 20% fixed allowance.

Reporting the income

The rental income payable to you in a year of assessment should be reported in the correct tax return for that year of assessment.

Rental income payable to you in respect of property solely owned by you should be reported in your individual tax return (i.e. Form BIR 60). Rental income payable to you in respect of each property jointly owned or co-owned by you should be reported in a separate property tax return for each such property (i.e. in Form BIR 57).

The relevant return(s) should be issued to you by the tax authority in Hong Kong, the Inland Revenue Department (“**IRD**”), and must be filed by the deadline stated in the return. This is generally 1 month from the date of issuance of the returns. If a return is issued to you, the return will need to be filed even if there is no income to be reported.

If you do not receive a return, but you are chargeable to tax, you will need to notify the IRD of your chargeability to tax no later than 4 months after the end of the basis year for that year of assessment (e.g. where income was earned during the 2021/22 year of assessment (“**YOA 2021/22**”), i.e. from 1 April 2021 to 31 March 2022, the notification must be submitted by 31 July 2022, i.e. 4 months after 31 March 2022). The IRD will then issue the appropriate tax return(s) for you to file.

Maintaining records

If you own property in Hong Kong, you are required to keep sufficient records of any income that is payable to you for letting the property, so that your property tax liability may be ascertained, for at least a 7 year period. Such records may include lease agreements, duplicates of rental receipts, receipts for the payment of rates etc.

Tax assessment and payment of tax

The IRD will issue a tax assessment to you once your tax liability is ascertained.

Hong Kong operates a provisional tax system, meaning that tax has to be paid in advance. The tax assessment may therefore include a final tax assessment for one year of assessment (e.g. YOA 2021/22), plus a provisional tax assessment for the next year of assessment (e.g. YOA 2022/23) based on the rental income derived during YOA 2021/22. The provisional tax paid for

YOA 2022/23 will then be credited against the final tax payable for YOA 2022/23.

PROFITS TAX

If you carry on a business of letting property (including sub-letting property) in Hong Kong, you may also be liable to pay Hong Kong profits tax on any income derived from the letting of property situated in Hong Kong, as part of that business. An individual who does not carry on a business of letting property in Hong Kong will only be chargeable to Hong Kong property tax (and not Hong Kong profits tax) in respect of rental income.

For individuals, the profits tax rate is 15%. A concessionary rate of 7.5% can however apply to the first HKD 2 million of profits derived, provided certain conditions are fulfilled. Any income which you derive from a business carried on in Hong Kong should be reported in your individual tax return (i.e. Form BIR 60). Please check the Hong Kong Government's [website](#) for the latest applicable tax rates.

OTHER INFORMATION

IRD contact details

The IRD can be contacted at +852 187 8088. Information on when and how tax should be paid in Hong Kong and the relevant reporting obligations can also be found on the IRD's [website](#).

Sample Tax Computation		
Elizabeth owns a 2 bedroom apartment in Hong Kong.		
Elizabeth lets the entire apartment on a short-term basis, and received total gross rental income of HKD 210,000 during the 2021/2022 year of assessment. Elizabeth does not let any other apartment or premises.		
Elizabeth incurred the following expenses in relation to the apartment during the 2021/2022 year of assessment: insurance fees HKD 5,000; rates HKD 10,000; repair costs HKD 2,000; and electricity/gas bills HKD 8,000.		
Tax Liability for YOA 2021/2022		HKD
<i>Property tax</i>		
Gross rental income received		210,000
Less	Rates paid	<u>(10,000)</u>

	200,000	
Fixed allowance for repairs and outgoings	(40,000)*	(i.e. 20% of 200,000)
Net rental income	160,000	
Property tax (at 15% of net rental income)**	15% of 160,000 =	24,000

* Note that a fixed allowance is granted (i.e. 20% of gross rental income less rates paid), regardless of the actual expenses incurred by Elizabeth.

** An owner who has elected for personal assessment (i.e., aggregation of all sources of taxable income for tax assessment) may be subject to different progressive tax rates up to 17%. Please check the Hong Kong Government's [website](#) for the latest applicable tax rates.