

Hong Kong Tax Alert

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Hong Kong proposes to lower the association threshold for stamp duty group relief to 75% and expand its scope to cover bodies corporate that do not have share capital

- pending legislation, these proposals will apply to instruments for the transfer of Hong Kong stock or property signed on or after 25 February 2026

Background

The Court of Final Appeal ruled in *John Wiley & Sons UK2 LLP and Another v The Collector of Stamp Revenue*¹ last year that the stamp duty group relief under section 45 of the Stamp Duty Ordinance (SDO) is restricted to intra-group transfers of Hong Kong stock or property between two associated bodies corporate with issued share capital, and does not apply to a limited liability partnership (LLP), albeit the latter may also be a body corporate. The term "share capital" in that context has to be interpreted in accordance with its ordinary meaning under company law.

¹ Details of the judgement can be found at our tax alert below:

<https://www.ey.com/content/dam/ey-unified-site/ey-com/en-cn/technical/hong-kong-tax-alerts/documents/ey-hk-tax-alert-17-june-issue-14.pdf>

Key proposed enhancements

The Financial Secretary announced in the 2026-27 Budget that the criteria for stamp duty group relief will be relaxed through an amendment ordinance, including an expansion of the scope of eligible business entities. Details of the proposed enhancements have recently been posted by the Inland Revenue Department on its website.

Expanded scope of eligible business entities

The Government proposes to broaden access to stamp duty group relief by allowing bodies corporate that do not have share capital, such as LLPs and certain limited liability corporations, to also qualify if they possess separate legal personality.

Relaxed association threshold

In addition, the association threshold for the relief is proposed to be lowered from 90% to 75%. A body corporate will be regarded as having an associating interest in another if it holds at least (i) 75% of the direct or indirect beneficial interest or (ii) is entitled to exercise, or control the exercise of, at least 75% of the voting rights in another body corporate.

Transitional arrangement for adjudication

Before the enactment of the amendment ordinance, duty payers may submit adjudication requests to the Stamp Office to confirm they qualify for the relief for instruments signed on or after 25 February 2026 in respect of transfers which satisfy the conditions stated above. The adjudication will be confirmed once the amendment ordinance comes into force.

As such, duty payers will not be required to pay stamp duty upfront and then apply for a refund later.

Commentary

We welcome the Government's proposed enhancements to the stamp duty group relief under section 45 of the SDO. This marks a significant modernisation of the rules, as many contemporary investment structures and joint venture arrangements now employ corporate vehicles that may not have share capital.

The lowering of the association threshold to 75% is in line with the requirements of corresponding regimes in Singapore and the United Kingdom and with the intra-group transfer relief for disposal gains under Hong Kong's specified foreign-sourced income exemption regime.

The proposed enhancements, which appear to be more relaxed and accommodative than certain aspects of the corresponding regimes in Singapore and the United Kingdom, will facilitate internal restructuring and be conducive to promoting Hong Kong as a premier business center.

Clients contemplating intra-group transfers of Hong Kong stock or property should note the above. They can contact their tax executive if they have any questions about the proposed enhancements.



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