Shape the future with confidence
聚信心 塑未來

Hong Kong Tax Alert

17 July 2026
2026 Issue No. 8

Hong Kong proposes relaxing intra-group stamp duty relief for transfers of dutiable assets

- *The threshold for the relief would be lowered from 90% to 75% by virtue of either (i) beneficial ownership interest or (ii) voting power; and the scope of eligible entities would cover bodies corporates that do not have issued share capital (such as limited liability partnerships and certain limited liability corporations), provided that they have a separate legal personality.*
- *As a transitional arrangement, pending legislation to be introduced in October 2026, these proposals will apply retrospectively to instruments for the transfer of Hong Kong stock or property signed on or after 25 February 2026. Instruments qualifying for the relief under these proposals may be submitted to the Stamp Office for adjudication, i.e., without the need to pay the stamp duty upfront and then apply for a refund later. The adjudication will be processed once the proposed legislation is enacted.*

This alert discusses the proposed enhancements to the intra-group stamp duty relief under section 45 of the Stamp Duty Ordinance (SDO). Clients with questions about the proposed enhancements or the transitional arrangement should contact their tax executive.

Background

Under section 45 of the SDO, transfers of Hong Kong stock or property between two bodies corporates would be exempt from stamp duty, provided that the transferor and the transferee are associated by virtue of (i) one beneficially owning not less than 90% of the issued share capital of the other ; or (ii) a third body corporate beneficially owning not less than 90% of the issued share capital of both the transferor and the transferee.

The Court of Final Appeal ruled in *John Wiley & Sons UK2 LLP and Another v The Collector of Stamp Duty* in 2025 that the transfer of Hong Kong stock by a UK limited liability partnership (UK-LLP) to a limited liability corporation that 100% beneficially owned the UK-LLP was not eligible for the intra-group stamp duty relief under section 45 of the SDO. This was because the UK-LLP did not have issued share capital and, as such, the transferor and transferee could not be associated by virtue of one beneficially owning not less than 90% of the issued share capital of the other.

The decision in *John Wiley* means that many modern forms of business entities such as LLPs or limited liability corporations that do not have issued share capital would be denied access to the intra-group stamp duty relief under section 45 of the SDO.

Acknowledging that such restricted access to the relief would not be conducive to Hong Kong maintaining its position as a leading investment and business hub, the Financial Secretary announced in the Budget in February 2026 that the terms of section 45 of the SDO would be relaxed.

In a briefing paper submitted to the Legislative Council Panel on Financial Affairs discussed by the panel on 6 July 2026, the details of the proposed enhancements are provided.

The proposed enhancements to section 45 of the SDO

Relaxed "association test"

The "association test" under section 45 of the SDO would be relaxed and would no longer be tied solely to "issued share capital".

Under the relaxed "association test", two entities would be regarded as associated if –

(a) one entity has an associating interest in the other entity; or

(b) a third entity has an associating interest in both of them.

An entity (entity A) is regarded as having an associating interest in another entity (entity B) if –

(a) entity A has at least a 75% direct or indirect beneficial interest in, or in relation to, entity B; or

(b) entity A is, directly or indirectly, entitled to exercise, or control the exercise of, at least 75% of the voting rights in, or in relation to, entity B.

If entity B has issued share capital, entity A's beneficial interest in entity B shall be determined by the issued share capital; otherwise (for example, in the case of a limited liability partnership), it shall be determined by entity A's ownership interest in entity B.

Anti-abuse provisions and other references to the "association test" in the SDO will be amended correspondingly

The anti-abuse provisions and other references to the "association test" in the SDO, including the requirements that the consideration for the transfer of Hong Kong stock or property cannot be provided or received by a non-associated person and that the transferor and transferee must remain associated for at least two years, would be amended correspondingly to reflect the proposed relaxed "association test".

Commentary

A more flexible and accommodative regime

The Government indicates that in formulating the relaxed "association test", it has made reference to the intra-group stamp duty relief regimes in both the UK and Singapore.

In the UK, the "association test" is determined by reference to ordinary share capital, profits available for distribution, as well as assets available for distribution on a winding-up, and the ownership threshold is 75%.

As for Singapore, if a specified entity has 75% or more voting capital and 50% or more voting power in another specified entity, the two entities would be regarded as associated and eligible for the intra-group relief.

It is noteworthy that the 75% "association test" under both the UK and Singapore regimes must be determined by reference to the satisfaction of two or more conditions, such as ownership interest **and** voting power, as is the case in Singapore. Under the proposed enhancements, the 75% "association test" in Hong Kong would be determined by reference to either the ownership interest **or** voting power.

As such, it appears that the Government has made a deliberate decision to make the intra-group stamp duty relief regime in Hong Kong more flexible and accommodative than the corresponding regimes in the UK and Singapore. The Government has, however, indicated that abusive or contrived arrangements to exploit the proposed enhancements could be subject to challenges under general anti-avoidance case-law principles.

What constitutes an entity having a separate legal personality

At its core, a separate legal personality means the law treats an entity as a distinct legal person, entirely separate from the persons who own, manage or established it. Characteristics indicating whether an entity has a separate legal personality include its ability to own property, enter into contracts and sue and be sued in its own name. As such, while an LLP generally has a separate legal personality, a limited partnership may not.

In this regard, it would be helpful if the Stamp Office could, similar to the practice of HM Revenue & Customs in the UK, issue a list of entities formed in different jurisdictions that it considers to have a separate legal personality for the purposes of the proposed enhancements.

Transitional arrangement for adjudication

It would also be helpful for the Stamp Office to indicate that, provided duty payers file the instruments for the transfer of Hong Kong stock or property for adjudication under the transitional arrangement in good faith, they would not be penalized even if the transfer is subsequently found not to qualify for the relief.

Hong Kong office

Jasmine Lee, Managing Partner, Hong Kong & Macau
27/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Tel: +852 2846 9888 Fax: +852 2868 4432

Non-financial Services

Wilson Cheng
Tax Leader for Hong Kong and Macau
+852 2846 9066
wilson.cheng@hk.ey.com

Hong Kong Tax Services

Wilson Cheng +852 2846 9066 wilson.cheng@hk.ey.com	**Jacqueline Chow** +852 2629 3122 jacqueline.chow@hk.ey.com	**Ryan Dhillon** +852 3752 4703 ryan.dhillon@hk.ey.com
Tracy Ho +852 2846 9065 tracy.ho@hk.ey.com	**Ada Ma** +852 2849 9391 ada.ma@hk.ey.com	**Jennifer Kam** +852 2846 9755 jennifer.kam@hk.ey.com
May Leung +852 2629 3089 may.leung@hk.ey.com	**Karina Wong** +852 2849 9175 karina.wong@hk.ey.com	**Leo Wong** +852 2849 9165 leo.wong@hk.ey.com
Ricky Tam +852 2629 3752 ricky.tam@hk.ey.com	**Susan Kwong** +852 2629 3117 susan.tm.kwong@hk.ey.com	**Jasmine Tian** +852 2629 3738 jasmine.tian@hk.ey.com
Winnie Kwan +852 2629 3211 winnie.yw.kwan@ey.com	**Emma Campbell** +852 2629 1714 emma.ef.campbell@hk.ey.com	

China Tax Services

Jane Hui +852 2629 3836 jane.hui@hk.ey.com	**Gloria Chan** +852 2849 9244 gloria.lk.chan@hk.ey.com

US Tax Services

Cliff Tegel
+852 2629 3434
cliff.tegel1@hk.ey.com

Payroll Operate

Vincent Hu
+852 3752 4885
vincent-wh.hu@hk.ey.com

Accounting Compliance and Reporting

Linda Liu +86 21 2228 2801 linda-sy.liu@cn.ey.com	**Cecilia Feng** +852 2846 9735 cecilia.feng@hk.ey.com

International Tax Services

Winnie Kwan
+852 2629 3211
winnie.yw.kwan@ey.com

Transfer Pricing Services

Martin Richter +852 2629 3938 martin.richter@hk.ey.com	**Kenny Wei** +852 2629 3941 kenny.wei@hk.ey.com
Monica Leung +852 2629 3272 monica-sk.leung@hk.ey.com	**Lewis Chan** +852 2629 3194 lewis.chan@hk.ey.com

Transaction Tax Services

Jane Hui +852 2629 3836 jane.hui@hk.ey.com	**Jasmine Tian** +852 2629 3738 jasmine.tian@hk.ey.com	**Emma Campbell** +852 2629 1714 emma.ef.campbell@hk.ey.com

Financial Services

Paul Ho
Tax Leader for Hong Kong
+852 2849 9564
paul.ho@hk.ey.com

Hong Kong Tax Services

Paul Ho +852 2849 9564 paul.ho@hk.ey.com	**Ming Lam** +852 2849 9265 ming.lam@hk.ey.com
Sunny Liu +852 2846 9883 sunny.liu@hk.ey.com	**Helen Mok** +852 2849 9279 helen.mok@hk.ey.com

Customer Tax Operations and Reporting Services

Paul Ho +852 2849 9564 paul.ho@hk.ey.com	**Francis Tang** +852 2629 3618 francis-ks.tang@hk.ey.com

US Tax Services

Camelia Ho
+852 2849 9150
camelia.ho@hk.ey.com

International Tax Services

Sophie Lindsay +852 3189 4589 sophie.lindsay@hk.ey.com	**Maggie Mang** +852 3471 2759 maggie.mang@hk.ey.com
Karen Lui +852 2232 6455 karen.sy.lui@hk.ey.com	**Steve Strathdee** +852 2629 3378 steve.strathdee@hk.ey.com
Bas Sijmons +852 2846 9704 bas.sijmons1@hk.ey.com	

Transfer Pricing Services

Ka Lok Chu +852 2629 3044 kalok.chu@hk.ey.com	**Justin Kyte** +852 2629 3880 justin.kyte@hk.ey.com

Transaction Tax Services

Sunny Liu
+852 2846 9883
sunny.liu@hk.ey.com

Tax Technology and Transformation Services

Robert Hardesty
+852 2629 3291
robert.hardesty@hk.ey.com

People Advisory Services

William Cheung +852 2629 3025 william.cheung@hk.ey.com	**Anthony Lam** +852 2629 3645 anthony.lam@hk.ey.com	**Emily Chan** +852 2629 3250 emily-my.chan@hk.ey.com	**Winnie Walker** +852 2629 3693 winnie.walker@hk.ey.com	**Paul Wen** +852 2629 3876 paul.wen@hk.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY's Tax services

Your business will only succeed if you build it on a strong foundation and grow it in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our 50,000 talented tax professionals, in more than 150 countries, give you technical knowledge, business experience, consistency and an unwavering commitment to quality service — wherever you are and whatever tax services you need.

APAC no. 03026284
ED None

ey.com/china

Follow us on WeChat
Scan the QR code and stay up to date with the latest EY news.