



Hong Kong Tax Alert

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Multinational enterprise groups for Pillar Two are required to mandatorily e-file their tax returns from 2025/26 onwards

- In addition to being required to apply for a multinational enterprise (MNE) code and/or a joint venture (JV) code, Hong Kong constituent entities (HKCEs) of such groups will also be required to first mandatorily e-file their profits tax returns in either 2025/26 or 2026/27.*

MNE groups are required to apply for an MNE and/or a JV code

MNE groups in-scope for Pillar Two are required to apply with the Inland Revenue Department (IRD) for an MNE code and, where the group has a standalone JV or a JV group, a separate JV code, for identification and tax administrative purposes in Hong Kong.

Such a code will presumably be needed for the electronic notifications required to be made by such groups informing the IRD that they are in-scope for Pillar Two, the earliest of such notifications to be due by 30 June 2026.

In addition, such groups are also required to provide a list of their HKCEs that are mandatorily required to e-file their profits tax in Hong Kong for 2025/26.

The application and information are generally required to be made or provided with the IRD by late November this year.

Any one of the HKCEs of such groups can apply for the MNE code, and a standalone JV or any member of the JV group can apply for the JV code.

Who are required to first mandatorily e-file profits tax returns either in 2025/26 or 2026/27

Where the following conditions are met, the newly added schedule 65 to the Inland Revenue Ordinance (IRO) requires the HKCEs of an in-scope MNE group to mandatorily file their profits tax returns electronically from either the year of assessment 2025/26 or 2026/27 onwards.

The conditions are:

- (a) the subject entity is a Part 4AA entity of an MNE group for the corresponding fiscal year of the group for the subject year of assessment; and
- (b) any of the following applies
 - (i) the MNE group is an in-scope MNE group for the corresponding fiscal year of the group (beginning on or after 1 January 2025) for the subject year of assessment;
 - (ii) the MNE group was an in-scope MNE group for a fiscal year of the group (beginning on or after 1 January 2025) preceding the fiscal year mentioned in subparagraph (i).

Schedule 65 of the IRO specifies that the “corresponding fiscal year of the MNE group for a year of assessment” means the fiscal year of the MNE group for the consolidated accounts within which the basis period for the year of assessment of the entity or permanent establishment (i.e., the HKCE) ends.

“Once-in-always-in” for e-filing of profits tax returns

The above conditions together with section 3 of Schedule 65 will mean that once a HKCE is required to mandatorily e-file its profits tax return for a year of assessment, it will be required to continue to do so in all subsequent years. This will be so regardless of whether the HKCE will continue to belong to any in-scope MNE group in any of the subsequent years.

Accounting or fiscal year-end of HKCEs and their UPE are coterminous

HKCEs that are D- or M-code (i.e., December or January-to-March year-end respectively) of an ultimate parent entity (UPE) are required to mandatorily e-file their profits tax returns for 2025/26.

An exception to the above is that those HKCEs whose accounting year begins in December 2024 (i.e., not beginning on or after 1 January 2025) will not be required to mandatorily e-file their profits tax returns for 2025/26. This is because condition (b)(i) above is not satisfied.

HKCEs that are N-code (i.e., other than D- or M-code) are not required to mandatorily e-file their profits tax returns for 2025/26.

That means they will only be required to mandatorily e-file their profits tax returns from 2026/27 onwards.

Accounting or fiscal year-end of HKCEs and their UPE are not coterminous

HKCEs that are D- or M-code are required to mandatorily e-file their profits tax returns for 2025/26, regardless of the accounting year-end date of the UPE.

HKCEs that are N-code are required to first mandatorily e-file their profits tax returns for 2025/26 or 2026/27, depending on the accounting year-end date of the UPE.

For illustrative examples covering all the above scenarios, please refer to the IRD website¹.

Exemptions from mandatory e-filing

The IRD has indicated that an HKCE of an in-scope MNE group will however be exempted from mandatory e-filing of its profits tax return under the following circumstances:

1. The entity is being wound-up pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or is being amalgamated pursuant to the Companies Ordinance;
2. The entity has no record in Business Register;
3. The entity has notified Companies Registry or Business Registration Office of its date of cessation;
4. The accounting period of the entity's financial statement to be submitted with the profits tax return exceeds 12 months;
5. The profits tax return for the year of assessment 2025/26 is issued on or before 31 March 2026; or
6. The submission is re-filing of the profits tax return which had been previously e-filed but subsequently found invalid.

Clients who have any questions on the application for the MNE code and/or JV code and the mandatory e-filing requirement should contact their tax executive.

¹ The illustrative examples can be accessed via the link below:
https://www.ird.gov.hk/eng/tax/beps_efiling_example.htm

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