

Global minimum tax

Under Pillar Two of BEPS 2.0, a global minimum tax of 15% is imposed on multinational enterprise (“**MNE**”) 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 (“**in-scope MNE group**”) through Income Inclusion Rule (“**IIR**”) and Undertaxed Profit Rule (“**UPTR**”), which are together referred to as the Global Anti-Base Erosion (“**GloBE**”) rules.

The GloBE rules allow jurisdictions to introduce their own qualified minimum top-up tax (“**QDMTT**”). A jurisdiction, in which an in-scope MNE group operates and for which the effective tax rate (“**ETR**”) is below the minimum tax of 15%, has the first priority to collect the top-up tax in respect of the low-taxed constituent entities (“**CEs**”) in its own jurisdiction if it has implemented its own QDMTT.

Hong Kong minimum top-up tax

The Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 was enacted to implement the GloBE Rules and Hong Kong minimum top-up tax (“**HKMTT**”) since 6 June 2025:

- HKMTT may arise where the in-scope MNE group’s ETR in Hong Kong is below 15%. It will be allocated among and charged on the Hong Kong CEs of an in-scope MNE group in proportion to each entity’s GloBE income, unless the group designates one or more Hong Kong CEs to pay the HKMTT.
- Where the parent entity has an ownership interest in any entity in a non-Hong Kong jurisdiction and the group’s ETR in that jurisdiction is below 15%, IIR top-up tax is imposed on:
 - (a) the ultimate parent entities (“**UPEs**”) of in-scope Hong Kong headquartered MNE groups;
 - (b) Hong Kong intermediate parent entities of in-scope foreign-headquartered MNE groups the UPEs of which are located in jurisdictions that do not implement IIR; or
 - (c) Hong Kong partially-owned parent entities of in-scope MNE groups irrespective of whether the UPEs or the intermediate parent entities are required to apply IIR.
- UPTR top-up tax allocated to Hong Kong is charged on the Hong Kong CEs of an in-scope MNE group, based on the respective proportion of the employee headcount and the value of tangible assets, unless the group designates one or more Hong Kong CEs to pay the UPTR top-up tax. The UPTR top-up tax is yet to be payable pending announcement by the Secretary for Financial Services and the Treasury.

Mandatory e-filing

Hong Kong entities of an in-scope MNE group are mandated to e-file their profits tax returns for the year of assessment 2025/26 and onwards under Section 51AAB of the Inland Revenue Ordinance (“**IRO**”).

Actions required and timeline

Top-up tax notification (“TuT Notification”)

Each Hong Kong CE of an in-scope MNE group is required to file a notice containing particulars of each of the group’s HK CE and information relevant for determining the obligation for filing a top-up tax return in Hong Kong for a fiscal year beginning on or after 1 January 2025.

The notification shall be filed **within 6 months** after the end of the relevant fiscal year.

Top-up tax return (“TuT Return”)

Each Hong Kong CE of an in-scope MNE group is required to file a single TuT Return for the purposes of the GloBE Rules and HKMTT.

The TuT return shall be filed **within 15 months** after the last day of the fiscal year while the deadline for the transition year for the MNE group¹ is extended to 18 months.

Designated entity

An in-scope MNE group is allowed to designate one Hong Kong CE to file the TuT Notification / TuT Return to the Inland Revenue Department (“**IRD**”).

IRD’s notification letter

The IRD is reaching out to (a) Hong Kong UPE of in-scope MNE groups; and (b) Hong Kong CE filing the Country-by-country Return Notification in Hong Kong for the 2025 fiscal year by way of a letter. The letter provides brief guidance on how to prepare for the changes and requires the relevant entity to reply to the IRD **within two months** from the date of the letter.

Next step

Please reach out to your usual contact at Russell Bedford Hong Kong or contact Ms. Erica Xiong at ericaxiong@russellbedford.com.hk for more information.

¹ Transition year means the earliest fiscal year for which a CE, joint venture or JV subsidiary of the MNE group is subject to a qualified IIR or qualified UTPR in Hong Kong or another jurisdiction; or is subject to the HKMTT.