

# Research and Development Tax Concessions in Hong Kong



## Background

To encourage greater R&D investment in Hong Kong and promote the city as a regional R&D hub, the Hong Kong government has introduced enhanced tax deductions for qualifying R&D expenditure. The Inland Revenue Amendment Ordinance (No.7) 2018 sets out the legislative detail relating to the R&D enhanced tax deduction regime. It will apply to expenditure from 1 April 2018.



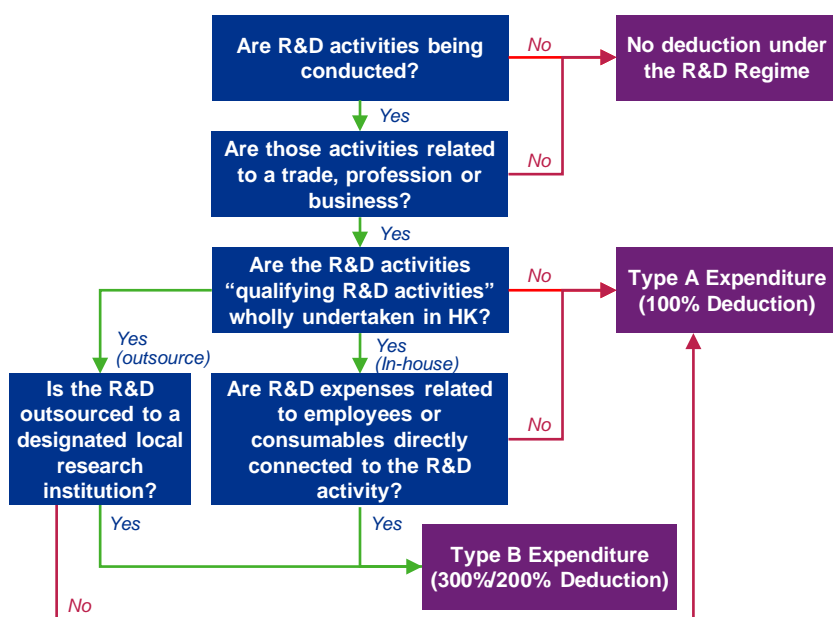
## Current Regime

Under the Bill, R&D expenditure will be separated into two categories:

- **Type A** – which will qualify for 100% deduction; and
- **Type B** – which qualifies for **300% deduction** (for the first HKD 2 million of expenditure) and **200%** (for the remaining balance)



## Broad overview of the new regime



Qualifying R&D Activities are defined as:

- An activity in the fields of natural or applied science to extend knowledge;
- A systematic, investigative, or experimental activity carried on for the purposes of any feasibility study or in relation to any market, business or management research;
- Any original or planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding; and
- The application of any research findings or other knowledge to a plan or design for the producing or introducing new or substantially improved materials, devices, products, processes, systems or services before they are commercially produced or used.



## How to prepare yourself

Review your business and consider how you can improve your products, processes or services

Speak with your internal management team, technology officers and development team

Identify what enhancement projects and staff you have employed to enhance your products, processes or services



## How can KPMG help

### Step 1: Workshop



We will conduct a complimentary workshop to understand your R&D activities and work with you to unlock potential R&D enhanced deductions and other tax opportunities

Leveraging KPMG's regional experience particularly in Australia and China, our team will comprise of experts and R&D technical specialists

### Step 2: Deep Dive



The KPMG team will undertake a granular review of your business, R&D activities and assess whether the enhanced deduction can be availed

We will also identify areas of enhancement within your business should the R&D claim be challenged by the tax authority

### Step 3: Execution



KPMG will work with you to implement the R&D concessions and prepare the necessary documentation and setup of the IP structure



## Contact us

For inquiries related to this update, please contact us:

### John Timpany

Partner, Tax  
KPMG Tax Services Limited  
T: +852 2143 8790  
E: john.timpany@kpmg.com

### Alice Leung

Partner, Tax  
KPMG Tax Services Limited  
T: +852 2143 8711  
E: alice.leung@kpmg.com

### Ivor Morris

Partner, Tax  
KPMG Tax Services Limited  
T: +852 2847 5092  
E: ivor.morris@kpmg.com

### Alex Lai

Senior Manager, Tax  
KPMG Tax Services Limited  
T: +852 2685 7489  
E: alex.lai@kpmg.com

[kpmg.com/cn](http://kpmg.com/cn)

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