HKGCC
Hong Kong General Chamber of Commerce
香港總商會1861

香港總商會
香港金鐘道統一中心廿二樓
Hong Kong General Chamber of Commerce
22/F United Centre,
95 Queensway, Hong Kong
Tel (852) 2529 9229
Fax (852) 2527 9843
Email chamber@chamber.org.hk
www.chamber.org.hk

Helping Business since 1861

31 March 2026

Mr Algernon Yau, JP
Secretary for Commerce and Economic Development
Commerce and Economic Development Bureau
22/F, West Wing, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Algernon,

Re: Proposals on Intellectual Property Tax Deduction

The Hong Kong General Chamber of Commerce welcomes the opportunity to comment on the proposed tax deductions for intellectual property (IP).

We support the Government's objective of encouraging IP creation and exploitation to strengthen Hong Kong's position as a regional IP trading centre. To sustain Hong Kong's competitiveness vis-à-vis jurisdictions such as Singapore and Ireland, we recommend ensuring that our tax regime is no less advantageous than those offered elsewhere.

On the proposed tax reforms, we agree with extending profits tax deductions to encompass acquisitions from associated companies and upfront lump-sum licence fees. While acknowledging the need for safeguards, we encourage that they be kept proportionate and practical for businesses. For example, aligning valuation thresholds with widely recognized international standards – such as those in Singapore – would help preserve Hong Kong's appeal as a destination for IP holding.

We hope you find our comments useful to your deliberations.

Yours sincerely,

Patrick Yeung
CEO

Encl.

Consultation Paper ("CP") by the Commerce and Economic Development Bureau, Inland Revenue Department and Intellectual Property Department

Proposals on Intellectual Property Tax Deduction (January 2026)

Submission by The Hong Kong General Chamber of Commerce (HKGCC)

Introduction

1. HKGCC supports in principle the Government's objective of encouraging IP creation and exploitation, in order to promote Hong Kong as a regional IP trading centre. We agree that tax incentives (including tax deductions) are a key policy tool in achieving this objective. If Hong Kong is to succeed in achieving this objective, it is essential that our tax regime is at least in line with, and preferably more favourable than, that of other competing regional IP trading centres, in particular Singapore Our membership has commented that leading Chinese IP-rich manufacturers are moving to or setting up IP holding companies in Singapore, rather than in Hong Kong, because of Singapore's more favourable tax regime. We are pleased that the Government is now proposing to address this problem. We set out below our views on the two particular proposals on IP tax deduction set out in the CP.

Proposal 1: Allowing tax deduction of the acquisition costs of certain IP from associates

2. We firmly agree with the principle of expanding the scope of the profits tax deduction for capital expenditure in the purchase of IP to include acquisitions from associated companies. The fact that acquisitions from associated companies have hitherto been excluded from such a deduction has been a major obstacle to Hong Kong's ability to compete with jurisdictions such as Singapore and Ireland in attracting IP holding companies to locate here. We are pleased that the Government is proposing to address this discrepancy. As we stated in our proposals on 16 January 2026 for the Government's forthcoming budget "…this [step] would encourage IP owners with overseas IP rights to register in Hong Kong".[1]

3. With regard to the Government's proposed safeguards against abuse of the proposed expanded exemption, whilst we agree that safeguards against abuse are important, it is equally important (with the same objective of promoting Hong Kong's position as a regional IP trading centre) to ensure that the relevant safeguards are necessary, proportionate to a realistic threat, and therefore not unduly onerous for businesses.

4. In this respect, we note, for example, that the Government proposes that an independent valuation report be required when the capital expenditure incurred in

[1] HKGCC Budget Proposals for 2026-27, https://www.chamber.org.hk/en/advocacy/policy_comments.aspx?ID=609 , para 3.12.

the acquisition of the IP is equal to or greater than **HKD 3 million** for a related party transaction. In Singapore, the equivalent figure for such a transaction is SGD 10 million, i.e. the equivalent of approximately **HKD 61 million,** i.e approximately 20 times higher.[2] As noted above, if Hong Kong is to compete effectively with other regional IP trading centres, such discrepancies should be avoided. Aligning the Hong Kong regime more closely with comparable jurisdictions – and ideally ensuring it is no more onerous – would strengthen our competitiveness.

5. We also note that IP is often sold and purchased as a portfolio rather than as individual assets. Given that allocating portfolio value to each individual IP may be difficult and could lead to potential disputes between taxpayers and the tax authority, it is proposed to include an alternative threshold (possibly similar to Singapore's competitiveness threshold) for IP portfolio valuation. This could help prevent tax avoidance or evasion by sellers mixing less valuable IPs into a portfolio to bring the average value below HKD 3 million per piece, thereby protecting tax revenue.

6. We defer to the tax and financial experts, including the accountancy profession, to comment on whether the other safeguards proposed by the Government in the CP satisfy these criteria.

Proposal 2: Allowing tax deduction for upfront licence fees for the right to use IP in a licensing arrangement

7. This proposal is a welcome recognition of the fact that it is a common industry practice nowadays to charge upfront licence fees in the form of a lump sum, and that such fees should also be eligible for tax deduction, not just periodic payments during the term of the licence. We agree in principle with this proposal. We also agree with the forms of licence, and types of IP, that are proposed to be eligible for the deduction.

8. We agree with the proposal that the deduction be evenly spread over the licensing term. As the CP notes, this would align with the accounting treatment on amortization of the licence. It would also align with other jurisdictions such as Ireland and Singapore. As regards the proposed claw-back arrangement, anti-avoidance provisions, and deeming provision, it is important to ensure that these proposals are necessary, proportionate, and therefore not unduly onerous for businesses. This is not just to avoid unnecessary costs for businesses, but also to promote Hong Kong as a regional centre for IP trading. We defer to the tax and financial experts, including the accountancy profession, to comment on whether the proposed safeguards satisfy these criteria.

---

[2] Inland Revenue Authority of Singapore (2026) *Writing-Down Allowances for Intellectual Property Rights*. Available at: https://www.iras.gov.sg/taxes/corporate-income-tax/income-deductions-for-companies/claiming-allowances/writing-down-allowances-for-intellectual-property-rights-(iprs)

Conclusion

9. We hope the above comments are useful in helping the Government to finalise its proposals, and we would welcome any future opportunities to contribute our views as Hong Kong further strengthens its IP tax regime.

HKGCC Secretariat
March 2026