

HONG KONG TAX

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PROFITS TAX RETURNS 2022/23 IMPORTANT CHANGES



The Inland Revenue Department (IRD) bulk issued 2022/23 Profits Tax Returns (BIR51 or BIR52) in early April 2023.

There are a number of changes in the tax return forms and the way of filing this year. We highlight below some key changes for attention. Please do not hesitate to contact your BDO professionals if you would like to discuss further.

References to sections and schedules refer to existing or proposed new sections and schedules to the Inland Revenue Ordinance, unless otherwise stated.

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Tax return due dates

Taxpayers with tax representatives can have their 2022/23 Profits Tax Return due dates extended as follows:

Accounting date	Extended due date
1 April – 30 November 2022 (N code)	17 May 2023
1 – 31 December 2022 (D code)	15 August 2023
1 January – 31 March 2023 (M code)	15 November 2023
1 January – 31 March 2023 (M code with current year loss)	31 January 2024

The IRD will grant a further extension of one month on application if a taxpayer will e-file or semi-e-file its Profits Tax Return (not applicable to M code with current year loss cases). Electronic filing will be discussed further below.

Modes of return filing

With effect from 1 April 2023, all corporations and businesses (including partnerships) can e-file Profits Tax Returns through eTAX for the year of assessment 2022/23 alongside with the following e-services and e-filing modes:

Filing mode	Profits Tax Return	Required forms	Supporting documents
Paper	Paper	XML	Paper
Electronic	Electronic	XML	iXBRL
Semi-electronic	Paper	XML	iXBRL

iXBRL filing of supporting documents

Starting from 3 April 2023, supporting documents in iXBRL format can be e-filed together with Profits Tax Returns on a voluntary basis to the IRD through eTAX.

The IRD provides free conversion tools, namely IRD iXBRL Data Preparation Tools, for corporations or businesses to convert their financial statements and tax computations into iXBRL data files. The IRD iXBRL Data Preparation Tools can be downloaded through the IRD website.

- **Paper mode** – This means a taxpayer continues to file its Profits Tax Return and supporting documents by hardcopy. Applicable required forms must be filed electronically in XML format through eTAX, with a paper Control List for the Required Forms e-filed (IR1477) generated by eTAX to be printed out for signature and submission together with the hardcopy submission package.
- **Electronic mode** – This means a taxpayer only needs to complete simplified e-returns (BIR51(ie)(ic) / BIR52(ie)(ic)) online, upload the completed required forms in XML format and the supporting documents prepared in iXBRL format, e-sign and submit the return through eTAX.
- **Semi-electronic mode** – This allows a taxpayer to submit all required data in electronic form through eTAX and print a simplified Profits Tax Return (BIR51(ie)(ic) / BIR52(ie)(ic)) generated by eTAX which is required to be printed for signature and submission in paper form.

Supporting documents must be submitted

Irrespective of the amount of their gross income, all corporations and businesses are now required to furnish their Profits Tax Returns together with all the supporting documents, except for dormant companies (within the terms of the Companies Ordinance) or companies incorporated in a jurisdiction whose laws do not require financial statements to be audited and an auditor's report has not been prepared.

Small corporations and businesses with gross income not exceeding HK\$2 million will no longer be exempt from furnishing supporting documents when filing their Profits Tax Returns with effect from 1 April 2023.

Required forms must be uploaded electronically through eTax

All required forms must be submitted electronically through eTAX irrespective of the filing mode of the Profits Tax Return for any year of assessment from 2018/19 to 2023/24 (both inclusive). If a taxpayer needs to file any required form, it must download it from the IRD website and fill in the form electronically. After completion, the taxpayer must export the completed form to XML file and upload the XML file via eTAX for submission.

In the case of paper filing mode, the supplementary form(s) uploaded must be indicated in part 9 of BIR51/52 while the other forms uploaded (ie forms for family office and specified foreign-sourced income under the foreign-sourced income exemption regime) must be indicated in items 7.11 & 7.13 of BIR51 or items 7.7 & 7.9 of BIR52. A paper Control List (IR1477) containing details of the XML files uploaded and the QR code generated by eTAX must be printed and signed for submission together with the paper Profits Tax Return.

Provisional profits tax to be calculated after taking account of tax credit

We also take this opportunity to remind that any tax credit or deduction allowed under section 50 for the preceding year of assessment is to be taken into account in calculating provisional profits tax payable for 2023/24 following a new subsection (1E) is added to section 63H together with the introduction of the foreign sourced income exemption rules.

Our observations

We appreciate the IRD's efforts in progressing tax digitalisation in Hong Kong towards ultimate mandatory electronic tax filing intended by 2030. FAQs are already uploaded in the IRD website to provide guidance on the new modes of tax filing. Voluntary e-filing is strongly encouraged by the IRD. As regards the IRD iXBRL Data Preparation Tools,

general feedback to-date suggests that the tool may still be in its transitional stage in terms of technical development pending introduction of a new business tax portal scheduled by 2025. Improvements are anticipated. This is indeed part of the IRD's digitalisation plan to prepare for the upcoming mandatory e-filing for all taxpayers scheduled by 2030.

An extra one month extension for taxpayers who elect for e-filing or semi-e-filing is welcomed. Taxpayers should nevertheless pay attention to the requirements of mandatory submission of audited financial statements even for small corporations and mandatory e-filing of all required forms. Such requirements apply equally to taxpayers who continue with paper mode of filing.

A Profits Tax Return (BIR51 or 52) can be signed and submitted electronically by an authorised signer using eTax Password, MyGovHK Password, personal digital certificate issued by a recognised certification authority or 'iAM Smart' account with digital signing function. A taxpayer may also appoint a service provider to sign and submit Profits Tax Returns for or on its behalf.

Profits Tax Returns-In Respect of Non-resident Persons (BIR54) will continue to be filed in paper form.

Please do not hesitate to reach out to your BDO tax professionals if you require our assistance.

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