L.N. 157 of 2026

Inland Revenue Ordinance (Amendment of Schedules) Notice 2026

Contents

Section		Page
1.	Commencement	B5285
2.	Inland Revenue Ordinance amended	B5285
3.	Schedule 61 amended (GloBE rules)	B5285
4.	Schedule 62 amended (HKMTT)	B5353
5.	Schedule 63 amended (administration of top-up taxes)	B5355
6.	Schedule 64 amended (OECD GloBE rules guidance)	B5359

Inland Revenue Ordinance (Amendment of Schedules) Notice 2026

(Made by the Secretary for Financial Services and the Treasury under section 26AG of the Inland Revenue Ordinance (Cap. 112))

1. Commencement

This Notice comes into operation on 19 February 2027.

2. Inland Revenue Ordinance amended

The Inland Revenue Ordinance (Cap. 112) is amended as set out in sections 3 to 6.

3. Schedule 61 amended (GloBE rules)

(1) Schedule 61, English text, Part 1, Article 3.2.4—

Repeal

"transferrable"

Substitute

"transferable".

(2) Schedule 61, English text, Part 1, Article 5.2.1—

Repeal

"*Top up tax percentage = minimum rate – effective tax rate*"

Substitute

"*Top up Tax Percentage = Minimum Rate – Effective Tax Rate*".

(3) Schedule 61, Chinese text, Part 1, Article 10.1.1, definition of ***投資實體***, paragraph (b)—

Repeal

"純綷"

Substitute

"純粹".

(4) Schedule 61, Chinese text, Part 1, Article 10.1.1, definition of ***非牟利組織***, paragraph (d)(ii) and (iii)—

Repeal

"物業"

Substitute

"財產".

(5) Schedule 61, Part 3, section 2(1), definition of ***transition period***—

Repeal

"2026"

Substitute

"2027".

(6) Schedule 61, Part 3, section 2(1), definition of ***transition period***—

Repeal

"2028"

Substitute

"2029".

(7) Schedule 61, Part 3, section 7(1)(b), after "2026"—

Add

"or 2027".

(8) Schedule 61, Part 3, section 16, definition of ***transition period fiscal year***—

Repeal

"12 months that begins on or before 31 December 2025 and ends before 31 December 2026"

Substitute

"53 weeks that begins on or before 31 December 2025 and ends on or before 3 January 2027".

(9) Schedule 61, Part 3, section 19, definition of ***QDMTT safe harbour standards***—

Repeal

"document referred to in item 3 of Part 1 of Schedule 64"

Substitute

"Jul-2023 Administrative Guidance, as amended by the Sep-2026 Administrative Guidance".

(10) Schedule 61, Part 3, section 20(d)—

Repeal

"25 or 26"

Substitute

"25, 26 or 26A".

(11) Schedule 61, Part 3, Division 4, Subdivision 2, after section 26—

Add

"**26A. Disqualifying condition—required QDMTT accounting period differing from accounting period used for preparing consolidated financial statement**

The QDMTT safe harbour does not apply to an MNE group's jurisdictional top-up tax under the GloBE rules for a fiscal year, for constituent entities of the group located in a jurisdiction, if—

(a) any such constituent entity is required under the law of the jurisdiction to use an accounting period specified by the jurisdiction for determining the qualified domestic minimum top-up tax of the jurisdiction (***required QDMTT accounting period***) that is different from the accounting period used in respect of the constituent entity for preparing the consolidated financial statements of the UPE of the group; and

(b) any such required QDMTT accounting period that begins or ends in the fiscal year does not qualify for the QDMTT safe harbour.".

(12) Schedule 61, Part 3, section 27(1)—

Repeal

"25 and 26"

Substitute

"25, 26 and 26A".

(13) Schedule 61, Part 3, section 28(1)—

Repeal

"25 and 26"

Substitute

"25, 26 and 26A".

(14) Schedule 61, Part 3, section 29—

Repeal

"25 and 26"

Substitute

"25, 26 and 26A".

(15) Schedule 61, Part 3, after Division 5—

Add

"Division 6—Simplified ETR Safe Harbour

Note—

1. This Division adopts, with certain necessary changes, the text about simplified ETR safe harbour as set out in the box under paragraph 20 of Chapter 2 of the Jan-2026 Administrative Guidance.
2. A reference to an Article in this Division is a reference to an Article of the GloBE rules.

Safe harbour test

1. At the election of the filing constituent entity, the top-up tax in a tested jurisdiction for a fiscal year shall be deemed to be zero for that fiscal year where:
   a. the tested jurisdiction has a simplified ETR of at least the minimum rate, where the simplified ETR is calculated by dividing the simplified taxes by the simplified income, or
   b. the tested jurisdiction has a simplified loss.

Tested jurisdiction

2. A tested jurisdiction consists of constituent entities, permanent establishments, joint ventures, or JV subsidiaries for which a separate ETR is required to be calculated under the GloBE rules.

3. A filing constituent entity may make an annual election to include constituent entities that are not minority-owned constituent entities and same-country investment entities located in the same jurisdiction under Article 10.3 and

that are eligible to elect the simplified ETR safe harbour under paragraphs 65 to 67 as a single tested jurisdiction for purposes of the simplified ETR safe harbour. A same-country investment entity is an investment-related entity if all of its constituent entity-owners are also located in the same jurisdiction under Article 10.3 as the entity and none of those owners have made an election under Article 7.5 or Article 7.6.

Source of information

4. The simplified income and simplified taxes for a tested jurisdiction are calculated based on the financial accounting data used to prepare the MNE group's consolidated financial statement (CFS) consistent with the principles of Article 3.1.2 and 3.1.3, except as otherwise required by the simplified ETR safe harbour.

5. As an exception to paragraph 4, when a QDMTT jurisdiction has adopted the local financial accounting standard (LFAS) rule and an MNE group is required to apply the local financial accounting standard for QDMTT computations, that MNE group must compute the simplified income or loss and simplified taxes for that tested jurisdiction using the financial accounts prepared under LFAS rule (unless the QDMTT LFAS jurisdiction allows the use of the accounting standard of its CFS for purposes of the simplified ETR safe harbour). For the purposes of this paragraph, where the QDMTT LFAS jurisdiction is Hong Kong, an MNE group is allowed to use the accounting standard of its CFS for the purposes of simplified ETR safe harbour if—

a. the filing constituent entity of the MNE group elects to use such an accounting standard; and

b. the accounting standard is an acceptable financial accounting standard.

Note—

Paragraph 5 is modified to provide for the conditions under which an MNE group is allowed to use the accounting standard of its CFS for the purposes of simplified ETR safe harbour where the QDMTT LFAS jurisdiction is Hong Kong.

Simplified income

6. Simplified income or loss of a tested jurisdiction is calculated by adjusting the jurisdictional profit (or loss) before income tax by: basic adjustments (i.e. removing excluded dividends, excluded equity gains or losses, and adding expenses accrued for bribes, kickbacks, other illegal payments as well as for fines and penalties that equal or exceed EUR 250,000), any applicable industry adjustments, conditional adjustments, and any optional adjustments elected by the MNE group.

7. The jurisdictional profit (or loss) before income tax (JPBT) of a tested jurisdiction is equal to the aggregate financial accounting net income or loss of the constituent entities in the tested jurisdiction plus the jurisdictional income tax expense (JITE) of those constituent entities.

Industry adjustments

Financial services industry adjustments

8. JPBT excludes the insurance company income described in Article 3.2.9, unless the MNE group makes an annual election not to apply the exclusion.

9. JPBT is adjusted for payments and receipts in respect of additional tier one capital and restricted tier one capital pursuant to Article 3.2.10.

Shipping industry adjustments

10. JPBT excludes the international shipping income and qualified ancillary international shipping income described in Article 3.3, unless the MNE group makes a five-year election not to apply the shipping income exclusion in the computation of the simplified income for the tested jurisdiction in fiscal years in which the computation of the aggregate amount of international shipping income and qualified ancillary international shipping income is positive. The election does not apply to any fiscal year in which the computation of the aggregate amount of international shipping income and qualified ancillary international shipping income results in a loss. The election does not apply in any fiscal year for which the simplified ETR safe harbour does not apply.

Conditional adjustments for equity-reported items

11. No adjustment to JPBT is required for an equity-reported item of expense or loss.

12. An adjustment to JPBT is required for an equity-reported item of income. However, that adjustment is waived when (i) the income is subject to tax at a rate that equals or exceeds the minimum rate and (ii) the related income taxes are accounted in equity or other comprehensive income. If the related income tax is a deferred tax liability (DTL), the condition (ii) can only be met if it is a recapture exception accrual.

13. The equity-reported items are:

    a. included revaluation method gain or losses (Article 3.2.1(d)); and

    b. prior period errors and changes in accounting principle (Article 3.2.1(h)).

M&A simplification and fair-value election

14. In general, Chapter 6 of the GloBE rules relating to corporate restructurings applies for purposes of the simplified ETR safe harbour. Accordingly, the effect of the GloBE-to-book difference attributable to an M&A transaction must be removed from the JPBT and JITE to determine simplified income and simplified taxes, except as provided in this paragraph and paragraphs 15 to 22.

15. An MNE group can apply the M&A simplification to compute the simplified ETR provided that all of the assets (except for goodwill) and liabilities for which a GloBE-to-book difference is identified for the tested jurisdiction have the same tax basis before and after the M&A transaction and corresponding deferred tax assets (DTAs) or liabilities accrued at a rate that equals or exceeds the minimum rate.

16. Pursuant to the M&A simplification:

    a. the effect of the GloBE-to-book difference on the JPBT for the tested jurisdiction is not removed from the computation;

    b. the accrual of the deferred tax assets and liabilities attributable to the M&A transaction is not included in simplified taxes, and

    c. the reversal of deferred tax assets and liabilities attributable to the M&A transaction, including deferred tax liabilities that are not recapture exception accruals, is included in simplified taxes.

17. Any impairment or amortization of goodwill that does not have a corresponding deferred tax liability (or that has a corresponding deferred tax liability recorded at a tax rate below the minimum rate) is added back to the JPBT (and the reversal of the related deferred tax liability, if any, is excluded from simplified taxes).

18. In a year for which the simplified ETR safe harbour is elected, an MNE group may make an election under Article 6.3.4 where the tax basis of the assets and liabilities is adjusted to the fair value as determined in connection with a triggering event (including a triggering event related to an M&A transaction) that occurs for local tax purposes in the current fiscal year.

19. In a year for which the simplified ETR safe harbour is elected, an MNE group may also make an election under Article 6.3.4 in relation to assets and liabilities where the tax basis of the assets and liabilities is adjusted to the fair value as determined in connection with an M&A transaction that occurred in a prior fiscal year, provided

that the Article 6.3.4 election was not available for that year. When an election under Article 6.3.4 is made pursuant to this paragraph, the GloBE-to-book difference of each asset and liability is included in the computation of simplified income either in the year of the election or ratably over a five-year period, starting from the year of the election. The Article 6.3.4 election applies to all the assets and liabilities that were transferred in the relevant M&A transaction.

20. Any amount of gain or loss allocated to a fiscal year pursuant to an Article 6.3.4 election is included in the simplified income of that fiscal year.

21. An M&A transaction means a transaction in which assets and liabilities are transferred in connection with:

a. an acquisition of the controlling ownership interest of an entity that is not described in Article 6.2.2, or

b. a GloBE reorganization.

22. GloBE-to-book difference means the difference between the GloBE carrying values of the assets and liabilities acquired in an M&A transaction (and determined in accordance with Articles 6.2 and 6.3) and the accounting carrying values of those assets and liabilities that is attributable to the M&A transaction and any corresponding deferred tax assets and liabilities reflected in the financial accounts.

Simplified taxes

23. The starting point for the determination of the simplified taxes for a tested jurisdiction is the jurisdictional income tax expense. This amount is equal to the sum of the

current and deferred income tax expense or benefit accrued in the financial accounting net income or loss of the constituent entities located in the tested jurisdiction and any deferred taxes recorded at the consolidated level that are attributable to constituent entities in the tested jurisdiction.

24. This amount is then subject to the following adjustments:

a. policy-based adjustments (i.e. reduced by current or deferred tax expense attributable to a tax that is not a covered tax under Article 4.2.2, and adjusted for tax refunds and credits under Article 4.1.3(b) and (c));

b. adjustment to ensure correlation between simplified taxes and simplified income (i.e. reduced by the amount of any tax expense associated with items of income that are not included in simplified income, under Article 4.1.3(a) and 4.4.1(a));

c. adjustments for uncertain taxes and taxes that are not payable promptly (i.e. adjusted for accruals and payments of uncertain tax positions under Articles 4.1.2(c) and 4.1.3(d), reduced by the amount of current tax expense not expected to be paid within three years under Article 4.1.3(e), and adjusted under Article 4.4.6 for accrual or reversal of uncertain tax positions and taxes on distributions);

d. deferred tax adjustments.

i. deferred tax expense is recast at the minimum rate using the following formula:

$$\textit{Deferred Tax Expense in Simplified Taxes} \times \frac{\textit{Minimum Rate}}{\textit{Accounted Tax Rate}}$$

where:

- the deferred tax expense in simplified taxes is the total amount of deferred tax expense, including the accrual and reversal of deferred tax assets and liabilities that are taken into account in the simplified taxes for the tested jurisdiction for the fiscal year; and
- the accounted tax rate is the income tax rate used to recognise deferred taxes in the relevant financial accounts (before any valuation allowance).

ii. deferred tax expenses are reflected without regard to any valuation allowances, or accounting recognition adjustments.

iii. deferred tax expenses are adjusted for changes in the income tax rate under Article 4.4.1(d), and

iv. deferred tax expenses related to deferred tax liabilities that are not recapture exception accruals are excluded. The DTL recapture rule generally does not apply under the safe harbour.

e. any optional adjustments elected by the MNE group.

Simplified adjustment for negative taxes in simplified loss year

25. In a fiscal year for which a simplified loss and negative simplified taxes are determined for a tested jurisdiction, the simplified adjustment for negative taxes, if any, must be determined.

26. The simplified adjustment for negative taxes is the negative amount, if any, that results from subtracting the product of the simplified loss multiplied by the minimum rate from the simplified taxes. The simplified adjustment for negative taxes formula can be expressed as follows:

$$Simplified\ Taxes - (Simplified\ Loss \times Minimum\ Rate).$$

27. The simplified adjustment for negative taxes is carried forward and included in the computation of simplified taxes, or adjusted covered taxes in a fiscal year to which the safe harbour does not apply, in the same manner as the excess negative tax carry-forward is included in the computation of adjusted covered taxes.

28. In lieu of paragraphs 25 through 27, an MNE group may elect to determine a loss DTA adjustment for a fiscal year during the transitional period if it had a tax loss, a simplified loss and net negative taxes for the transition year and each fiscal year in the transitional period preceding that fiscal year. The loss DTA adjustment is carried forward and reduces (but not below zero) the amount of the loss DTA reversal tentatively computed in the simplified taxes (or adjusted covered taxes) in a subsequent fiscal year. The loss DTA adjustment is reduced at the end of each year by the amount used to reduce the loss DTA reversal in that year, and any

outstanding amount is carried forward to subsequent years.

a. The loss DTA adjustment is the sum of: (i) the amount of the loss DTA reflected in the JITE (determined without regard to valuation allowance or accounting recognition adjustment) attributable to permanent differences (including non-economic deductions and exempt income) recast at the minimum rate, and (ii) the amount of deferred tax liabilities accrued during the fiscal year attributable to goodwill and other intangibles with an indefinite life recast at the minimum rate.

b. An MNE group has net negative taxes for a fiscal year when the JITE for the tested jurisdiction, adjusted for valuation allowances and accounting recognition adjustments on deferred tax assets, is nil or a net negative amount.

c. The transitional period is comprised of five consecutive fiscal years starting with the transition year.

29. If any excess negative tax carry-forward is outstanding at the beginning of a fiscal year, that excess negative tax carry-forward is included in the computation of simplified taxes in the same manner as the excess negative tax carry-forward is included in the computation of adjusted covered taxes.

Optional adjustments

30. An MNE group may make any of the GloBE elections permitted under Chapter 3 of the GloBE rules and related Commentary.

31. The non-material constituent entities simplified calculation is available under the simplified ETR safe harbour.

32. The following GloBE adjustments are required for the simplified ETR computation, unless the MNE group makes a five-year election not to make the adjustment:

a. asymmetric foreign exchange currency gain or loss (Article 3.2.1(f));

b. accrued pension expense (Article 3.2.1(i)); and

33. An MNE group may make an annual election to include in its simplified taxes any amount of covered taxes accrued as an expense but not included in income tax expense in the financial accounts in accordance with Article 4.1.2(a).

34. An MNE group may make an annual election to include in simplified taxes any covered taxes related to an equity-reported item of income that is included in simplified income or loss under paragraphs 11 to 13.

35. An MNE group may make an annual election to include in simplified taxes and simplified income the amount of any tax credits that:

a. are qualified refundable tax credits or marketable transferable tax credits;

b. are accounted as tax reduction in the JITE; and

c. originated in the fiscal year of the election or in a prior fiscal year but are not fully utilised as of the year of the election. In the latter case: (i) the amount of the tax credit not yet utilised as of the year of the election is included in the simplified income in the

year of election, and (ii) the election continues to apply until the tax credit is fully utilised.

36. The election for substance-based tax incentive safe harbour is available under the simplified ETR safe harbour.

37. An MNE group may elect to apply the GloBE loss election (Article 4.5).

Transition year rules

38. The transition year for a tested jurisdiction that has not already had a transition year is the first year that the MNE group elects the simplified ETR safe harbour for the tested jurisdiction.

39. Articles 9.1.1 to 9.1.3 and the related Commentary apply in determining simplified income and simplified taxes.

Tax adjustments after year end

40. Where there is an change (increase or decrease) to the covered tax liability or income for a fiscal year (the transaction year) that is accrued after the end of that fiscal year, the increase or decrease in tax or income is included in the simplified taxes or simplified income for the fiscal year in which it is reflected in the financial accounts (the accrual year), except as provided in paragraph 42.

41. An MNE group may make a five-year election to include all increases or decreases in covered tax liability and income that accrue within 12 months of the end of the

transaction year in the simplified taxes and simplified income of the transaction year. This election applies to increases or decreases in covered tax liability and income in all jurisdictions in which the MNE group operates. This election does not apply to covered tax liability or income adjustments related to transfer price adjustments and can be made independently of the election for transfer price adjustments in paragraphs 51 to 55.

42. If a net decrease to the covered tax liability for a previous fiscal year that is not attributable to a decrease in simplified income accrued more than 12 months after the end of that fiscal year and including that net decrease in the simplified taxes of the accrual year would cause the simplified ETR to be below the minimum rate, the MNE group may exclude the net decrease for that previous fiscal year from the simplified taxes of the accrual year if:

a. after adjusting the simplified taxes by the net decrease accrued in any fiscal year in respect of that previous fiscal year and any corresponding deferred tax effects for that previous fiscal year, the simplified ETR for that previous fiscal year is not below the minimum rate; or

b. after adjusting the adjusted covered taxes by the net decrease accrued in any fiscal year in respect of that previous fiscal year and any corresponding deferred tax effects for that previous fiscal year, the GloBE ETR for that previous fiscal year is not below the minimum rate.

Cross-border allocation of income and taxes

43. An MNE group must follow Articles 3.4, 3.5, and 4.3.2(b) to allocate income and taxes of a permanent establishment (PE) and flow-through entity.

44. The amount of taxes allocable from a main entity to a PE or from a constituent entity-owner to a subsidiary constituent entity under Article 4.3.2(a), (c), (d), or (e) are excluded from all tested jurisdictions, unless the MNE group makes the five-year election in paragraph 50. However, withholding taxes imposed on distributions from a constituent entity by the jurisdiction where that subsidiary constituent entity is located are not excluded.

45. In lieu of applying Articles 3.4.4 and 3.4.5, a filing constituent entity may make a PE simplification election with respect to permanent establishments of main entities located in a jurisdiction that has adopted anti-hybrid rules consistent with BEPS Action 2 and that has a taxable branch regime. The election is subject to the condition that any deferred taxes on the main entity's income and expenses attributable to domestic operations are not reflected in JITE below the minimum rate.

46. Under the PE simplification election:

    a. the simplified income or loss of each PE is included in the simplified income or loss of the main entity's tested jurisdiction to the extent that it is treated as income or loss in the computation of the domestic taxable income under the taxable branch regime in the main entity jurisdiction;

b. the main entity's current and deferred taxes related to the income or loss of those PEs as determined under the tax legislation are included in the simplified taxes of the main entity's tested jurisdiction;

c. the amount of foreign tax credit used by the main entity to reduce its current tax expense related to including the PE's income are included in the simplified taxes of the main entity's tested jurisdiction; and

d. the simplified income and simplified taxes of the PE's tested jurisdiction (or GloBE income and adjusted covered taxes of the PE's jurisdiction, if the simplified ETR safe harbour does not apply) are determined without regard to Article 3.4.5 and Article 4.3.4.

47. The PE simplification election is an annual election and is made on a jurisdictional basis. Where a simplified loss of a PE has been included in the simplified income of a jurisdiction pursuant to the election, the MNE group must make the election in each subsequent fiscal year until the fiscal year after the simplified income of the main entity's jurisdiction has included an equal amount of simplified income of that PE.

48. For the purposes of the PE simplification election, where there are foreign tax credits attributable to different types of foreign source income, the MNE group determines the amount of foreign tax credit used in the year and related to PE income by multiplying the total amount of foreign tax credit used in the year by the ratio of the PE income included in taxable income to the total amount of foreign source income included in taxable income. The amount of

foreign tax credit included in simplified taxes cannot exceed the result of multiplying the nominal tax rate in the main entity jurisdiction by the total income of PEs included in main entity's taxable income.

49. The PE simplification election has no impact on the simplified ETR safe harbour computation of the tested jurisdiction of a PE. The simplified ETR safe harbour computations for those tested jurisdictions mirror the QDMTT approach and an MNE group must exclude any taxes paid by a main entity on income attributable to a PE from the simplified ETR computation for the tested jurisdiction of the PE, unless an election under paragraph 50 below is made.

50. An MNE group may make a five-year election to allocate taxes described in Article 4.3.2(a), (c), (d) and (e) to another constituent entity in accordance with Articles 4.3.2 and 4.3.3. Where those taxes are allocated to a constituent entity that is located in a jurisdiction that does not have a QDMTT, the taxes are included in the simplified taxes for the tested jurisdiction that includes that constituent entity.

Transfer pricing adjustments

Transactions between constituent entities located in different tested jurisdictions

51. Where there is a TP taxable income adjustment made after the end of the fiscal year, that relates to transaction between constituent entities located in different tested jurisdictions, the TP taxable income adjustment is included as an adjustment to JPBT of the fiscal year in

which it accrued (the accrual year). A TP taxable income adjustment is equal to the difference between the transfer price recorded in the financial accounts at the end of the fiscal year and the transfer price used to compute taxable income for the year. Any increase or decrease in covered tax liability attributable to the TP taxable income adjustment is also included in the accrual year. Where there is a TP taxable income adjustment in a tested jurisdiction and no corresponding TP taxable income adjustment in the counterparty, an adjustment equal to the TP taxable income adjustment must be made to the JPBT of the counterparty's tested jurisdiction.

52. An MNE group may make a five-year election to include TP taxable income adjustments and any related increases or decreases in covered tax liability that accrue within 12 months of the end of the fiscal year for which the TP taxable income adjustments are made (the transaction year) as an adjustment to JPBT and JITE of the transaction year. This election applies to TP taxable income adjustments and any related increase or decrease in covered tax liability in all jurisdictions in which the MNE group operates.

Transactions between constituent entities located in different tested jurisdictions that are accounted at cost

53. Where a constituent entity (the seller) has transacted with another constituent entity (the buyer) in a different tested jurisdiction and the transaction is recorded at cost in the financial accounts, the JPBT of the seller's tested jurisdiction must be adjusted to reflect the transfer price used to determine the taxable income (or the arm's length price, if the transaction is not taxable).

54. The buyer will use the carrying value in the financial accounts of its assets (except intangible assets) and liabilities to determine its simplified income. The buyer also must use the corresponding DTA (recast at the minimum rate) recorded in respect of the difference between the tax and accounting carrying values in computing its simplified taxes. The simplified income and simplified taxes for the buyer's jurisdiction are calculated based on the arm's length price for any intangible assets that were transferred and based on the carrying value of the asset or liability recorded in its financial accounts for all other assets and liabilities arising from the transaction.

Transactions between constituent entities in the same tested jurisdiction

55. Paragraph 51 applies to a sale or other transfer of an asset between constituent entities that are located in the same tested jurisdiction when that sale or transfer results in a loss. If the tax law of the jurisdiction disallows the loss instead of adjusting the sale price to arm's length, the amount of the disallowed loss is deemed to be a transfer pricing adjustment in the amount of the disallowed loss.

Tax neutral UPEs

56. The simplified income or loss and simplified taxes of a UPE that is a flow-through entity or a permanent establishment described in Article 7.1.4 shall be reduced in accordance with Article 7.1. As an exception, the simplified income or loss and simplified taxes of any such entity shall be deemed to be zero where all the ownership interests in the UPE are held by qualified persons.

57. The simplified income or loss and simplified taxes of a UPE or constituent entity described in Article 7.2.3 that is subject to deductible dividend regime shall be reduced in accordance with Article 7.2. As an exception, the simplified income or loss and simplified taxes of any such entity shall be deemed to be zero where:

a. all the ownership interests in the UPE are held by qualified persons; and

b. all the income is distributed as deductible dividends.

58. If the simplified income or loss and simplified taxes of all the entities in a tested jurisdiction are deemed to be zero under paragraph 56 or 57, the top-up tax for the tested jurisdiction is deemed to be zero.

59. If the conditions of paragraph 58 are not met, the top-up tax for the tested jurisdiction is deemed to be zero if the simplified ETR for the jurisdiction equals or exceeds the minimum rate after adjusting simplified income or loss and simplified taxes for the tested jurisdiction in accordance with paragraph 56 and 57.

60. For purposes of paragraphs 56 and 57, a qualified person means:

a. in respect of a UPE that is a flow-through entity, a holder described in Article 7.1.1 or Article 7.1.2; and

b. in respect of a UPE that is subject to deductible dividend regime, a holder described in Article 7.2.1.

Tax transparent entities

61. The simplified income or loss and simplified taxes of a tax transparent entity other than a UPE shall be deemed to

be zero where all of the income and taxes of the tax transparent entity (after application of Article 3.5.3) is allocated to permanent establishments under Article 3.5.1(a) and 4.3.2(a) or to constituent entity-owners under Articles 3.5.1(b) and 4.3.2(b).

62. If the simplified income or loss and simplified taxes of all of the entities in a tested jurisdiction are deemed to be zero under paragraph 61, the top-up tax for the tested jurisdiction is deemed to be zero.

Investment-related entity tax transparency election

63. The top-up tax of an investment-related entity shall be deemed to be zero for a fiscal year where it is treated as a tax transparent entity for all of its constituent entity-owners due to an election under Article 7.5 or under the definition of tax transparent entity in Article 10.2.

Ineligible tested jurisdictions

64. An MNE group is not eligible to elect the simplified ETR safe harbour for the following tested jurisdictions:

a. stateless constituent entities, except as provided in paragraphs 61 and 62;

b. investment-related entities, except as provided in paragraph 63; and

c. tested jurisdictions with constituent entities in respect of which the MNE group has made an eligible distribution tax system election under Article 7.3 and there is an outstanding balance of the deemed distribution tax recapture account for the jurisdiction at the beginning of the fiscal year.

First election and re-entry requirements

65. An MNE group is eligible to elect the simplified ETR safe harbour for the first time in respect of a tested jurisdiction for a fiscal year if it did not have a top-up tax liability for that tested jurisdiction in every fiscal year beginning within 24 months before the first day of the fiscal year for which the simplified ETR safe harbour is elected.

66. If an MNE group fails to qualify for the simplified ETR safe harbour in a fiscal year after electing it in a previous fiscal year for the same tested jurisdiction, the MNE group may re-elect the simplified ETR safe harbour if it did not have top-up tax liability in any of the fiscal years beginning within 24 months of the first day of the fiscal year for which the safe harbour was not elected, under either (i) full GloBE rules or (ii) any specified safe harbour.

67. A specified safe harbour means the simplified calculation safe harbour for non-material constituent entities and any other safe harbour that the Inclusive Framework agrees on and that it considers should be treated as a specified safe harbour for purposes of the re-entry rule.

Integrity rules

68. To be eligible for the simplified ETR safe harbour, an MNE group must make the necessary adjustments to its simplified income and simplified taxes computations to produce outcomes which are consistent with the following four principles:

a. matching principle—intragroup income is not recognised in a fiscal year later than the fiscal year when the corresponding expense is recognised and the amount of income matches the amount of the corresponding expense;

b. full allocation principle—all income is allocated to a tested jurisdiction;

c. single expense and loss principle—expenses and losses are only deducted once and in a single tested jurisdiction; and

d. single tax principle—taxes are only recorded once and in a single tested jurisdiction.

69. When the matching principle is not satisfied, the MNE group must adjust the JPBT in the tested jurisdiction of the constituent entity that recognised the expense to eliminate the expense. However, if the matching principle would be failed solely because one of the parties applies the safe harbour using a local financial accounting standard, the matching principle will be treated as being satisfied.

70. When the full allocation principle is not satisfied, the MNE group must include the income in the correct tested jurisdiction under the GloBE rules.

71. When the single expense and loss principle is not satisfied, the MNE group must adjust the JPBT in the tested jurisdiction of any constituent entity that recognised the expense to eliminate the expense. When the single tax principle is not satisfied, the MNE group must adjust the JITE in the tested jurisdiction of any constituent entity

that recognised the tax expense to eliminate the tax expense.

72. Any financial instrument issued by one constituent entity and held by another constituent entity in the same MNE group must be classified as debt or equity consistently for both the issuer and the holder based on the financial accounting standard used by the issuer in the computation of its simplified income.

Applicability date

73. A filing constituent entity can elect the simplified ETR safe harbour for a tested jurisdiction for a fiscal year that commences on or after 31 December 2026.

74. A filing constituent entity can elect the simplified ETR safe harbour for a tested jurisdiction for a fiscal year that commences on or after 31 December 2025 if:

a. the QDMTT safe harbour applies with respect to the tested jurisdiction;

b. only one jurisdiction has taxing rights under the GloBE rules with respect to the tested jurisdiction; or

c. all jurisdictions that have taxing rights under the GloBE rules with respect to the tested jurisdiction have made the simplified ETR safe harbour available for any fiscal years that commence on or after 31 December 2025 under their relevant legislation and an election for the simplified ETR safe harbour is made by the MNE group with respect to that tested jurisdiction in applying the legislation of all those jurisdictions.

Division 7—Substance-based Tax Incentive Safe Harbour

Note—

This Division adopts, with certain necessary changes, the text about substance-based tax incentive safe harbour as set out in the box under paragraph 2 of Chapter 4 of the Jan-2026 Administrative Guidance.

1. At the election of the filing constituent entity, the amount of top-up tax in a tested jurisdiction that corresponds to qualified tax incentives (QTIs) for the fiscal year is deemed to be zero.

2. The top-up tax that corresponds to the qualified tax incentives is equal to the difference between:

   (i) the top-up tax for the tested jurisdiction calculated under the treatment of qualified tax incentives provided in paragraph 4, and

   (ii) the top-up tax that would have been calculated for the tested jurisdiction if the election had not been made.

3. A QTI means a generally available tax incentive to the extent that the amount of the incentive is calculated based on expenditures incurred, or on the amount of tangible property produced in the jurisdiction. An incentive is a tax incentive if it reduces the current or future liability for a covered tax in the jurisdiction but also includes a qualified refundable tax credit or a marketable transferable tax credit when the filing constituent entity has made an annual election to treat that credit as a QTI. An expenditure-based tax incentive is not qualified if the value of the tax benefit from the incentive exceeds the amount of expenditure incurred.

4. When the substance-based tax incentive safe harbour election is made, the adjusted covered taxes of the constituent entities located in the jurisdiction are increased by the lower of the amount of QTIs used in the fiscal year and the substance cap for the tested jurisdiction.

5. The amount of a QTI used in a fiscal year is:

(i) the reduction in the covered tax liability in the fiscal year due to the utilisation of a tax credit, or

(ii) the amount of enhanced allowance or super deduction claimed in the fiscal year multiplied by the statutory tax rate, or

(iii) the amount of income attributable to eligible expenditure that is exempt multiplied by the statutory tax rate or, in case of application of a preferential tax rate, that amount of income attributable to eligible expenditure multiplied by the difference between the statutory and preferential tax rates.

6. The substance cap for a MNE group for a jurisdiction for a fiscal year is:

(i) 5.5% multiplied by the greater of the sum of the eligible payroll costs of eligible employees that perform activities for the MNE group in the jurisdiction or the depreciation and depletion recorded in the financial accounting net income or loss in respect of eligible tangible assets located in the jurisdiction for that fiscal year, or

(ii) if the MNE group makes a five-year election for the jurisdiction, 1% of the carrying value of eligible tangible assets located in the jurisdiction (excluding

land and other non-depreciable assets) for that fiscal year.

7. If a filing constituent entity revokes an election to use the computation provided in paragraph 6(ii), the depreciation and depletion in respect of an eligible tangible asset shall be excluded in applying paragraph 6(i) if the carrying value of that asset was included in the substance cap in a previous fiscal year to which the substance-based tax incentive safe harbour applied.

8. A filing constituent entity can make the substance-based tax incentive safe harbour election for a tested jurisdiction for a fiscal year that commences on or after 1 January 2026.

Division 8—Side-by-Side Safe Harbour

Note—

This Division adopts, with certain necessary changes, the text about side-by-side safe harbour as set out in the box under paragraph 2 of Chapter 5 of the Jan-2026 Administrative Guidance.

1. At the election of the filing constituent entity, the top-up tax for a jurisdiction for a fiscal year shall be deemed to be zero for purposes of the IIR and the UTPR where the constituent entities located in the jurisdiction are eligible for the side-by-side safe harbour (SbS safe harbour). The constituent entities of an MNE group are eligible for the side-by-side safe harbour for a fiscal year if the UPE of that MNE group is located in a jurisdiction with a qualified SbS regime for the fiscal year.

2. Where an election for the SbS safe harbour has been made, the top-up tax arising with respect to any interest in a joint venture or JV subsidiary owned by a constituent entity of an MNE group will also be deemed to be zero under the IIR and the UTPR if the UPE of that MNE group is located in a jurisdiction with a qualified SbS regime.

3. A jurisdiction has a qualified SbS regime if it:

   a. has an eligible domestic tax system;

   b. has an eligible worldwide tax system;

   c. provides a foreign tax credit for QDMTTs on the same terms as any other creditable covered tax; and

   d. enacted its eligible domestic tax system and eligible worldwide tax system prior to 1 January 2026 or a later date in accordance with the procedures set out in paragraph 27 of Chapter 5 of the Jan-2026 Administrative Guidance.

4. An eligible domestic tax system is one that has:

   a. at least a 20% statutory nominal corporate income tax (CIT) rate after taking into account preferential adjustments and sub-national corporate income taxes (where applicable);

   b. a QDMTT or a corporate alternative minimum tax that is based on financial statement income, subject to appropriate adjustments consistent with the policy objectives of minimum taxation, at a nominal rate of at least 15%, and is applicable to a substantial portion of the aggregate income of in-scope MNE groups' operations in the jurisdiction; and

c. no material risk that in-scope MNE groups headquartered in the jurisdiction will be subject to an effective rate of tax (evaluated taking into account incentives consistent with the treatment of such incentives under the GloBE rules and agreed safe harbours) on the overall profits of their domestic operations below 15%.

5. An eligible worldwide tax system is one that:

a. has a comprehensive tax regime applicable to all resident corporations on foreign income and which is imposed on a broad base that:

i. includes the active and passive income of foreign branches and controlled foreign companies regardless of whether or not that income is distributed; and

ii. is only subject to limited income exclusions which are consistent with the policy objectives of minimum taxation (for example, excluding categories of income which are generally high taxed);

b. incorporates substantial mechanisms which operate unilaterally to address BEPS risks; and

c. has no material risk that in-scope MNE groups headquartered in the jurisdiction will be subject to an effective rate of tax (evaluated taking into account incentives consistent with the treatment of such incentives under the GloBE rules and agreed safe harbours) on the overall profits of their foreign operations below 15%.

6. Where the Inclusive Framework has determined that a jurisdiction has a qualified SbS regime, that jurisdiction shall be listed as such on the central record.

7. An MNE group with its UPE located in a jurisdiction that has a qualified SbS regime can elect for the SbS safe harbour for fiscal years commencing on or after 1 January 2026 or a later year as listed in the central record.

Division 9—UPE Safe Harbour

Note—

This Division adopts, with certain necessary changes, the text about UPE safe harbour as set out in the box under paragraph 33 of Chapter 5 of the Jan-2026 Administrative Guidance.

1. At the election of the filing constituent entity, the top-up tax for the UPE jurisdiction for a fiscal year shall be deemed to be zero for purposes of the UTPR where the constituent entities located in the UPE jurisdiction are eligible for the UPE safe harbour. An MNE group will be eligible for the UPE safe harbour for a fiscal year if the UPE of that MNE group is located in a jurisdiction with a qualified UPE regime for that fiscal year.

2. A jurisdiction has a qualified UPE regime if it has an eligible domestic tax system which was enacted and in effect as at 1 January 2026. An eligible domestic tax system is one that has:

   a. at least a 20% statutory nominal corporate income tax (CIT) rate after taking into account preferential adjustments and sub-national corporate income taxes (where applicable);

b. a QDMTT or a corporate alternative minimum tax based on financial statement income, subject to appropriate adjustments consistent with the policy objectives of minimum taxation, at a nominal rate of at least 15%, and is applicable to a substantial portion of the aggregate income of in-scope MNE groups' operations in the jurisdiction; and

c. no material risk that in-scope MNE groups headquartered in the jurisdiction will be subject to an effective rate of tax (evaluated taking into account incentives consistent with the treatment of such incentives under the GloBE rules and agreed safe harbours) on the overall profits of their domestic operations below 15%.

3. Where the Inclusive Framework has determined that a jurisdiction has a qualified UPE regime, that jurisdiction shall be listed as such on the central record.

4. The UPE safe harbour is applicable for fiscal years commencing on or after 1 January 2026.".

4. Schedule 62 amended (HKMTT)

(1) Schedule 62, section 5(2)(b)—

Repeal

everything after "same as the"

Substitute

"accounting period used in respect of the entity for preparing the consolidated financial statements of the UPE of the MNE group; and".

(2) Schedule 62, after section 5(2)—

Add

"(2A) In applying subsection (2), if the accounting period of the financial accounts of a HK constituent entity of the MNE group is different from the accounting period used in respect of the entity for preparing the consolidated financial statements of the UPE of the MNE group because the entity became or ceased to be a constituent entity of the MNE group during the accounting period or the immediately preceding accounting period as a result of an acquisition, disposition, dissolution, merger, or similar restructuring (including the establishment of a permanent establishment), then for the purposes of subsection (2)(b), the accounting period of the financial accounts of the entity is taken to be the same as the accounting period used in respect of the entity for preparing the consolidated financial statements.".

(3) Schedule 62, after section 11(4)—

Add

"(5) If HKMTT is paid by the HK constituent entity by virtue of entity A's election under subsection (3)(b), any refund under this Ordinance of any amount of such HKMTT must be made to entity A.".

5. Schedule 63 amended (administration of top-up taxes)

(1) Schedule 63, section 14, heading, before "**51B,**"—

Add

"**51(4), (4AA), (4A) and (4B),**".

(2) Schedule 63, section 14(a), before "51B,"—

Add

"51(4), (4AA), (4A) and (4B),".

(3) Schedule 63, section 14(b), before "51B,"—

Add

"51(4), (4AA), (4A) and (4B),".

(4) Schedule 63, section 15, heading, before "**51B,**"—

Add

"**51(4), (4AA), (4A) and (4B),**".

(5) Schedule 63, section 15(2), before "51B,"—

Add

"51(4), (4AA), (4A) or (4B),".

(6) Schedule 63, after section 33(1)—

Add

"(1A) Despite subsection (1), in the case of a specified assessment of HKMTT payable by a HK constituent entity of an MNE group by virtue of an election made by a HK standalone JV, or a HK member of a JV group, of the MNE group under section 11(3)(b) of Schedule 62, the specified assessment may only be objected to under section 64 by—

(a) if the election was made by such a HK standalone JV—that HK standalone JV; or

(b) if the election was made by a HK member of such a JV group—

(i) that HK member;

(ii) another HK member of that JV group that is chargeable to HKMTT under the specified assessment; or

(iii) another HK member of that JV group—

(A) that has filed a top-up tax return required under this Schedule; and

(B) that—

(I) is the joint venture, or the designated local entity, of that JV group; or

(II) has complied with section 11(1)(a) and (2) of this Schedule.".

(7) Schedule 63, after Part 4—

Add

"**Part 5**

Miscellaneous

39. Conversion to Hong Kong currency using average foreign exchange rate

If an amount of top-up tax payable by a HK constituent entity of an MNE group for a fiscal year is determined in a currency other than Hong Kong currency, the amount must be converted to Hong Kong currency using the average foreign exchange rate for the fiscal year.".

6. Schedule 64 amended (OECD GloBE rules guidance)

(1) Schedule 64—

Repeal

"& Sch. 61".

(2) Schedule 64, Part 1—

Add

“

14.	OECD/G20 Base Erosion and Profit Shifting Project: Tax Challenges Arising from the Digitalisation of the Economy—Global Anti-Base Erosion Model Rules (Pillar Two), Side-by-Side Package	5 January 2026	Jan-2026 Administrative Guidance	31 December 2025

15.	OECD/G20 Base Erosion and Profit Shifting Project: Tax Challenges Arising from the Digitalisation of the Economy—Administrative Guidance on the Application of the Transitional UTPR Safe Harbour to MNE Groups with 52-53-Week Fiscal Years	18 May 2026	May-2026 Administrative Guidance	1 January 2025

16.	OECD/G20 Base Erosion and Profit Shifting Project: Tax Challenges Arising from the Digitalisation of the Economy—Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2026)	28 May 2026	2026 Commentary	1 January 2025

17.	OECD/G20 Base Erosion and Profit Shifting Project: Tax Challenges Arising from the Digitalisation of the Economy—Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two)	11 September 2026	Sep-2026 Administrative Guidance	1 January 2025

".

Christopher HUI Ching-yu
Secretary for Financial Services
and the Treasury

23 November 2026

Explanatory Note

This Notice amends Schedules 61, 62, 63 and 64 to the Inland Revenue Ordinance (Cap. 112)—

(a) to implement the latest requirements on safe harbours relating to the global minimum effective tax imposed on certain large multinational enterprise groups so as to reduce compliance burden;

(b) to make certain miscellaneous amendments for facilitating the administration of top-up taxes; and

(c) to make certain minor textual amendments.