

Tax Report



Hong Kong	Proposed Global Share Purchase and Match Plan
Tax points	<u>Purchased shares:</u> Purchase: Salaries (income) tax on any discount to the value at the time of purchase. No social security. Sale by participant: No tax on capital gains. No social security. <u>Matching shares:</u> Grant: No income tax. No social security. Vesting: Salaries (income) tax. No social security. Transfer to participant: No income tax. No social security. Sale by participant: No tax on capital gains. No social security.
Income tax (maximum rate)	17% (2026/27). Any change in tax rates usually takes effect from 1 April.
Income tax rates	There are two ways to compute the salaries tax in Hong Kong. Taxpayers can pay tax on their net chargeable income (assessable income less deductions and allowances) at progressive rates ranging from 2% to 17%, or at a flat rate of 15% on net income (assessable income less deductions) for the first HKD5,000,000 and 16% for the remainder, whichever is the lower.
Employer income tax withholding	No
Employer social security withholding	No
Employee social security	Employee social security (max rate): 5% Mandatory Provident Fund (MPF) contribution. Employee social security (cap): HKD1,500 per month. There are no social security taxes in Hong Kong. However, there is a requirement for both employers and employees to make contributions into the MPF, designed for retirement protection. An employee is required to contribute 5% of monthly income, which is matched by the employer. The maximum aggregated mandatory contribution is HKD3,000 per month. The employee's contribution is withheld at source from their monthly income. Note: contributions into the MPF are paid on salary or cash income (up to the cap) and are not payable on equity plan income.
Employer social security	Employer social security (max rate): 5% Mandatory Provident Fund (MPF) contribution.

Tax Report



Hong Kong	Proposed Global Share Purchase and Match Plan
	Employer social security (cap): HKD1,500 per month. Note: contributions into the MPF are paid on salary or cash income (up to the cap) and are not payable on equity plan income.
Share valuation for determining taxable benefit	Public/listed companies: there is no specific method required to calculate the share price for tax purposes. Any valuation is allowed provided it is used consistently, and it reflects the fair market value of shares on the relevant date. Private companies: for shares in a private company, there are no special rules about how the valuation should be calculated and so any method will be acceptable provided it is fair and accurate, and the company can demonstrate how it was calculated.
Capital gains tax (maximum rate)	None
Dividend tax (maximum rate)	None, however, dividends and dividend equivalents paid before vesting are deemed employment income and are taxable.
Tax reporting - Individual	Yes Report name: Individual Tax Return (BIR60). The assessable value of a share award will be included in the annual Employer's Return (Form IR56B), a copy of which must be delivered to the employee by the employer. A separate return (IR56F or IR56G) must be delivered to employees leaving employment or departing from Hong Kong. The return can be filed online. Forms and information can be accessed through the Inland Revenue Department (IRD) website (here). Tax period: 1 April to 31 March. Reporting deadline: Individual Tax Returns are usually issued in early May of each year and must be lodged within 1 month (2 months if filing electronically) from the date of issue unless an extension request is submitted and approved by the IRD. If the individual does not receive the required tax return form, they must notify the IRD in writing about their assessable income within four months of the end of the tax year (i.e. by 31 July). Payment of tax: tax will normally be paid in two instalments between January and April of the following year. The dates are notified by the Commissioner of Inland Revenue in an assessment notice. Estimated (provisional) tax payments are made during the current year. On departure from Hong Kong, the participant may elect for a deemed exercise of options or a deemed vesting of other awards. If an election is made, tax is paid based on the current share price and no later tax is due.
Tax reporting - Employing company	Yes, the employer is required to report the grants and exercise of options and the vesting of RSUs.

Hong Kong	Proposed Global Share Purchase and Match Plan
	Report name: Employer's Returns of Remuneration and Pensions (Form BIR56A) is issued to employers by the IRD on 1 April and must be filed along with the Annual Employer's Return (Form IR56B). A list of options granted during a reporting year must be provided with Form IR56B and exercise must be reported in Form IR56B in the category of Gains Realised under Share Option Scheme. The vesting of RSUs and a purchase under a share purchase plan are reported in Form IR56B under the category of perquisites (i.e. benefits) in the tax year that the income is accrued by the employees. The filing date is usually 30 April, unless an extension request is submitted and approved by the IRD. A copy of the Employer's Return must be provided to the employee. The return can be filed online. Additional returns for employers: • Commencement Notification Form (Form IR56E): the employer is required to disclose the number of share awards granted (but not yet exercised/vested) to the participant on Form IR56E. The form is for new employees and has to be filed within 3 months of commencement of employment or assignment in Hong Kong. • Cessation Notification Form (Form IR56F) to be filed one month before the date of termination of employment. • Departure Notification Form (Form IR56G) in the case of departure from Hong Kong permanently or for a period in excess of one month (the notification is not required for employees who are required to leave Hong Kong at frequent intervals in the course of their employment). Two copies of the form have to be filed one month before the anticipated departure date. Forms and information can be accessed through the Inland Revenue Department website (here). Reporting deadline: see above. Payment of tax: usually the employer is not responsible for withholding and payment of tax. If the employee is about to leave Hong Kong, detailed compliance rules, including withholding requirements, apply.
Share retention/holding period	The existence of a retention/holding period will not affect the tax treatment.
Recharge - Employing company	A recharge is deductible as long as the conditions, including the 'incurred' test under Sections 16 and 17 of the Inland Revenue Ordinance (IRO) are satisfied and the local employer entity has become unconditionally liable to pay the recharge. If costs relating to the provision of awards and ongoing administration costs are also charged back to the Hong Kong subsidiary, then these could also be deductible under the same principle. Hong Kong legislation does not provide specific criteria on documentation required to support a tax deduction although a recharge agreement is advisable. The timing of deduction for the cost of the award is the point of exercise for a stock option, purchase for a share purchase plan, or the point of vesting of the share award.

Tax Report



Hong Kong	Proposed Global Share Purchase and Match Plan
Recharge - Individual	The existence of a recharge does not impact the tax treatment for the individual.
Malus and clawback - Tax reclaim	If malus or clawback are applied then, in theory, any taxes paid can be reclaimed through the individual and the corporate tax returns.
Malus and clawback - Tax points	The existence of a malus or clawback clause does not affect the tax point for the individual.
Tax beneficial treatment	There is no applicable tax beneficial treatment.
Other	Private companies: the tax treatment of the share plans would be the same whether the parent company is publicly listed or a privately held company. Withholding and social security are not always applicable. This depends on the individual circumstances. If the position is uncertain, the prudent approach is to seek specific tax advice.

Tax Report



This summary assumes that the participants are subject only to local taxes at all relevant times. Different rules may apply if the participants are subject to multiple taxing jurisdictions at any relevant time.

This summary is only a guide. It is limited to a general description of national tax laws and does not address local, city, regional, state or other provincial tax laws that may apply to the participants.

The tax position will depend on each participant's individual circumstances. We do not warrant any particular tax result. Therefore we recommend that participants consult their own tax advisor regularly to determine their individual tax position.

The exact structure of an award is crucial to the way that award is taxed. The tax treatment can be affected by many factors including retention/holding periods and clawback. Different clawback terms and different restrictions on shares may impact the tax treatment. If companies want detailed and specific tax advice for their plans, then local counsel need to know the exact detail of how the specific plans work. The database can only give generalised tax information.

The information provided is understood to be correct as of 4 August 2026. Changes in legislation or practice after this date may affect the tax treatment.

This information was provided by Tapestry Insight Limited for information purposes only and on the basis of comprehensive legal disclaimers found in the [OnTap Terms and Conditions](#). It has not been signed off by local lawyers in this jurisdiction. Tapestry Insight Limited does not accept any liability for any loss caused by reliance upon this information or by acting upon or refraining from acting in reliance upon this information.

© Tapestry Insight Limited 2026