

## Tax - Payroll Guide - Free shares / RSU

<b>Hong Kong</b>	
<b>Tax points</b>	<p><b>Grant:</b> No income tax. No social security.</p> <p><b>Vesting:</b> Salaries (income) tax. No social security.</p> <p><b>Transfer to participant:</b> No income tax. No social security.</p> <p><b>Sale by participant:</b> No tax on capital gains. No social security.</p>
<b>Income tax (maximum rate)</b>	17% (2025/26). Any change in tax rates usually takes effect from 1 April.
<b>Income tax rates</b>	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), whichever is the lower.
<b>Employer income tax withholding</b>	No
<b>Employer social security withholding</b>	No
<b>Employee social security</b>	<p><b>Employee social security (max rate):</b> 5% Mandatory Provident Fund (MPF) contribution.</p> <p><b>Employee social security (cap):</b> HKD1,500 per month.</p> <p>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.</p> <p><b>Note:</b> contributions into the MPF are paid on salary or cash income (up to the cap) and are not payable on equity plan income.</p>
<b>Employer social security</b>	<p><b>Employer social security (max rate):</b> 5% Mandatory Provident Fund (MPF) contribution.</p> <p><b>Employer social security (cap):</b> HKD1,500 per month.</p> <p><b>Note:</b> contributions into the MPF are paid on salary or cash income (up to the cap) and are not payable on equity plan income.</p>
<b>Tax reporting - Individual</b>	<p>Yes</p> <p><b>Report name:</b> 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.</p>

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	<p>Forms and information can be accessed through the Inland Revenue Department (IRD) website (<a href="#">here</a>).</p> <p><b>Tax period:</b> 1 April to 31 March.</p> <p><b>Reporting deadline:</b> 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).</p> <p><b>Payment of tax:</b> 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.</p>
<b>Tax reporting - Employing company</b>	<p>Yes, the employer is required to report grants of options and vesting. Although other types of share awards are not reported as gains realised under a share option plan, they should be reported under the category of perquisites (i.e. benefits) at the time the benefit is derived by the employees (e.g. on purchase for a share purchase plan).</p> <p><b>Report name:</b> 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). The employer must report share awards (number and the fair market value) granted to the participant during the year of assessment in the annual Employer's Return. 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.</p> <p><b>Additional returns for employers:</b></p> <ul style="list-style-type: none"> <li>• <b>Commencement Notification Form (Form IR56E):</b> 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.</li> </ul>

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	<ul style="list-style-type: none"> <li>• <b>Cessation Notification Form (Form IR56F)</b> to be filed one month before the date of termination of employment.</li> <li>• <b>Departure Notification Form (Form IR56G)</b> 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.</li> </ul> <p>Forms and information can be accessed through the Inland Revenue Department website (<a href="#">here</a>).</p> <p><b>Reporting deadline:</b> see above.</p> <p><b>Payment of tax:</b> 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.</p>
<b>Malus and clawback - Tax points</b>	The existence of a malus or clawback clause does not affect the tax point for the individual.