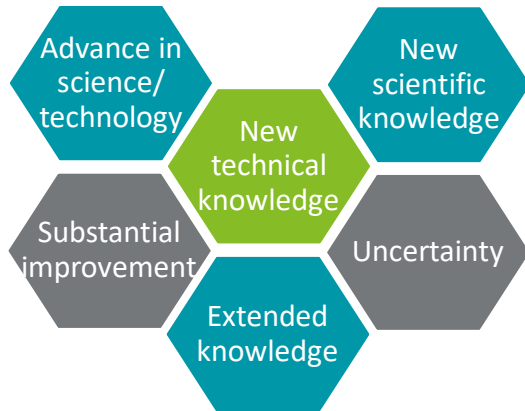


Hong Kong Tax Incentive for Research & Development (R&D)

Tax deduction up to **300%** to provide a boost for your innovation

With a view to encouraging more enterprises to conduct R&D activities in Hong Kong, Hong Kong introduced the enhanced R&D tax deduction regime in 2018/19.

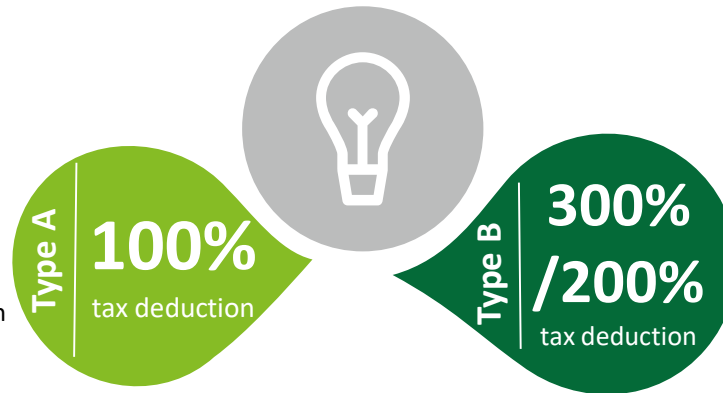
R&D activities



- An activity in the fields of natural or applied science to extend knowledge
- An original and planned investigation carried on with the prospect of gaining new scientific or technical knowledge and understanding
- The application of research findings or other knowledge to a plan or design for producing or introducing new or substantially improved materials, devices, products, processes, systems or services before they are commercially produced or used
- A systematic, investigative or experimental activity carried on for the purposes of any feasibility study or in relation to any market, business or management research *[not eligible for enhanced deduction]*

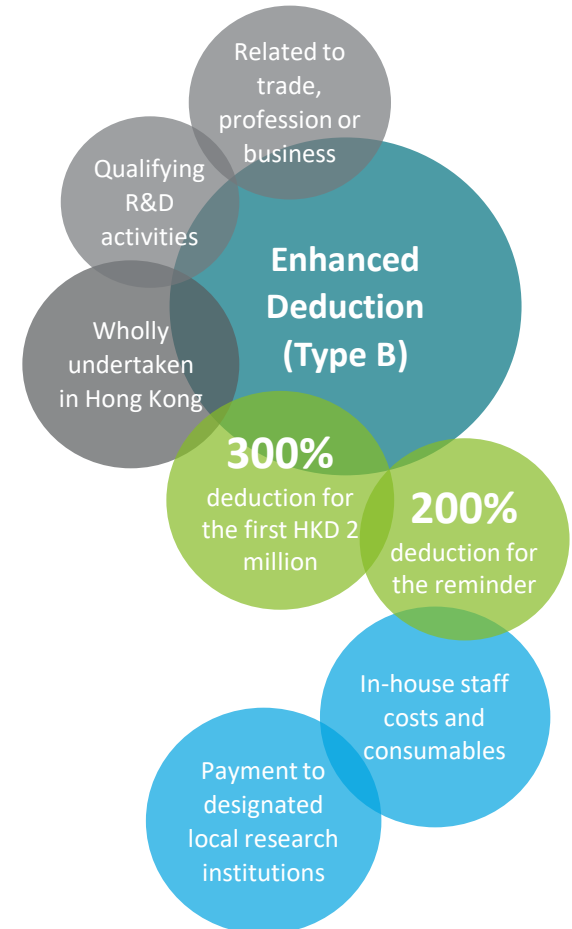
Deduction of R&D expenditure

Type A expenditure refers to expenditure incurred on an R&D activity other than a Type B expenditure, including a payment made to an R&D institution. This type of expenditure is eligible for 100% deduction if certain conditions are met. The R&D activity can be carried out in or outside Hong Kong.






Type B expenditure refers to (i) a qualifying expenditure in respect of employees and consumable items incurred for in-house qualifying R&D activities; or (ii) a payment to a designated local research institution (DLRI) for outsourced qualifying R&D activities. This type of expenditure is eligible for enhanced deduction i.e. 300% for the first HKD 2 million and 200% for the remaining amount without cap, if certain conditions are met.

Conditions for Enhanced deduction



No deduction

-  Intellectual property rights not fully vested
-  R&D expenditure covered by another person
-  For tax avoidance purpose

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Service offerings

-  **Advance Ruling**
assist to obtain a ruling from the Inland Revenue Department on whether the activities are qualified R&D activities
-  **Intellectual Property Planning**
recommend a model that may improve tax efficiency, if possible, by making use of the tax incentive
-  **Application for DLRI**
assist to apply as a DLRI for enjoying the enhanced deduction



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