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URL	https://www.kaizencpa.com/Knowledge/info/id/109.html
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Hong Kong Profits Tax – Basis Period for Assessment

Basis period is either:

1. the year ended 31 March during the relevant year;
2. the year ended on that day in the relevant year if the annual accounts are made up to any day other than 31 March;
3. where you commenced or ceased to carry on a business or changed its accounting date, the special period prescribed by sections 18C, 18D or 18E of the Hong Kong Inland Revenue Ordinance;
4. for commencement case, if accounts for this period have not been prepared the profits to be returned may be calculated by apportioning the profits shown by the accounts which cover the period; or
5. for cessation/transfer of business case, special rules apply:-
 - where the business does not cease but, in whole or in part, is transferred to or carried on by another person;
 - in the case of cessation occurring on or after 1 April 1979 of business which commenced before 1 April 1974.

Commencement of business

According to Section 18C of Hong Kong Inland Revenue Ordinance, there are three possible cases for the first accounting period:

1. if the first accounts are made up to a day within that year of assessment, the basis period for the year of commencement is from the date of commencement to the date which the accounts are made up.
2. if the first accounts are for a period in excess of a year and are made up to a day within a year of assessment following that in which the commencement occurred, the assessable profits will be computed on such basis as the Commissioner thinks fit.
3. if the first accounts are for a period of 1 year or less and are made up to a day within the year of assessment following that in which the commencement occurred, there shall be deemed to be no assessable profits for the year of assessment in which the commencement occurred.

Cessation of business

According to Section 18D of Hong Kong Inland Revenue Ordinance, there are three possible cases for a cessation of business:

1. the basis period for the year of cessation is from the date following the end of the basis period for the year preceding the year of assessment and ending on the date of cessation.
2. When a business is ceased in the year of assessment following that in which such commencement occurred, and there has been deemed to be no assessable profits for the year of assessment in which the commencement occurred under Section 18C(2) of Inland Revenue Ordinance, the basis period for the year of cessation is from the date of commencement to the date of cessation.
3. If a business commenced in Hong Kong before 1 April 1974, and the date of cessation is after 1 April 1975, special regulations will be applied.

Change of accounting date

According to Section 18E of Inland Revenue Ordinance:

1. If accounts are not made up to the corresponding day in the following year of assessment; or
2. if accounts are made up to more than one day in the following year of assessment.

The Commissioner can compute the assessable profits on the basis as he thinks fit for the year of assessment in which the above situations occurred and the year preceding that year of assessment.

Source : Hong Kong Inland Revenue Department's website

- https://www.ird.gov.hk/eng/tax/bus_pft.htm#a04

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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