

HONG KONG TAX

NOVEMBER 2025

Electronic filing of profits tax returns mandatory for Pillar Two in-scope groups from 2025/26

The first phase of mandatory electronic filing (e-filing) of profits tax returns (PTRs) will apply to the years of assessment beginning on or after 1 April 2025 (ie from 2025/26) for corporations (BIR51) and partnerships (BIR52) if the taxpayers are Hong Kong constituent entities, Hong Kong standalone joint venture (JV)s, Hong Kong members of JV groups, and Hong Kong-created stateless constituent entities or permanent establishments (collectively Part 4AA entities¹) of multinational enterprise (MNE) groups that are within the scope of Pillar Two for the relevant or preceding fiscal year which begins on or after 1 January 2025^{2,3}.

A Hong Kong Part 4AA entity with 31 December year-end of a Pillar Two in-scope MNE group, as referred to above, is mandated to e-file its PTRs for 2025/26 (and onwards) as the relevant fiscal years begin on or after 1 January 2025 unless the ultimate parent entity (UPE) of the MNE group to which it belongs to has a different year end date. Cases where the Hong Kong entity and its UPE have different year ends can be complicated and should be consulted separately.

Roadmap of e-filing of PTRs

The Inland Revenue Department (IRD) has adopted a phased approach to implement e-filing of PTRs for corporations and unincorporated businesses (excluding sole-proprietorship businesses) starting with large businesses first with a target of full-scale implementation of mandatory e-filing by 2030⁴, as follows:

Voluntary e-filing: Available since the year of assessment 2022/23⁵.

First phase of mandatory e-filing: Hong Kong Part 4AA entities of Pillar Two in-scope MNE groups are mandated to e-file their PTRs for a year of assessment beginning on or after 1 April 2025 (ie year of assessment 2025/26 onwards). This mandatory e-filing requirement is written in the tax law (amended section 51AAB and new Schedule 65 of the Inland Revenue Ordinance).

Next phase of mandatory e-filing: Businesses of smaller scale will be required to e-file their PTRs. All entities will ultimately be mandated to e-file their PTRs tentatively by 2030.

¹ The meaning of constituent entity, JV, JV subsidiary, stateless constituent entity and stateless permanent establishment should be read with the definitions as provided in the GloBE Rules.

² Meaning of a Pillar Two in-scope MNE group is discussed in detail in our Tax Newsletter [June 2025 - Global minimum tax and Hong Kong minimum top-up tax for multinational enterprise groups](#).

³ Exceptions include entities in liquidation or amalgamation, those without business registration, entities which have notified the Companies Registry or Business Registration Office of date of cessation, entities with financial statements covering more than 12 months, returns for 2025/26 issued on or before 31 March 2026, and re-filings of previously invalid e-filed returns.

⁴ Based on the IRD's iXBRL Filing webpage https://www.ird.gov.hk/eng/tax/bus_ixbrl.htm.

⁵ Our Tax Newsletter [April 2023 - Profits Tax Returns 2022/23 important changes](#) contains the e-filing related information relevant at the time.

Highlights

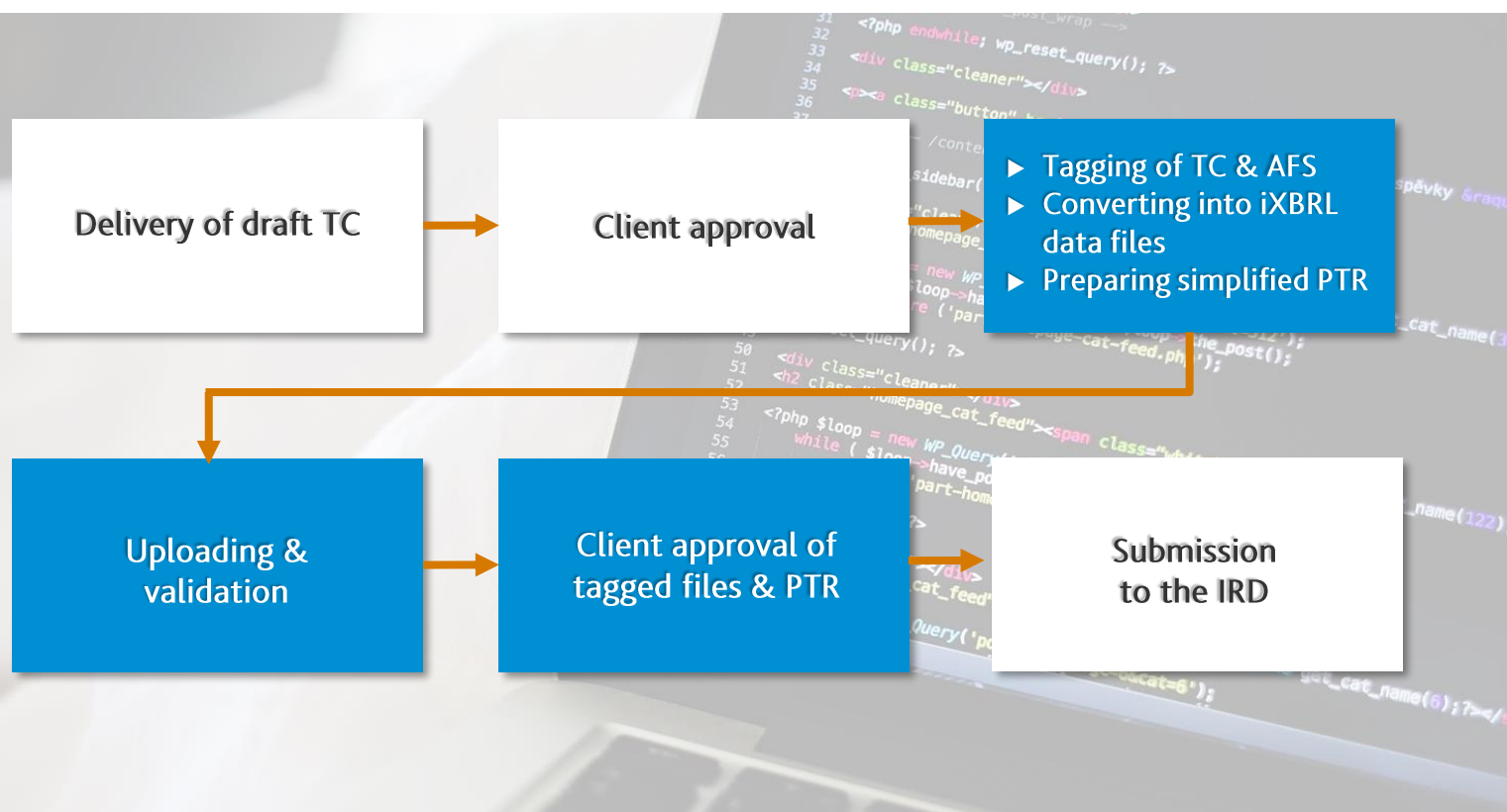
- ▶ Roadmap of e-filing of PTRs
- ▶ Overview of the e-filing process
- ▶ BDO comments

Overview of the e-filing process

Despite its digital nature, the e-filing process requires additional active human involvement, judgment and decision-making compared to traditional paper-filing, as explained below.

In paper filing, tax representatives prepare a client's PTR and tax computation (TC) based on audited financial statements (AFS), arrange client review, approval and signature, and submit the physical signed documents to the IRD.

In e-filing, after a client approves a TC prepared by its tax representatives (also acting as service providers), tax representatives will then embark on the following journey to convert the TC and AFS into machine-readable iXBRL data files (involves a workflow called tagging) to prepare for electronic submission. Accordingly, at least three additional procedures are required to be completed after a client approves the substantive contents of its TC as depicted in blue boxes below:



Time-sensitive challenges in the tagging, uploading, and validation workflows include:

- **Tagging complexity:** Data fields in the source files must be tagged using the standard taxonomy labels from the IRD Taxonomy Package. For context, the English version of the IRD Taxonomy for full-HKFRS financial statements currently contains over 7,000 labels. As the IRD updates the Taxonomy Package periodically, the applicable taxonomy may vary by year of assessment requiring manual monitoring and maintenance.
- **Mandatory data tagging requirements:** More than 100 items must be tagged in the TC. All line items in the income statement, balance sheet, and disclosures relating to related party transactions and property, plant, and equipment within the AFS must be tagged. Although auto-tagging is possible, manual review and correction remain essential.

Validation hurdles: Once converted, iXBRL files undergo a validation process via the IRD portal to ensure system readability. If a file fails validation, the filer may refer to the IRD's 52-paged manual of error messages to diagnose the issue and rectify it before re-uploading. Often the rectification requires the filer to go back to the source documents to eliminate the cause of the error.

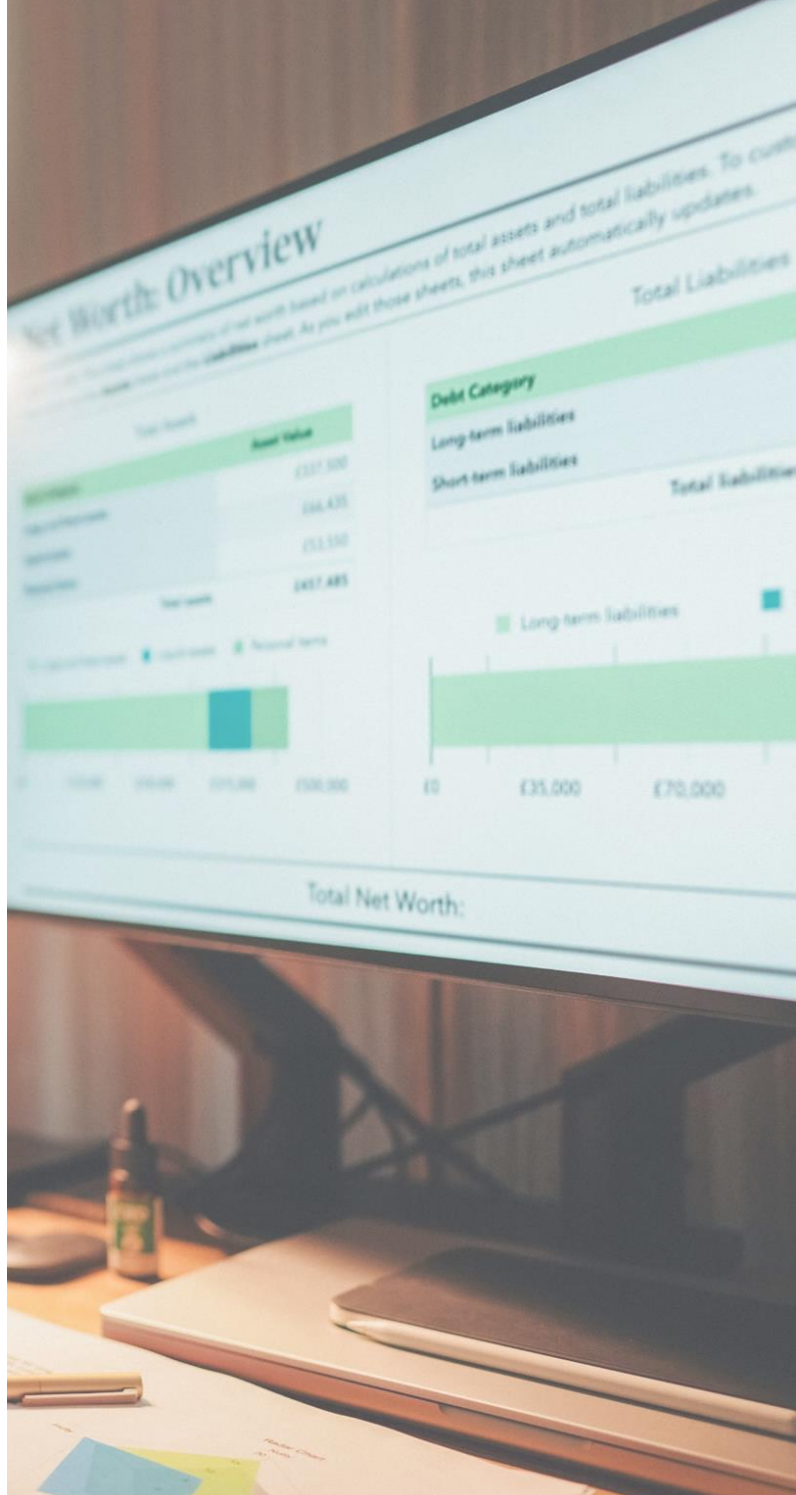
- **Language and version limitations:** The IRD Taxonomy Package and the IRD iXBRL Data Preparation Tools are available only in English and Traditional Chinese at present. The IRD iXBRL Data Preparation Tools are the freeware for tagging offered by the IRD.
- **Formatting and tool compatibility issues:** Depending on the tagging tools used, there may be restrictions on the source files. For instance, Microsoft Excel and Microsoft Word files must comply with specific formatting standards, such as font type, date format, and bullet or symbol styles to be recognized by the system for conversion into iXBRL data.

BDO comments

Tagging must be carried out using the final TC and AFS. Taxpayers are encouraged to ensure adequate lead time between the completion of these final documents and the statutory filing deadline to accommodate the tagging and file validation processes.

In recognition of the additional time and effort required for e-filing preparation, the IRD generally grants a one-month extension beyond the traditional paper filing deadline for electronic submission of PTRs.

We highly recommend taxpayers which are mandated to e-file their PTRs to plan an audit timetable that targets to have the AFS finalised and signed with a comfortable buffer. The traditional paper filing deadline will be a good reference point in time.



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