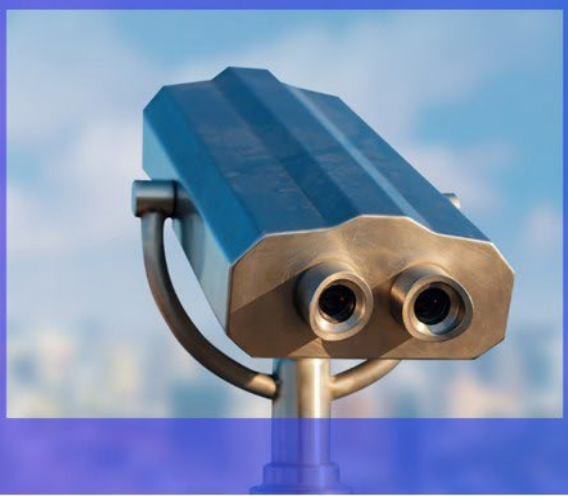
BEPS Pillar Two

Implementation in Hong Kong SAR



Hong Kong to implement the OECD Side-by-Side package through subsidiary legislation

The HKSAR Government issued a Legislative Council paper[1] (LegCo paper) in late October 2026, setting out its plan to implement the OECD's Side-by-Side package and other recent Pillar Two administrative guidance in the Hong Kong SAR (Hong Kong).

More specifically, Hong Kong will incorporate the following BEPS Pillar Two documents issued by OECD in 2026 into the Inland Revenue Ordinance (IRO):

- Administrative Guidance issued in January 2026[2] (i.e. the Side-by-Side package);
- Administrative Guidance issued in May 2026[3];
- Consolidated Commentary to the GloBE Model Rules (May 2026 version)[4]; and
- Administrative Guidance issued in September 2026[5].

The LegCo paper also outlines miscellaneous legislative amendments to facilitate the administration of the Global Minimum Tax (GMT) and Hong Kong Minimum Top-up Tax (HKMTT) in Hong Kong.

We set out below the quick takeaways from the LegCo paper, and the legislative approach and timeline for implementation.

Safe harbours

Introduction of new safe harbours

The following safe harbours will be available in Hong Kong for the fiscal years specified below:

New safe harbours	Applicable fiscal years
1. Side-by-Side safe harbour	Fiscal years beginning **on or after 1 January 2026**
2. UPE safe harbour	
3. Substance-based Tax Incentive safe harbour	
4. Simplified ETR safe harbour	Fiscal years beginning **on or after 31 December 2025**

Extension of the existing safe harbours

In line with the OECD's administrative guidance issued in January and May 2026, the fiscal years for which the existing safe harbours are available in Hong Kong will be extended as follows:

1. The LegCo paper can be accessed via this link: https://www.legco.gov.hk/yr2026/english/panels/fa/papers/facb1-1388-1-e.pdf
2. The Side-by-Side package can be accessed via this link: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/side-by-side-package.pdf
3. The document can be accessed via this link: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/administrative-guidance-on-application-of-transitional-utpr-safe-harbour-to-mne-groups.pdf
4. The document can be accessed via this link: https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/05/tax-challenges-arising-from-the-digitalisation-of-the-economy-consolidated-commentary-to-the-global-anti-base-erosion-model-rules--2026_24289ddf/4377e89f-en.pdf
5. The document can be accessed via this link: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/global-minimum-tax/administrative-guidance-on-the-global-anti-base-erosion-model-rules-pillar-two-september-2026.pdf

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Existing safe harbours	Extended fiscal years
1. Transitional CbCR safe harbour	Fiscal years beginning **on or before 31 December 2027** (instead of 31 December 2026) but not including a fiscal year ending after 30 June 2029
2. Transitional UTPR safe harbour	Fiscal years beginning **on or before 31 December 2025** and ending **on or before 3 January 2027** (instead of 31 December 2026)

Amendments relating to administration of top-up taxes

The LegCo paper also refers to other legislative amendments addressing issues related to objections against top-up tax assessments for joint ventures, currency translation rules, the Inland Revenue Department's information-gathering powers, and the introduction of new Tax Reserve Certificate forms to facilitate the holdover of disputed GMT and HKMTT payments under objection or appeal. We will provide a further update on these matters when the detailed legislative amendments become available.

Legislative approach and timeline

Implementation of the above safe harbours and administrative amendments will be effected through subsidiary legislation. The Government plans to table the relevant pieces of subsidiary legislation at the Legislative Council for negative vetting in **December 2026**, with commencement in **February 2027**.

If you have any comments or questions, please contact your usual KPMG tax contacts or one of us below.

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Publication ID: 1794195053070