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URL: <https://www.kaizencpa.com/cht/Knowledge/info/id/7.html>

Tax Obligations of an Employer in Hong Kong

1. Keeping payroll records

- (1) Your tax obligations commence when you hire the first employee
- (2) On hiring the employee, you must maintain a record of that person's:
 - (a) personal particulars (name, address, identity card or passport number with place of issue, marital status)
 - (b) nature of employment (full time or part-time)
 - (c) capacity in which employed (e.g. sales manager, salesman, worker, in-house lawyer, accountant, director)
 - (d) amount of cash remuneration (regardless of denomination in domestic or foreign currency and remuneration paid overseas)
 - (e) non-cash and fringe benefits (such as quarters, holiday journey benefits, share award, share option)
 - (f) employer's and employee's contributions to the Mandatory Provident Fund (MPF) or its equivalent
 - (g) employment contract and amendments to terms of employment
 - (h) period of employment
- (3) You must inform the Hong Kong Inland Revenue Department ("HKIRD") the following:
 - (a) any change in the employee's personal particulars (such as change in residential and postal address, change in marital status)
 - (b) any change in the employee's terms of employment (such as a change from full time to part-time)
 - (c) the Hong Kong Identity Card Number of the employee
- (4) Business owners are required to keep business accounting records, including payroll records, for at least 7 years.

2. Reporting remuneration paid to an employee to the HKIRD

- (1) General
 - (a) When you received an Employer's Return (BIR56A), you must complete it and lodge with IRD within 1 month even if you do not hire any employee (a Nil return should be made), the business has not commenced, or the business has ceased.
 - (b) If you have employed persons who should be reported but do not receive an Employer's Return for the relevant year of assessment by mid-April after the end of that year of assessment, you should request the HKIRD to issue an Employer's return.
 - (c) A copy of the completed IR56B/IR56E/IR56F/IR56G should be provided to the employee concerned so as to facilitate the correct completion of his/her tax return.
- (2) The Hong Kong Identity Card Number of the employee

If at the time when you complete your Employer's Return, an employee does not possess a Hong Kong Identity Card, e.g. the employee was recruited from overseas or seconded from an overseas corporation, you can fill in his/her passport number with place of issue. After filing the Employer's Return, you have to follow up with the employee. You should, soonest possible, write in to inform the IRD when the Hong Kong Identity Card Number of the employee is known.

(3) Continuous Employment

You must report the employee on your Employer's Return (BIR56A and IR56B) for the relevant year of assessment if he is:

- (a) single and paid an annual income in excess of the basic allowance of the relevant year
- (b) married (regardless of amount)
- (c) a part-time staff (regardless of amount)
- (d) a director (regardless of amount)

(4) New employment

You have to file one copy of IR56E or via Electronic Filing of Employer's Return within 3 months of employing a person if you anticipate that the employee is likely to be chargeable to Hong Kong Salaries Tax.

(5) On termination of his service (or death)

You must file one copy of IR56F or via Electronic Filing of Employer's Return one month before the date of termination of his employment.

(6) On his leaving Hong Kong for good or for a substantial period of time

- (a) You have to ascertain from the employee his expected date of departure.
- (b) You have to file two copies of IR56G or via Electronic Filing of Employer's Return one month before the expected date of departure.
- (c) From the date of filing IR56G and until such time the employee has made tax clearance and can produce to you a "letter of release" issued by the IRD, you should withhold all amounts due to be paid to him (including salaries, commission, bonus, reimbursement of rent/expense, money or money's worth included).

Source:

Hong Kong Inland Revenue Department's website (<https://www.ird.gov.hk/eng/welcome.htm>)

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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