



# “Patent Box” Tax Incentive



The Inland Revenue (Amendment) (Tax Concessions for Intellectual Property Income) Ordinance 2024 (Ord. No. 17 of 2024) has come into operation for implementing a major policy measure to promote the development of intellectual property (“IP”) trading under the Chief Executive’s 2023 Policy Address and the 2023-24 Budget.

## Persons eligible for concessionary tax rate

Starting from the 2023/24 year of assessment, the qualifying profits derived from eligible IP income of an owner or licensee of an eligible IP can be chargeable to profits tax at the concessionary tax rate of 5% (rather than the normal tax rate of 16.5%).



## Three types of eligible IPs

- Patents<sup>1/</sup> plant variety rights (subject to grant upon application and examination in or outside Hong Kong)
- Copyright subsisting in software (no registration is required)

Patents

Plant Variety Rights

Copyright subsisting in software



## Eligible IP must be generated from research and development (“R&D”) activities



■ If the eligible IP is entirely developed by the taxpayer, the full amount of the relevant profits can enjoy the concessionary tax rate.

■ If the R&D process involves acquisition of other IPs, or the taxpayer has outsourced part of the R&D activities to be undertaken by related parties outside Hong Kong, the amount of profits that can enjoy the concessionary tax rate may be reduced proportionally.

<sup>10</sup> If the eligible patent application is an international application filed under the Patent Cooperation Treaty, it must have entered its national phase in a patent office.

<sup>00</sup>An eligible patent application does not include an application for a standard patent by re-registration filed in Hong Kong on or after 5 July 2026.



## Eligible IP income

Income derived from the commercialisation or exploitation of eligible IPs in or outside Hong Kong, e.g.:

- royalties from licensing use of an eligible IP to a third party
- income from sale of an eligible IP
- the portion of income from sale of a product or a service which is attributable to an eligible IP
- damages or compensation for infringement of an eligible IP by a third party

## Local registration requirement after a 24-month grace period (for non-Hong Kong eligible patents & plant variety rights)

- Filings on or after 5 July 2026: Must file, in respect of the same invention / plant variety, a corresponding application in Hong Kong –
  - for an original grant patent (“OGP”) under the Patents Ordinance (Cap. 514)<sup>2</sup>; or
  - under the Plant Varieties Protection Ordinance (Cap.490).



## Practical Tips

- Elect for the “patent box” tax incentive when filing profits tax returns.
- Review and adjust the business plans and arrangements for R&D activities, and keep records for identifying the eligible IP income.
- Pay attention to the 24-month grace period, refine and enhance the filing strategies for patent protection. (inclusive of filing OGP applications timely) to increase the commercial value of R&D outputs.
- Consult legal / tax professionals to effectively leverage on tax incentives.

## Advantages in applying for OGPs

- Eligible for the “patent box” tax incentive
- Direct application in Hong Kong for standard patent protection for inventions for a maximum term of 20 years
- Securing the first date of filing at a relatively lower cost<sup>3</sup>
- Option to file in Chinese or English
- Ease of communication between Hong Kong applicants and local patent examiners to facilitate the examination process
- Options to request deferral of formality examination of applications / accelerated substantive examination based on applicants’ own needs



## References for OGP applications



**Overview:**  
 “Booklet on Application for Patent Protection in the Hong Kong Special Administrative Region”



**Before filing patent applications:**  
 “Considerations Before Applying for a Patent”



**Application process and required documents:**  
 “How to Apply for a Standard Patent (O)”

**Details of the “patent box” tax incentive, please visit the respective websites of**



**Inland Revenue Department**



**Intellectual Property Department**

<sup>2</sup> Alternatively, an applicant may file a short-term patent application which must be followed by a request for post-grant substantive examination.

<sup>3</sup> If an OGP application for an invention is first filed in Hong Kong, and within 12 months thereafter, a corresponding patent application for the same invention is filed outside Hong Kong in a Paris Convention country or World Trade Organization member country, territory or area, priority may generally be claimed on the basis of the first application filed in Hong Kong.