

Tax Briefing: Hong Kong Budget 2023/24

On 22 February 2023, Mr. Paul Chan, Financial Secretary, delivered his seventh budget speech. He forecasts a 3.5% to 5.5% GDP growth in 2023. The theme of this year's budget is "Leaping Forward Steadily, Together We Bolster Prosperity under Our New Vision." A moderately liberal fiscal stance will be taken this year.

Profits Tax

- Reducing Profits Tax by 100% for 2022/23, subject to a ceiling of HKD6,000.

Salaries Tax

- Reducing Salaries Tax and tax under personal assessment by 100% for 2022/23, subject to a ceiling of HKD6,000.
- Increasing basic child allowance and additional child allowance for each child born during the year of assessment from HKD120,000 to HKD130,000 starting from the year of assessment 2023/24.

New International Tax Standard – Base Erosion and Profit Shifting (BEPS2.0)

- Introducing a domestic minimum effective tax rate of 15% with regard to the MNE groups with global turnover of 750 million euros starting from 2025 onwards so as to safeguard Hong Kong's taxing rights.

Rates

- Waiving rates for non-domestic properties for first two quarters of 2023/24, subject to a ceiling of HKD1,000 per quarter.
- Waiving rates for domestic properties for first two quarters of 2023/24, subject to a ceiling of HKD1,000 per quarter.

Stamp Duty

- Adjusting value bands of the ad valorem stamp duty payable for sale and purchase or transfer of residential and non-residential properties (Rates at Scale 2) as follows:-.

| Amount or value of consideration (whichever is the higher) | | Rates |
|---|-----------------------------|-------|
| Present | Proposed | |
| Up to \$2,000,000 | Up to \$3,000,000 | \$100 |
| \$2,000,001 to \$3,000,000 | \$3,000,001 to \$4,500,000 | 1.50% |
| \$3,000,001 to \$4,000,000 | \$4,500,001 to \$6,000,000 | 2.25% |
| \$4,000,001 to \$6,000,000 | \$6,000,001 to \$9,000,000 | 3.00% |
| \$6,000,001 to \$20,000,000 | \$9,000,001 to \$20,000,000 | 3.75% |
| \$20,000,001 and above | \$20,000,001 and above | 4.25% |

Now, for tomorrow

Disposal of equity interests

- Putting forward an enhancement proposal in mid-March 2023 to provide clearer guidelines on whether onshore gains on disposal of equity interests are subject to tax.

Financial Services

- Issuing no less than HKD15 billion of retail green bonds and HKD50 billion of Silver Bond in the next financial year.
- Providing HKD100 million to InvestHK to attract more family offices in Hong Kong.

Supporting Enterprises

- Extending the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) from June 2023 to March 2024.
- Providing tax deduction for the spectrum utilisation fees paid by telecommunications network operators which successfully bid for radio spectrum.

Other Relief Measures

- Issuing electronic consumption vouchers in instalments with a total value of HKD5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above.
- Granting each eligible residential electricity account a subsidy of HKD1,000.
- Introducing a new Capital Investment Entrant Scheme whereby: applicants may reside and pursue development in Hong Kong after making investment at a certain amount in the local asset market, excluding property.
- Enhancing aircraft leasing preferential tax regime, include allowing tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities.
- Introducing a “patent box” tax incentive to encourage the Innovation and Technology sector to create more patented inventions.
- Increasing tax deduction for Mandatory Provident Fund voluntary contributions made by employers for their employees aged 65 or above, from 100% to 200% so as to encourage employment of elderly employees.

Contact us



Joseph Lam

Executive Director, Regional Tax

Baker Tilly Hong Kong

D: +852 2152 2652

joephlam@bakertilly.hk