

# SNAPSHOTS OF HONG KONG BUDGET 2023/2024





On 22 February 2023, the Financial Secretary of the Hong Kong SAR Government, the Honourable Paul MP Chan, unveiled Hong Kong's 2023-24 Budget with numerous initiatives aimed to support Hong Kong's post-Covid-19 pandemic economic recovery as the city moves forward under challenging heightened geopolitical tension.

Themed as “Leaping Forward Steadily, Together We Bolster Prosperity under Our New Vision”, Mr. Chan provided a comprehensive summary of the economic performance in 2022, and the outlook for 2023 including Government spending and revenue forecast. The Hong Kong fiscal reserves had been reduced by approximately HK\$340 billion over the past three years due to the economic downturn and various measures implemented to support citizens and businesses during the Covid-19 pandemic. Despite that, Hong Kong's fiscal reserves remain healthy at an estimated HK\$817.3 billion as at 31 March 2023. With the borders now reopened and most Covid-19 pandemic measures removed, the Government aims to seize opportunities and prepare Hong Kong for economic revival.

The 2023-24 Budget outlines the Government's latest tax and fiscal policy with direct support measures and resources allocation to pursue economic growth, and provides relief to the community. Measures include a 100% reduction of profits tax and salaries tax for the year 2022-2023, subject to a cap of HK\$6,000 ceiling respectively. A new round of electronic consumptions vouchers of HK\$5,000 will also be distributed to eligible residents in two phases starting from April 2023.

The Government has also rolled out other key initiatives to provide more funding to support the development in terms of innovation and technology, finance, trade such as the Digital Transformation Support Pilot Programme to assist SMEs in adopting digital solutions, the CreateSmart Initiative to support the creative industries, and to provide additional funding to the Hong Kong Trade Development Council to assist enterprises in opening up markets to capture opportunities from the Belt and Road initiative and Hong Kong's strategic position in the Greater Bay Area.

The 2023-24 Budget set up the pathway for recovery and at the same time, to consolidate and further strengthen Hong Kong's position as a top-tier international finance and business center by providing more targeted incentives and public policies to attract businesses and investors to be based in Hong Kong to drive sustainable economic growth.

**HIGHLIGHTS OF THE HONG KONG 2023-2024 BUDGET ARE SUMMARIZED BELOW:**

**FOR COMPANIES**

- There is no change to the existing tax rates. The standard profits tax rates for the year of assessment 2022-23 will remain at 16.5% for corporations and 15% for incorporated businesses. The two-tiered profits tax rates will remain as follows:

Two-Tiered Profits Tax Rates in Hong Kong		
Assessable profits	Corporations	Unincorporated business
First HK\$2 million	8.25%	7.5%
Over HK\$2 million	16.5%	15%

- A one-off tax reduction of 100% of profits tax for 2022-23, subject to a ceiling of HK\$6,000.
- Propose to implement the global minimum effective tax rate of 15% as in line with the international tax reform proposals by the OECD under Pillar 2 Global Anti-Base Erosion rules of the Base Erosion and Profit Shifting 2.0 initiative which targets large MNE groups with global turnover of at least EUR750 million. Following this decision, in order to safeguard Hong Kong’s taxing rights, a domestic minimum top-up tax maybe introduced for effected MNEs starting from the year of assessment 2024-25 so as to ensure that their effective tax rate reaches the global minimum effective rate.
- To further enhance Hong Kong’s competitive edge as a hub of multinational enterprises and as a headquarters economy, the Government propose to introduce a mechanism to facilitate companies domiciled overseas (particularly enterprises with a business focus in the Asia-Pacific region) to re-domicile to Hong Kong. The Government will submit its legislative proposal in 2023-24.
- Propose to introduce various tax concessions and enhanced deductions for specific items as follows:
  - a. Review the existing tax concession measures applicable to funds and carried interest.
  - b. Propose to enhance the aircraft leasing preferential tax regime, allowing tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities.
  - c. Proposed tax concessions for profits sourced in Hong Kong from qualifying patents generated through research and development (“R&D”) activities will be introduced in the first half of the year 2024.

## FOR COMPANIES (CONT'D)

- Propose to introduce various tax concessions and enhanced deductions for specific items as follows (cont'd):

- d. Proposed progressive rating system for domestic properties to be rolled out in 2024-25, under which the rates to be charged on the rateable value will be changed from the current flat rate of 5% to progressive rates. Details of the new rating system are set out in the below table: -

Annual rateable value (Effective 2024-2025)	Rates percentage
HK\$550,000 or below	5%
HK\$550,001 – HK\$800,000	First HK\$550,000: 5% Next HK\$250,000: 8%
Above HK\$800,000	First HK\$550,000: 5% Next HK\$250,000: 8% Above HK\$800,000:12%

- e. The Government will put 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. This initiative will not only facilitate business expansion and restructuring through disposal of equity interest, but also enhance tax transparency and Hong Kong's attractiveness as a place for international investment.

## FOR INDIVIDUALS

- A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2022-23, subject to a ceiling of HK\$6,000.
- Basic child allowance and additional child allowance for each child born during a year of assessment will be increased from HK\$120,000 to HK\$130,000 starting from 2023-24.

## STAMP DUTY

- Adjusted the value bands of ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties with immediate effect.
- A comparison of the present and the proposed ad valorem stamp duty (marginal relief not included) is set out below:

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

## OTHER LEVIES

- 50% rental fee concession to eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department for the period from July 2023 to December 2023.
- Rates for non-domestic properties to be waived for the first two quarters of 2023-24, subject to a ceiling of HK\$1,000 per quarter for each rateable non-domestic property.
- Rates for domestic properties to be waived for the first two quarters of 2023-24, subject to a ceiling of HK\$1,000 per quarter for each rateable domestic property. Only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name.
- Duty on cigarettes will be increased by 60 cents per stick, and duty on other tobacco products will also be increased by the same proportion, with immediate effect.

## CONSUMPTION VOUCHERS

- To boost the market sentiment, stimulate local consumption and speed up economic recovery, a new round of electronic consumption vouchers in two instalments with a total value of HK\$5,000 will be given to each eligible Hong Kong permanent resident and new arrivals aged 18 or above.

## SUPPORTING SCHEMES FOR ENTERPRISES

- Extend the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) from end-June 2023 to end-March 2024.
- Launch new schemes to offer fully guaranteed loans for eligible passenger transport operators and licensed travel agents to support cross-boundary passenger transport and the tourism industry.
- Extend the Travel Agents Incentive Scheme to end-June 2023 and inject HK\$30 million into the Information Technology Development Matching Fund Scheme for Travel Agents to encourage the upgrade and transformation by making use of technology.
- Propose to further inject HK\$500 million into the dedicated fund on Branding, Upgrading and Domestic Sales (“BUD Fund”) and, launch "BUD Easy" to expedite the processing of applications, enabling more SMEs to make use of the funding to develop their business.

## OTHER HIGHLIGHTS OF FUNDING

The Government has also rolled out other key proposals to provide more funding to support the development of Hong Kong in terms of innovation and technology, finance, trade and other areas. Among which, key highlights are as follows:

- Earmark HK\$500 million to Cyberport to launch a Digital Transformation Support Pilot Program to assist small and medium enterprises (“SMEs”) in applying ready-to-use basic digital solutions.
- Provide additional funding of HK\$500 million to the CreateSmart Initiative to provide support for the promotion and development of creative industries.
- Provide an additional funding of HK\$550 million to the Hong Kong Trade Development Council to assist enterprises in opening up markets and seize opportunities arising from the Belt & Road Initiative and the development in Greater Bay Area.

Salaries Tax		
Personal tax allowances and deductions:		
	2022-23 HK\$	2023-24 HK\$
Basic allowances:		
Single person's allowance	132,000	132,000
Married person's allowance	264,000	264,000
Additional allowances:		
Child		
- Basic	120,000	130,000
- Additional (in the year of birth)	120,000	130,000
Dependent parent! grandparent:		
a. Aged 55 to 59		
- Basic	25,000	25,000
- Additional (1)	25,000	25,000
b. Aged 60 or above		
- Basic	50,000	50,000
- Additional (1)	50,000	50,000
Dependent brother! sister (2)	37,500	37,500
Single parent	132,000	132,000
Disabled dependent	75,000	75,000
Personal disability allowance	75,000	75,000
Additional deductions:		
Self-education expenses (3)	100,000	100,000
Home loan interest (4)	100,000	100,000
Elderly residential care expenses	100,000	100,000
Contributions to recognized retirement schemes	18,000	18,000
Approved charitable donations (5)	35%	35%
Qualifying premiums paid under the Voluntary Health Insurance Scheme Policy	8,000 per insured person	8,000 per insured person
Qualifying annuity premiums and tax deductible MPF voluntary contributions	60,000	60,000
Domestic rental expenses	100,000	100,000

Notes:

- 1) For dependent living with taxpayer.
- 2) For whom no child allowance is being claimed.
- 3) The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.
- 4) The entitlement period for tax deduction is 20 years.
- 5) The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowances.

STANDARD SALARIES TAX RATES	
2022-23 and 2023-24	
Standard tax rate	15%

PROGRESSIVE SALARIES TAX RATES	
2022-23 and 2023-24	
Net Chargeable Income	Tax rate
First HK\$50,000	2%
Next HK\$50,000	6%
Next HK\$50,000	10%
Next HK\$50,000	14%
Remainder	17%

PROFIT TAX		
2022-23 and 2023-24	Business Category	
Assessable Profits	Unincorporated Business	Corporation
First HK\$2,000,000 (Subject to certain conditions)	7.5%	8.25%
Over HK\$2,000,000	15%	16.5%

PROPERTY TAX	
Taxpayer	2022-23 and 2023-24
Property Owner	15%



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