

HKGCC Budget Proposals for 2024-2025

Summary of Key Measures

Focus Area	Recommendations
1) Short-Term Relief	
	Provide one-off rebate on profits tax, salaries tax and tax under personal assessment by 100%, subject to a ceiling of HK\$6,000 for each case
	Extend the time-limited special concessionary measures of the SME Financing Guarantee Scheme for a further 24 months
	Immediate and complete removal of the Special and Double Stamp Duties
2) Retaining and Attracting Talent and Business	
<ul style="list-style-type: none"> Results-Oriented Bureaucracy 	Adopt regulatory impact assessments to assess new policies and review existing regulations
<ul style="list-style-type: none"> Talent 	Introduce a tax deduction for expenses incurred in hiring domestic helpers and caretakers
	Provide adequate and affordable childcare services
	Provide incentives, such as tax deductions, to employers for upskilling their workforce
	Expedite the recruitment of various healthcare practitioners, such as doctors and nurses
	Expand the coverage of the Labour Importation Scheme for the Construction Sector to include private sector construction projects
	Improve working conditions and support southbound cross-border talent mobility
<ul style="list-style-type: none"> Regional Headquarters (RHQs) 	Provide finite concessions such as a 3-year tax holiday to RHQs that were previously based in Hong Kong
	Provide preferential tax rates to RHQs, subject to the fulfilment of certain criteria, including the number of local employees they employ and/or the attainment of a pre-defined expenditure threshold
	Reduce the corporate tax rate for RHQs that employ local workers or workers from the Greater Bay Area (“GBA”)
	Eliminate withholding tax on dividends paid by Mainland businesses to Hong Kong investors (whether corporates or individuals) by way

	<p>of an administrative concession, starting with the launch of a pilot scheme in the GBA</p> <p>Provide comprehensive support to businesses and their international executives, such as assistance with applying for visas, housing, education, and healthcare services</p> <p>Broaden OASES' mandate to include attracting leading enterprises from sectors other than those traditionally targeted that are committed to establishing a significant presence and conducting core income-generating activities in Hong Kong</p>
<ul style="list-style-type: none"> <p><i>Creating the Ecosystem for Ultra-High-Net-Worth (“UHNW”) Families and Single Family Office (“SFO”)</i></p> 	<p>Grant a waiver for family-owned investment holding vehicles (FIHVs) managed by SFOs regarding the 5% cap on incidental transactions</p> <p>Grant a concessionary tax rate of 10% to eligible SFOs on qualifying income, subject to the fulfilment of certain criteria</p> <p>Expand the scope of qualifying assets to include virtual assets and collectible assets such as art pieces, antiques, classic cars, and wine</p> <p>Provide clarity regarding the information and statutory ownership declarations necessary to demonstrate the 95% family ownership</p> <p>To promote clarity and certainty in the application of tax incentives, the Inland Revenue Department (“IRD”) should undertake to complete its review process within two years after the year of assessment in which the SFOs and related FIHVs have filed their returns to claim the tax concession</p> <p>Provide clarity on the process for the Capital Investment Entrant Scheme, offering specific details regarding the required centralized bank account information and the portfolio requirements</p>
<ul style="list-style-type: none"> <p><i>Company Re-domiciliation</i></p> 	<p>Relax the requirement for audited financial statements dating no more than three months to accept statements prepared within the last twelve months prior to the application</p> <p>Provide flexibility when evaluating requests for extension of the 60-day period to complete the deregistration process in the original domicile jurisdiction</p> <p>Extend the simplified Certificates of Residence application process to encompass companies that have re-domiciled to Hong Kong</p>

	Amend the tax law to provide tax certainty for domiciliation applicants, e.g. treat an entity as newly-incorporated on the date of re-domiciliation
<ul style="list-style-type: none"> <i>R&D and Innovation</i> 	Relax geographical conditions for granting super-deduction to also include those R&D activities carried out in the GBA
3) Financial Markets	
<ul style="list-style-type: none"> <i>Green and Sustainable Finance</i> 	Issue bonds in different tranches periodically to mitigate interest rate risks, such as green bonds and land development bonds
	Incentivize banks and other financial institutions to develop green finance products and services, including green bonds and loans, to support sustainable projects across a broad spectrum of industries
	Raise the subsidy cap of the Green and Sustainable Finance Grant Scheme to encourage more SMEs to participate in the issuance of green bonds
	Provide enhanced education and training programs across all sectors, and allocating resources to directly coach and support SMEs in their green and sustainable efforts
	Recognize investments in green infrastructure projects, as well as blended finance structures and local equities, at twice their actual value for meeting the assets under management requirement, subject to the fulfillment of certain criteria
<ul style="list-style-type: none"> <i>RMB Internationalization</i> 	Strengthen the existing Connect Schemes, including Stock Connect, Bond Connect, and Swap Connect, to further enhance the internationalization of the RMB across global markets
	Engage with the Mainland authorities to broaden the range of eligible listed stocks under the HKD-RMB Dual Counter Model, facilitating the trading of Hong Kong stocks denominated in RMB
	Advance the progress of allowing Hong Kong-based insurance companies to establish insurance after-sales service centres in locations like Qianhai, to cater to Mainland residents in the GBA who hold insurance policies purchased in Hong Kong
<ul style="list-style-type: none"> <i>Virtual Asset</i> 	Allow the issuance of RMB stablecoins or stablecoins backed by a basket of different currencies, including RMB, in addition to HKD or USD stablecoins

	Explore the establishment of a Virtual Asset Connect Scheme, with a daily limit of approximately HK\$20 billion initially
<ul style="list-style-type: none"> ● <i>Attracting Financial Investors</i> 	Promote the tangible benefits of establishing a presence in Hong Kong to enhance the diversity of institutional investors
	Facilitate dialogue with Middle East sovereign wealth funds that express interest in investing in the Mainland
4) Taxing non-Hong Kong Resident Digital Service Suppliers in Revenues Generated in Hong Kong	
	Conduct a thorough review regarding the introduction of new broad-based taxes, such as a digital services tax (“DST”)
	Introduce 3% - 5% digital services tax targeting digital sales solely by non-Hong Kong suppliers, to level the playing field for traditional mode of service delivery as well local digital businesses, while also safeguarding the Government’s revenue base
5) Global Minimum Tax	
	Design the domestic minimum top-up tax (“DMTT”) in a way that satisfies the requirements of functional equivalence to the OECD’s GloBE Rules, while satisfying the Consistency Standard set out therein to qualify for qualified DMTT Safe Harbour
	Adopt a "wait-and-see" approach for implementing the Undertaxed Payments Rule in Hong Kong
	Offer a reasonable tax incentive in the form of a Qualified Refundable Tax Credit to in-scope MNE groups undertaking qualifying R&D activities that may be subject to the global minimum tax of 15%
6) Tax System	
<ul style="list-style-type: none"> ● <i>Tax Administration</i> 	Undertake the requisite digital transformation of the tax administration process rapidly to avoid interruption in the event of a major incident. The reduction in workload would allow the IRD to redirect its resources to expediting the review and assessment process for outstanding tax disputes
<ul style="list-style-type: none"> ● <i>Tax Treaties</i> 	Set a specific goal on the number of additional treaties to be negotiated over a defined period, and to invest necessary resources, including increasing headcount (through such means as recruiting professionals from the private sector) in the respective agencies

<ul style="list-style-type: none"> ● Government Support Schemes 	<p>Set up an entity similar to Singapore’s Economic Development Board, empowered to grant tax and other incentives, that assumes the key responsibilities of connecting investors with respective government agencies and disbursing investment incentives. Over the long term, consideration could be given to merging OASES with InvestHK to fill the role of the dedicated agency</p>
<p>7) Regional Intellectual Property (“IP”) Trading Centre</p>	
	<p>Widen the scope of eligible IP assets beyond that of patents, copyrighted software, and plant variety rights registered in Hong Kong to also expand the jurisdictional coverage of qualifying IP activities to the GBA as appropriate</p> <p>Allow affiliates of IP owners to claim profits tax deductions for capital expenditures related to the acquisition of IP rights</p>
<p>8) International Trade Centre</p>	
	<p>Provide tax concessions for international traders with a reduced tax rate of either 5% or 10%, depending on the nature of the qualifying trading income</p>
<p>9) Retirement Protection</p>	
	<p>Set the tax-deductible limit at HK\$60,000 each for qualifying deferred annuity policies and tax deductible MPF voluntary contributions</p> <p>Offer tax incentives for purchasing HKMC Annuity Plan, and lower the minimum eligible age for purchasing the plan to 50</p> <p>Allow utilization of MPF savings for major life events, such as the partial withdrawal of MPF contributions for making a property purchase deposit by first time homeowners, and expenses related to long-term care or payments for medical insurance</p>