HKGCC

Hong Kong General Chamber of Commerce
香港總商會1861

HKGCC Budget Proposals for 2023-2024

Summary of Key Measures

Focus Area	Recommendations
1) Short Term Measures	
	Issue another round of consumption vouchers of no less than HK$5,000 per eligible recipient
	Continue to provide rent/rate rebates, although measures should be more targeted to assist owner-occupiers
	Extend the Principal Payment Holiday Scheme and the SME Financing Guarantee Scheme
	Provide 100% rebate on profits and salaries tax with a raised cap of between HK$20,000 and HK$25,000
	Issue subsidies to defray higher energy costs
	Gradually phase out the Special and Double Stamp Duties
	Consider reversing or issuing a timeline on rescinding the higher stamp duty on stock transactions
2) Attracting Talent	
Addressing labour shortages across all levels especially among middle managers	Introduce tax relief e.g. raising child/dependent allowances and granting subsidies to working mothers
	Gauge market gaps for in-demand skills
	Provide re-training subsidies to address specific talent shortfalls
	Introduce a special labour importation scheme for elderly care, healthcare, construction, technology, retail and other industries suffering from acute labour shortages
	Improve working conditions and/or the (re-)training of women and older workers to promote labour participation
3) Attracting Business	
• ***Single Family Office***	Expand the scope of qualifying assets to include overseas immovable assets, collectible assets including art pieces, antiques, classic cars, wine and crypto assets
	Replicate Singapore's approach of granting a concessionary tax rate of 10% to eligible SFOs on qualifying income, subject to the fulfilment of certain criteria
	Introduce a pre-approval arrangement to promote clarity and certainty in the application of tax incentives. Or the IRD should undertake to complete its review process within two years after the year of assessment in which the SFO and related FIHVs have filed their returns to claim FIHV tax exemption

	Provide finite concessions such as a 3-year tax holiday to RHQs that were previously based in Hong Kong
• ***Regional Headquarters***	Provide preferential tax rates to RHQs subject to the fulfilment of certain criteria including the number of local employees and/or attaining a pre-defined expenditure threshold
	Broaden OASES' mandate beyond the four strategic sectors of life and health technology, artificial intelligence and data science, financial technology, and advanced manufacturing and new energy technology industries to include attracting leading enterprises from other sectors that are committed to establishing a substantial presence and conducting core income generating activities in Hong Kong
4) Greater Bay Area	
• ***R&D Super Deduction***	Relax geographical conditions for granting super deduction to also include those R&D activities carried out in the GBA
• ***1+1 Tax Holiday***	Engage the relevant Mainland authorities to explore the possibility of instituting a 1-year exemption from corporate income tax ("CIT") followed by another year of 50% reduction in CIT for Hong Kong domiciled companies with investments or considering investing in the GBA
• ***Withholding Tax***	Eliminate withholding tax on dividends paid by GBA-based businesses to Hong Kong investors, whether corporates or individuals, by way of an administrative concession
5) Business-friendly environment	Adopt regulatory impact assessments to streamline administrative processes to ensure that they are relevant and not overly intrusive
6) Intellectual Property ("IP") Trading Hub	
	Review the existing tax regime to allow the amortization of capital expenditures incurred on intangible assets such as spectrum utilization fees, indefeasible rights of use, license rights and franchise rights, that have a finite life and are used in running a business, by deeming these as deductibles
	Repeal existing tax deduction rules on capital expenditure incurred for intangible assets, especially in the case of restrictions on deductibility for the eight types of

	intellectual property rights acquired from associates under Section 16EC of the IRO
	Enhance the HKTDC's Asia IP Exchange so that it is more than just a listing platform
	Relax the Innovation and Technology Fund's Patent Application Grant provision limiting one-off support to first time patent holders
	Introduce an IP box regime, an incentive under which IP income is taxed at a lower or zero rate, provided that the relevant IP activities (development, enhancement, maintenance, protection and exploitation) are conducted in Hong Kong. Jurisdictional coverage of qualifying IP activities can be subsequently expanded to the GBA as appropriate
7) Global Minimum Tax	
	Review existing subsidy schemes to assess whether adjustments should be made to fulfil the meaning of a Qualified Refundable Tax Credit so that such monies can be treated as GloBE income by a recipient entity to reduce the requirement to pay top-up tax
8) Freight and logistics	
• ***Comprehensive tax treaty network***	Expand Hong Kong's tax treaty network to allow locally-based shipping groups and aircraft lessors to better manage their tax exposure elsewhere
• ***Coordinated policy formulation***	Closer collaboration between the SAR Government and its GBA counterparts to collectively promote maritime and aircraft leasing businesses in the region by, among other things, reducing withholding tax on aircraft leases entered into between Mainland and Hong Kong entities, and encouraging the use of Hong Kong/Free Trade Zones to lease aircraft into the Mainland
• ***Concession effectiveness***	Set up a specialised government taskforce to monitor the effectiveness of the various tax concessions provided to the transport and logistics sector
• ***Green measures***	Appropriate fiscal measures to support green shipping and aviation such as tax credits to help offset the cost of substituting traditional aviation fuels with sustainable jet fuel
9) Electric Vehicles ("EVs")	
	Subsidize the replacement of each conventional taxi with an electric one through the New Energy Transport Fund
	Extend the current first registration tax concession for

	EVs until 30 June 2027, as well as the special tax arrangement for enterprises to claim 100% deduction on capital expenditure for EVs made in the first year of procurement
10) Financial Market	
• ***REITs***	Raise the grant ceiling under the Grant Scheme for REITs, which currently applies to SFC-authorized REITs with a minimum market capitalization of HK$1.5 billion
	Introduce tax concessions, more or less, similar to those in Singapore
• ***Special Purpose Acquisition Companies ("SPACs") and Specialist Technology Companies ("STCs")***	Refine listing requirements to promote user-friendliness without compromising the integrity and quality of issuers
• ***Green Finance***	Raise the existing ceiling of HK$2.5 million under the Green and Sustainable Finance Grant Scheme to encourage more SMEs to participate in the issuance of green bonds
11) Tax System	
• ***Tax Competitiveness***	Invest in the Budget and Tax Policy Unit ("BTPU") to enable it to discharge its responsibilities effectively and properly
	Staff BTPU with interdisciplinary expertise that includes but is not limited to economists, statisticians, lawyers, accountants and tax administrators
	Empower BTPU to formulate robust tax policies to help Hong Kong enhance and sustain its competitiveness. This includes supporting measures recently announced in the Chief Executive's maiden Policy Address to attract and retain talent and businesses
• ***Tax Certainty***	Establish a pre-approval arrangement for tax concession regimes, especially in the case of the impending FIHV tax exemption regime, to maintain Hong Kong's status as an international financial centre
	Shorten the statutory assessment period and / or review period to enhance Hong Kong's tax competitiveness
• ***Decentralised oversight***	Promote shared oversight similar to that in Singapore where the FIHV/Family Office Tax regime is overseen by the Monetary Authority of Singapore ("MAS") rather than just a purview the Inland Revenue Authority of Singapore. Under such an arrangement, the HKMA should therefore play a leading and proactive role in coordinating and possibly administering the FIHV regime

	to promote certainty through the implementation of a pre-approval process. The reduction in workload would also allow the IRD to redirect its resources to expediting the review and assessment process for outstanding tax disputes
• ***Compliance Relief***	Flexible application of the economic substance requirement under the FSIE regime to alleviate the compliance burden on Hong Kong-based MNE groups, by looking at their overall organization structure instead of the criterion of contractual relationship
• ***Government support schemes***	Set up an entity similar to Singapore's Economic Development Board with the KPI of attracting certain investments types based on a number of quantifiable parameters. The entity should also be responsible for ensuring that commitments are met, and to take appropriate action to retain businesses and/ or encourage further investment. Over the longer term, consideration could be given to merging OASES with InvestHK to fill the role of the dedicated agency
• ***Tax Treaties***	Set a specific goal on the number of additional treaties to be entered into over a defined period, and to invest the necessary resources including increasing headcount (through such means as recruiting professionals from the private sector) in the respective agencies to achieve such an objective
12) Retirement Protection	
• ***Raise financial literacy***	Provide requisite resources to schools, universities and other relevant institutions, and promote public education through information campaigns to raise awareness on the importance of having adequate retirement savings
• ***Make MPF meaningful and relevant***	Consider doubling to 10% the threshold for a means-tested contribution by government to employees and self-employed persons, such as those in the "gig" economy, who fall outside the income tax bracket and are not required to make MPF contributions, as and when the e-MPF platform is rolled out
	Early disbursement of such government contributions should be made as delays would result in higher future social welfare expenditure, as wages increase with inflation
• ***Create meaningful and sustainable MPF investment returns***	Incentivize employers to raise contributions by providing tax concession equivalent to 200% of the amount that they contribute. Provide similar tax concession to employees to encourage additional MPF contributions.

	Provide similar tax concession to employees who contribute to retirement accounts of family members who are non-employed persons (such as homemakers)
	Introduce an inflation indexing mechanism pegged to the cost of living, to determine whether adjustments to income cap for mandatory contributions are needed
	Look at ways to further reduce costs to improve investment returns
	Emulate Singapore's gradual approach of first adopting an opt-in, then opt-out and finally compulsory annuitisation to promote wider buy-in and support
	Set up a dedicated commission to oversee the formulation and implementation of a coherent retirement protection policy instead of the existing arrangement of shared responsibility amongst FSTB, Labour and Welfare Bureau, and Mandatory Provident Fund Authority

For the full report, please visit: shorturl.at/wRSTY

Media inquiries: Please contact Mr Edward Wong at 2823-1297 / edward@chamber.org.hk