

2023-24 HKSAR Budget Summary



The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po delivered the 2023-24 Budget Speech in the Legislative Council on 22 February 2023.

Tax Highlights of the Budget Speech

Profits Tax

- 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 15% global minimum tax on large multinational enterprise ("MNE") groups and a domestic minimum top-up tax starting from 2025.
- Propose to introduce various tax concessions and enhanced deductions for specific items (please refer to subsequent parts of this newsletter).

Salaries Tax

- 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 (please refer to subsequent parts of this newsletter).

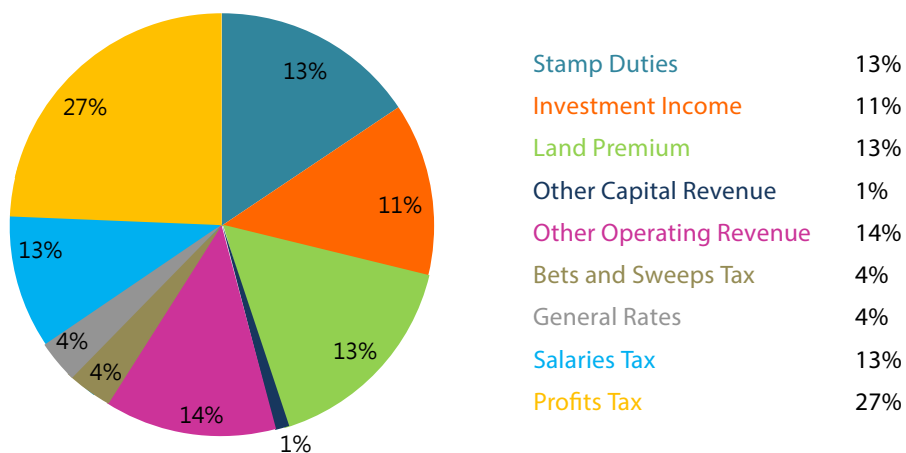
Other Levies

- 50% rental or 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

- 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 arrival aged 18 or above.

Analysis of Government Estimated Revenue for 2023-24



Economic performance of Hong Kong in 2022

In terms of economic performance in 2022, the external environment deteriorated markedly. With the Russia-Ukraine conflict driving up international energy and commodity prices and rampant global inflation, major central banks sharply tightened their monetary policies, posing a drag on the performance of advanced economies. The International Monetary Fund estimated that the global economy staged a strong rebound by 3.4% for 2022.

For 2022, the Gross Domestic Product ("GDP") of Hong Kong contracted by 3.5%. Nevertheless, the labour market showed improvement, with the seasonally adjusted unemployment rate declining gradually to the latest 3.4% after rising to 5.4% early last year. Local Inflation remained moderate in overall terms, with the underlying inflation rate of 1.7% for 2022.

Estimates for 2023-24

The total Government revenue for 2023-24 is estimated to be HK\$642.4 billion. The operating expenditure and capital expenditure for 2023-24 are estimated to be HK\$629.5 billion and HK\$131.5 billion respectively. The total Government expenditure for 2023-24 is estimated to be HK\$761 billion, a decrease of 6% from the revised estimate for 2022-23. The Financial Secretary forecasts a deficit of HK\$54.4 billion in the consolidated account for 2023-24. The fiscal reserves are estimated to be HK\$763 billion by the end of March 2024.

Supporting schemes for enterprises

- Extend the application period of all guarantee products under 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, several highlights are set out below: -

- 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.

Redomicile of overseas companies

To further enhance Hong Kong's competitive edge as a hub for 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 conduct consultant and submit legislative proposals in 2023-24.

Potential tax-related developments

Global minimum tax

- Propose to implement the global minimum tax rate and other relevant requirements in accordance with the international tax reform proposals drawn up by the OECD to address base erosion and profit shifting (i.e. BEPS 2.0 Pillar Two) which targets large MNE groups with global turnover of at least EUR750 million. A domestic minimum top-up tax may be introduced for the aforesaid MNEs starting from the year of assessment 2024-25 to ensure that their effective tax rates reach the global minimum effective tax rate of 15% so as to safeguard Hong Kong's taxing rights.

Other tax concessions and possible changes

- Review the existing tax concession measures applicable to funds and carried interest.
- 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.
- 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.
- 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 2024-25)	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%

- Adjusted the value bands of ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties (Rates at Scale 2) with immediate effect. A comparison of the present and the proposed ad valorem stamp duty under Scale 2 (marginal relief not yet included) is set out in the below table:-

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%

- Propose to increase the tax deduction for voluntary contributions made by employers under the Mandatory Provident Fund ("MPF") for their employees aged 65 or above, from the current 100% to 200% in respect of such expenditure.
- Propose to allow tax deduction for spectrum utilisation fees to be paid by successful bidders of radio spectrum in future.
- Put forward an enhancement proposal in mid-March to provide clearer guidelines on whether onshore gains on disposal of equity interests are subject to tax.

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.		

1. Standard salaries tax rates:

2022-23 and 2023-24

Standard tax rate	15%
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2. 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%

3. Profits 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%

4. Property Tax

Taxpayer

2022-23 and 2023-24

Property Owner	15%
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Henry Fung Tax Partner henryfung@pkf-hk.com	Jeffrey Lau Senior Tax Manager jeffreylau@pkf-hk.com	Tommy Wong Tax Manager tommywong@pkf-hk.com	David Li Tax Manager davidli@pkf-hk.com
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PKF Hong Kong

26/F, Citicorp Centre, 18 Whitfield Road,
Causeway Bay, Hong Kong

Tel: +852 2806 3822

Email: enquiry@pkf-hk.com

Website: www.pkf-hk.com

 [linkedin.com/company/pkf-hong-kong/](https://www.linkedin.com/company/pkf-hong-kong/)

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