



國 衛 稅 務 有 限 公 司  
HODGSON IMPEY CHENG TAXATION SERVICES LIMITED

Tax Advisers and Business Consultants

## 2023/24 Hong Kong Budget Highlights



The Financial Secretary, Mr. Paul Chan Mo-po, has presented his budget for the year 2023/24 to the Legislative Council on 22 February 2023. The budget proposals will need approval by the Legislative Council before taking effect. The proposals do not become law until their enactment.

Gross domestic product ("GDP") in real terms decreased by 3.5% in 2022. Growth rate of per capita gross domestic product ("GDP") in real terms is -2.6% in 2022. The Government forecasts real GDP growth of 3.5% to 5.5% and nominal GDP growth of 2.1% to 4.1% in 2023.

The headline inflation rate for 2022 as a whole was 1.9% while the underlying inflation rate was 1.7% in 2022. The Government forecasts that the headline inflation rate for 2023 to be 2.9% with an underlying inflation rate at 2.5%.

The 2022/23 revised estimate on government revenue is HK\$603.8 billion, being 15.7% or HK\$112.1 billion lower than the original estimate. This is due mainly to the lower-than-expected transaction prices of some land lots and the cancellation of some land sales. As for government expenditure, the Government forecasts a revised estimate of HK\$809.6 billion, being 0.3% or HK\$2.3 billion higher than the original estimate, due to the huge expenditure involved in the implementation of massive counter-cyclical measures and anti-epidemic work. For 2022/23, the Government now forecasts a deficit of HK\$139.8 billion, and by 31 March 2023, fiscal reserves are expected to reach HK\$817.3 billion.

### HLB Hodgson Impey Cheng Taxation Services Limited

31/F, Gloucester Tower,  
The Landmark,  
11 Pedder Street,  
Central, Hong Kong

T: +852 2810 8333  
F: +852 2810 1948  
E: hic@hic.com.hk

[www.hic.com.hk](http://www.hic.com.hk)



### HLB International



We are a principal member of HLB International. Formed in 1969 and with its headquarters in London, HLB International is a global network of independent professional accounting firms and business advisers.

- **COUNTRIES** : 150+
- **OFFICES** : 1,000+
- **PEOPLE** : 38,000+

[www.hlb.global](http://www.hlb.global)

The average unemployment rate in year 2022 has decreased to 4.3% for the year as a whole.

Total government revenue for 2023/24 is estimated to be HK\$642.4 billion. The government estimates that overall expenditure for 2023/24 will be HK\$761 billion, and recurrent expenditure accounts for HK\$560.2 billion. The government forecasts a deficit in the Consolidated Account of HK\$54.4 billion and fiscal reserves are estimated to be HK\$ 762.9 billion by end of March 2024.

It is also expected that the Consolidated Account will record a surplus for four consecutive years.

We summarize the 2023/24 budget highlights as follows:-

### **Highlights of the Budget**

In the 2023/24 budget, the followings are proposed:

#### **Salaries tax and tax under personal assessment**

Salaries tax and tax under personal assessment for 2022/23 will be reduced by 100%, subject to a ceiling of HK\$6,000 (compared to HK\$10,000 for 2021/22). The reduction will be reflected in the final tax payable for the year of assessment 2022/23.

An individual's income from employment less allowable deductions, charitable donations and personal allowances, will be chargeable to salaries tax at the progressive rates summarized under "Tax Facts".

However, the maximum tax payable is limited to tax at the standard rate of 15% on the individual's income from employment less allowable deductions and charitable donations but without taking into account the personal allowances.

Per the Budget, there is no change in the standard tax rate, progressive tax rates and marginal tax band. For completeness, salaries tax payable is calculated at (a) progressive rates on a taxpayer's net chargeable income or (b) standard rate on his/her net income (before deduction of the allowances), whichever is lower.

The personal allowances and deductions for the 2022/23 year of assessment (and the current personal allowances and deductions) are summarized under "Tax Facts".

#### **Profits Tax**

Profits tax for 2022/23 will be reduced by 100% subject to a ceiling of HK\$6,000 per case (compared to HK\$10,000 for 2021/22). The reduction will be reflected in the final tax payable for the year of assessment 2022/23.

#### **Property Tax**

Property tax rate remains unchanged at 15%. The proposed 100% tax reduction of up to a ceiling of HK\$6,000 for 2022/23 is not applicable to property tax. However, individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment.

#### **Silver Bonds and Green Bonds**

The Government proposes to issue no less than HK\$15 billion of Retail Green Bonds, no less than \$50 billion of Silver Bonds in the next financial year.

## Stamp Duty

In order to ease the burden on ordinary families of purchasing their first residential properties, the Government has adjusted 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) with immediate effect. However, the current demand-side management measures for residential properties (known as “harsh measures”) remain unchanged.

### Comparison of present and proposed ad valorem stamp duty under Scale 2 (marginal relief not yet included)

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%

## Measures Supporting Individuals

- Extend the Public Transport Fare Subsidy Scheme for a period of six months till October 2023 to provide subsidy amounting to one-third of the commuters' actual monthly public transport expenses in excess of \$200, subject to a maximum of \$500 per month.
- Propose to increase the basic child allowance and the additional child allowance for each child born from the current \$120,000 to \$130,000 starting from the year of assessment 2023/24.
- Waive rates in respect of residential properties for the first two quarters of 2023/24, subject to a ceiling of \$1,000 per quarter.
- Provide an extra half-month of Comprehensive Social Security Assistance payment, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to Working Family Allowance.
- Grant a subsidy of \$1,000 to each residential electricity account.
- Pay examination fees for school candidates sitting for the 2024 Hong Kong Diploma of Secondary Education Examination.
- Issue \$5,000 electronic consumption vouchers in two instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above.
- Propose to increase the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above, from the current 100% to 200% in respect of such expenditure – to encourage employment of elderly employees

## Measures Supporting Enterprises

- Extend the application period of all guarantee products under the SME Financing Guarantee Scheme from end-June 2023 to end-March 2024.
- Waive rates for non-domestic properties for the first two quarters of 2023/24, subject to a ceiling of HK\$1,000 per quarter.

## Measures Supporting Enterprises (continued)

- Continue to grant 50% rental fee concession for eligible Government properties/short-term tenancies and waivers for 6 months.
- Introduce new schemes to offer fully guaranteed loans for eligible passenger transport operators and licensed travel agents in order to support cross-boundary passenger transport and the tourism industry. Details of the schemes are expected to be launched within April this year.
- Inject \$30 million into the Information Technology Development Matching Fund Scheme for Travel Agents, with the aim of encouraging the industry to undergo upgrade and transformation by making use of technology
- Introduce a "patent box" tax incentive to provide tax concessions for profits sourced in Hong Kong from qualifying patents generated through R&D activities in order to encourage the Innovation and technology sector to create more patented inventions.
- Introduce an enhancement proposal in March 2023 to provide clearer guidelines on whether onshore gains on disposal of equity interests are subject to tax in Hong Kong.
- Introduce a mechanism to provide facilitation for companies domiciled overseas, particularly enterprises with a business focus in the Asia-Pacific region, for re-domiciliation to Hong Kong.

## Other Measures

- Enhance the aircraft leasing preferential tax regime to attract aircraft leasing companies to establish presence in Hong Kong. The proposed enhancement measures include allowing tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities. The proposed bill will be introduced in the fourth quarter of 2023.
- Regarding the base erosion and profit shifting (BEPS 2.0), the Government plans to apply the global minimum effective tax rate of 15 per cent on large multinational enterprise (MNE) groups with global turnover of at least 750 million euros and implements the domestic minimum top-up tax starting from 2025 onwards. The Government has been closely liaising with the trade in this regard while closely monitoring the implementation plan of other jurisdictions. Consultation exercise will be launched to allow MNE groups to make early preparation in this regard.

# Tax Facts

Property Tax	2022/23	2021/22
Tax rate	15%	15%

Profits Tax	2022/23	2021/22
<b>One-off Reduction</b>	100% of tax for 2022/23, capped at \$6,000	100% of tax for 2021/22, capped at \$10,000
<b>Tax Rates</b>		
Corporations	16.5%	16.5%
Unincorporated businesses	15%	15%

Tax rates for the first \$2,000,000 profits of eligible taxpayers will be reduced by half.

Salaries Tax	2022/23	2021/22
<b>One-off Reduction</b>	100% of tax for 2022/23, capped at \$6,000	100% of tax for 2021/22, capped at \$10,000
<b>Tax Rates</b>		
First HK\$ 50,000	2%	2%
Next HK\$ 50,000	6%	6%
Next HK\$ 50,000	10%	10%
Next HK\$ 50,000	14%	14%
Remainder	17%	17%

## **Personal Allowances** (only applicable to progressive tax rates calculation)

Basic	\$ 132,000	\$ 132,000
Married	\$ 264,000	\$ 264,000
Child (each)		
1st to 9th child      - Year of birth	\$ 240,000	\$ 240,000
1st to 9th child      - Other years	\$ 120,000	\$ 120,000
Dependent parent / grandparent (each)		
Aged 60 and above   - Living with taxpayer	\$ 100,000	\$ 100,000
- Not living with taxpayer	\$ 50,000	\$ 50,000
Aged 55 to 59       - Living with taxpayer	\$ 50,000	\$ 50,000
- Not living with taxpayer	\$ 25,000	\$ 25,000
Dependent brother / sister (each)	\$ 37,500	\$ 37,500
Single parent	\$ 132,000	\$ 132,000
Personal disability	\$ 75,000	\$ 75,000
Disabled dependent (each)	\$ 75,000	\$ 75,000

## **Deductions** (maximum limits)

Self-education expenses	\$ 100,000	\$ 100,000
Domestic rental expenses	\$ 100,000	\$ 100,000
Home loan interest (up to 20 years)	\$ 100,000	\$ 100,000
Elderly residential care expenses	\$ 100,000	\$ 100,000
Mandatory contributions of recognized retirement schemes	\$ 18,000	\$ 18,000
Qualifying annuity premiums and MPF voluntary contributions	\$ 60,000	\$ 60,000
Qualifying Voluntary Health Insurance Scheme premiums (each insured person)	\$ 8,000	\$ 8,000
Approved charitable donations	35% of assessable income	35% of assessable income

Tax charge is the lower of "progressive rates on net chargeable income" and "standard rate of 15% on net chargeable income before personal allowances".

# Highlights



Issue **HK\$5,000**  
electronic consumption  
vouchers in instalments to  
each eligible Hong Kong  
permanent resident and new  
arrival aged 18 or above



## Waive

50% rental fee to eligible  
tenants of government  
premises and short-term  
tenancies for 6 months



Reduce profits tax, salaries tax  
and tax under personal  
assessment for 2022-23 by  
100%, capped at

**HK\$6,000**



## Waive

rates for domestic properties in  
2023-24, subject to a ceiling of  
HK\$1,000 per quarter in first  
two quarters



Grant each residential  
electricity account a subsidy  
of

**HK\$1,000**



Provide an extra

## half month

of various social security  
payments



## Waive

rates for non-domestic  
properties in 2023-24, subject  
to a ceiling of HK\$1,000 per  
quarter in first two quarters



## Increase

basic child allowance and the  
additional child allowance  
from HK\$120,000 to HK\$130,000  
from 2023-24 year of  
assessment



Issue no less than  
**HK\$15 billion** of Green  
Bonds



Issue no less than  
**HK\$50 billion**  
of Silver Bonds