

RSM Tax Advisory (Hong Kong) Limited

羅申美稅務諮詢有限公司

Welcome to Tax Flash – RSM Tax Advisory (Hong Kong) Limited's Newsletter Covering Technical Development in Taxation

HONG KONG BUDGET 2023/24

The Financial Secretary, Mr. Paul Chan, delivered the 2023/24 Budget Speech at the Legislative Council on 22 February 2023.

HIGHLIGHTS

- Profits and Salaries Tax Rates and Concessions Remain Unchanged
 - In view that the external economic conditions are still slacken and volatile and in order to maintain the core competitiveness of Hong Kong and the momentum of the Hong Kong's economic recovery in the post-pandemic stage, the tax rates for profits tax and salaries tax would remain unchanged for 2023/24, and the tax concessions which are similar to those in prior year would continue in 2022/23 as well.
- Alleviation of Financial burden of the Public
 - On top of the tax reduction and rates concession, the Government has proposed the following adjustments to the current salaries tax and stamp duty regime with a view to easing the burden on ordinary families and individuals:-
 - (a) An increase in the child allowance and the additional child allowance for each child born during the year of assessment from \$120,000 to \$130,000, starting from the year of assessment 2023/24; and
 - (b) Adjustments to the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties (Rates at Scale 2). Such adjustments shall take immediate effect under a Public Revenue Protection Order published in the Gazette today.
- "Patent Box" Tax Incentive
 - For the purpose of encouraging the Innovative and Technology sector to forge ahead with more research and development ("R&D") activities and create more patented inventions with market potential, a new "patent box" tax incentive will be introduced to offer tax concessions for profit sourced in Hong Kong from qualifying patents generated through R&D activities. The details of the proposal will be confirmed after the consultation within the year and the legislative amendments will be submitted to the Legislative Council ("LegCo") in the first half of 2024.



Enhanced Tax Incentives for Particular Industries

The Government has announced further enhancement to the current preferential tax regime / tax exemption for the following industries:-

(a) Telecommunication Industry

To encourage an active investment in telecommunication infrastructure by the network operators, tax deduction for the spectrum utilisation fees to be paid by the future successful bidders of radio spectrum has been proposed.

(b) Aircraft Leasing and Services Industry

Enhancement of the existing aircraft leasing preferential tax regime, which includes the tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities, has been proposed. A bill into the LegCo will be introduced in the fourth quarter in 2023.

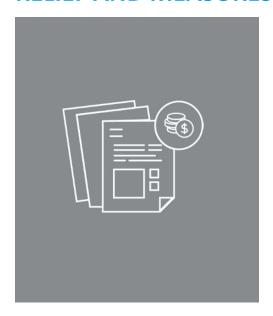
(c) Offshore Renminbi Business

In January 2023, a bill to exempt the stamp duty payable for certain transactions by dual-counter market makers (DCMMs) was passed by the LegCo and come into effect.

Further Guidance to Taxation on Disposal of Equity Interests

In view of the ambiguity of the new introduced amendment bill in regards of the refinement of the foreign sourced income exemption (FSIE) regime for passive income, 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.

RELIEF AND MEASURES



PROFITS TAX

One-time relief measure:

 Reducing profits tax for 2022-23 by 100%, subject to a ceiling of HK\$6,000

Recurring relief measures (proposals):

- Enhancing the aircraft leasing preferential tax regime
- Introducing a "patent box" tax incentive to provide tax concessions for profits sourced in Hong Kong from qualifying patents generated through R&D activities
- Increasing the tax deduction for the Mandatory Provident Fund (MPF) voluntary contributions made by employers for their employees aged 65 or above to 200%
- Implementing domestic minimum top-up tax to MNE groups with global turnover of at least 750 million euros starting from 2025 onwards



SALARIES TAX

One-time relief measure:

 Reducing salaries tax and tax under personal assessment for 2022-23 by 100%, subject to a ceiling of HK\$6,000

Recurring relief measure (proposal):

 Increasing basic child allowance and additional child allowance for each child born to HK\$130,000 starting from 2023/24



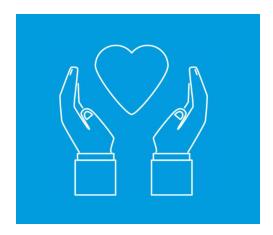
PROPERTY TAX/RATES/STAMP DUTY

One-time relief measure:

 Waiver of rates for four quarters of 2023-24, subject to a ceiling of HK\$1,000 per quarter for the first two quarters for each rateable residential property and rateable nondomestic property

Recurring relief measure (proposal):

 Adjusting the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties (Rates at Scale 2)



OTHERS

Measures / Relief:

- Issuing electronic consumption vouchers in instalments with a total value of HK\$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above
- Introduction of mechanism to provide facilitation for companies domiciled overseas for re-domiciliation to Hong Kong
- Launch of new schemes to offer fully guaranteed loans for eligible passenger transport operators and licensed travel agents

Profits Tax

Comparison Table on Profits Tax Reduction & Profits Tax Rate

	2021/22	2022/23	2023/24
One-off Reduction	Reduce 2021/22 tax by 100%	Reduce 2022/23 tax by 100%	To be announced in 2024/25
	ceiling @ HK\$10,000	ceiling @ HK\$6,000	Budget next year (if any)
Tax Rate	16.5% or 8.25% on first HK\$2 million;		
- Corporations	16.5% on the balance*		
- Unincorporated	15% or 7.5% on first HK\$2 million;		
Businesses	15% on the balance*		
	*subject to requirement for connected entities, etc.		

Salaries Tax

Comparison Tables on Salaries Tax Reduction & Salaries Tax Rate

	2021/22	2022/23		
One-off Reduction	Reduce 2021/22 tax by 100% ceiling @ HK\$10,000	Reduce 2022/23 tax by 100% ceiling @ HK\$6,000		
Tax Rate	2022/23	2023/24		
1 st HK\$50,000	2%	2%		
2 nd HK\$50,000	6%	6%		
3 rd HK\$50,000	10%	10%		
4 th HK\$50,000	14%	14%		
Balance	17%	17%		
The total tax payable is limited to 15% on net assessable income (before deduction of personal allowances).				

Comparison Tables on the Personal Allowances on Salaries Tax & Deductions on Salaries Tax

Personal Allowances	2022/23	2023/24
Basic (Single Person)	HK\$132,000	HK\$132,000
Married Person	HK\$264,000	HK\$264,000
Single Parent	HK\$132,000	HK\$132,000
Disabled	HK\$75,000	HK\$75,000
Child (1st – 9th child)		
Year of Birth	HK\$240,000 each	HK\$260,000 each
Other Years	HK\$120,000 each	HK\$130,000 each
Dependent Parent/Grandparent 60+		
Residing Together	HK\$100,000 each	HK\$100,000 each
Not Residing Together	HK\$50,000 each	HK\$50,000 each
Dependent Parent/Grandparent 55-59		
Residing Together	HK\$50,000 each	HK\$50,000 each
Not Residing Together	HK\$25,000 each	HK\$25,000 each
Disable Dependent	HK\$75,000 each	HK\$75,000 each
Dependent Brother / Sister	HK\$37,500 each	HK\$37,500 each
Deductions	2022/23	2023/24
Expenses of Self-education	HK\$100,000	HK\$100,000
MPF Contribution	HK\$18,000	HK\$18,000
Home Loan Interest	HK\$100,000; 20 Years	HK\$100,000; 20 Years
Elderly Residential Care Expenses	HK\$100,000	HK\$100,000
Approved Charitable Donations	35% of income	35% of income
Qualifying Premiums Paid under Voluntary Health Insurance Scheme Policy	Max HK\$8,000 per insured person	Max HK\$8,000 per insured person
Qualifying Annuity Premiums and MPF Voluntary Contributions	HK\$60,000	HK\$60,000
Domestic Rents	HK\$100,000	HK\$100,000

Rating System for Domestic Properties (excluding public rental housing)

Comparison Table on Rating System

Tax Rate Current		2024/25 (proposed)	
Flat rate	5% of rateable value	N/A	
Progressive rates			
Annual rateable value:			
First HK\$550,000	N/A	5%	
Next HK\$250,000	N/A	8%	
Balance		12%	

Ad Valorem Stamp Duty – Scale 2

Comparison Table on Ad Valorem Stamp Duty under Scale 2 (marginal relief not yet included)

Amount or value (whichever	Rates	
Current	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%

RSM Tax Advisory (Hong Kong) Limited

RSM Hong Kong's dedicated and experienced tax specialists can:

- Advise on tax efficient holding and operational structures for new cross-border investment, including the formation of Hong Kong and Chinese business entities
- Review existing cross-border investment structures, advise on identified deficiencies, quantify any potential exposure from such deficiencies, and further advise on restructuring approach and procedures
- Assist clients to discuss and clarify matters with tax officials, including transfer pricing and advance rulings
- Act as client representative in tax audits and tax investigations
- Provide transaction support services on mergers and acquisitions, including tax due diligence, deal structure advice, tax health checks, related human resources arrangements and other tax compliance and consultation services
- Advise on human resources and structuring employment arrangements in a tax-efficient manner
- Advise on tax equalization schemes
- Provide tax compliance services for individual and corporate clients in Hong Kong and China

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