

Hong Kong: Budget 2023/24 - Key Tax Highlights

In brief

Hong Kong's Financial Secretary, Paul Chan, delivered the budget speech for the 2023/24 Budget on 22 February 2023. We highlight below the key tax developments from the Budget.

Contents

In brief
Profits tax developments
Salaries tax relief and incentives
Stamp duty

Profits tax developments

Implementation of global minimum effective tax rate

The Financial Secretary announced that Hong Kong will, in accordance with the OECD's BEPS 2.0 project, apply the global minimum effective tax rate of 15% on multinational enterprise (**MNE**) groups with global turnover of at least EUR750 million and implement the domestic minimum top-up tax starting in 2025. A consultation exercise will be conducted by the Government to allow MNE groups to make early preparation.

Enhancement of taxation on disposal of equity interests

To enhance tax certainty, the Government will propose an initiative to provide clearer guidance as to whether onshore gains arising from disposal of equity interests are subject to profits tax. The proposal will be put forward in mid-March 2023.

Introduction of tax concession for "patent box"

To encourage more research and development activities and creation of patented inventions, the Government will introduce a "patent box" tax incentive scheme to provide tax concession for profits sourced in Hong Kong from qualifying patents generated through research and development activities. A trade consultation will be carried out in 2023 with a view to submit legislative amendments to the Legislative Council (**LegCo**) in the first half of 2024.

Enhancement of aircraft leasing preferential tax regime

The Government will introduce a bill into the LegCo in the fourth quarter of 2023 to enhance the existing aircraft leasing preferential tax regime, including the allowance of tax deduction for the acquisition cost of aircraft and expansion of the scope of leases and aircraft leasing activities.

Review of tax concession measures for funds and carried interest

The Financial Secretary stated that the Government will review the existing tax concession measures applicable to funds and carried interest. No details of the review have been provided at this stage.

Introduction of tax deduction for spectrum utilisation fees

To encourage telecommunications network operators to invest in infrastructure for providing better communication services, the Government will introduce a tax deduction for spectrum utilisation fees paid by successful bidders of radio spectrum.

Increase of tax deduction for Mandatory Provident Fund (MPF) contributions for elderly employees

To encourage employers to hire or continue to hire elders, the Government will increase the tax deduction for voluntary MPF contributions made by employers for their employees aged 65 or above from 100% to 200% in respect of such expenditure.

One-off profits tax relief

Profits tax for the year of assessment 2022/23 will be reduced by 100%, subject to a ceiling of HK\$6,000.

Salary tax relief and incentives

One-off salaries tax relief

Salaries tax and tax under personal assessment for the year of assessment 2022/23 will be reduced by 100%, subject to a ceiling of HK\$6,000.

Increase in child allowances

Basic child allowance and additional child allowance for each child born during the basis year of assessment will increase from HK\$120,000 to HK\$130,000, starting from the year of assessment 2023/24.

Stamp duty

Changes to ad valorem stamp duty for transfer of residential and non-residential properties

With immediate effect, the value bands of the ad valorem stamp duty payable for the transfer of residential and non-residential properties under Scale 2 rates, which generally apply to first-time buyers who are Hong Kong permanent residents, will be revised as follows (marginal relief not yet included):

Rate	Amount or value of consideration (whichever is the higher)	
	Before	After
HK\$100	Up to HK\$2,000,000	Up to HK\$3,000,000
1.50%	HK\$2,000,001 to HK\$3,000,000	HK\$3,000,001 to HK\$4,500,000
2.25%	HK\$3,000,001 to HK\$4,000,000	HK\$4,500,001 to HK\$6,000,000
3.00%	HK\$4,000,001 to HK\$6,000,000	HK\$6,000,001 to HK\$9,000,000
3.75%	HK\$6,000,001 to HK\$20,000,000	HK\$9,000,001 to HK\$20,000,000
4.25%	HK\$20,000,001 and above	HK\$20,000,001 and above

Contact Us

For further information, please reach out to our lawyers set out below or your usual Baker & McKenzie contact.



Steven Sieker

Partner

steven.sieker@bakermckenzie.com



Pierre Chan

Partner

pierre.chan@bakermckenzie.com



Carrie Lui

Counsel

Carrie.lui@bakermckenzie.com



Calista Li

Senior Associate

calista.li@bakermckenzie.com

© 2023 Baker & McKenzie. **Ownership:** This site (Site) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms, including Baker & McKenzie LLP). Use of this site does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion:** All information on this Site is of general comment and for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulation and practice are subject to change. The information on this Site is not offered as legal or any other advice on any particular matter, whether it be legal, procedural or otherwise. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any information provided in this Site. Baker McKenzie, the editors and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this Site. **Attorney Advertising:** This Site may qualify as "Attorney Advertising" requiring notice in some jurisdictions. To the extent that this Site may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. All rights reserved. The content of the this Site is protected under international copyright conventions. Reproduction of the content of this Site without express written authorization is strictly prohibited.

