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GES Tax Newsflash

The Chief Executive's 2023 Policy Address

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Overview

On 25 October 2023, the Chief Executive delivered his 2023 Policy Address, a continuation of his 2022 Policy Address initiatives to proactively attract business, to grow and retain talents to Hong Kong. In this Policy Address, the Government has also proposed some measures to adjust the demand side of the residential properties. In addition, the Government has addressed the potential challenges of the aging population and suggested some tax incentive to boost childbirth.
With all different measures, the direction is to strengthen the economy and improve people's livelihoods.

What is the change?

For detailed information on the full policy address, please visit www.policyaddress.gov.hk/2023

Attracting talent and business

Further to the launch of the online platform for the Hong Kong Talent Engagement, a physical office will be established, providing support for incoming talents and follow up with their development and needs after arrival; as well as to organise events to promote regional exchange and co-operation in talent attraction.

(i) To expand the coverage of universities under the Top Talent Pass Scheme, from world's top 100 universities to 184 universities from November 2023.

(ii) To relax the visa requirements for nationals of Vietnam to apply for work authorisation; and for nationals of Laos and Nepal to apply for authorisation to work, attend training, and study in Hong Kong.

(iii) To start the new Capital Investment Entrant Scheme where eligible investors who make investments of HKD30 million or above in assets such as stocks, funds, bonds, etc (exclude real estate) may apply for visa to reside in Hong Kong. Details of this Scheme will be announced by the end of 2023.

(iv) Starting from 2024/25, to allow non-local students of designated full-time professional Higher Diploma programmes of the Vocational Training Council to stay in Hong Kong for one year after graduation to seek jobs relevant to their disciplines. This pilot arrangement will be reviewed after two years.

(v) Foreign staff of companies registered in Hong Kong may enjoy priority processing when applying for multiple-entry visas for travelling to mainland China for business purposes.

Adjusting the demand-side management measures for residential properties

The prevailing market conditions as well as the demand-supply balance of the residential property market have changed substantially over the past few years. With the significant increase of the interest rates and the transactions of the local residential property market have declined alongside a downward adjustment of the property prices, the Government has decided to, with immediate effect, make the following adjustments to the demand-side management measures for residential properties, subject to enactment of Bill (Bill) by the Legislative Council:-

(i) shorten the applicable period of the Special Stamp Duty (SSD) from three years to two years. In other words, if a property owner disposes of his/her property two years after acquisition, he/she will no longer need to pay the SSD, which amounts to 10% of the property price;

(ii) reduce the respective rates of the Buyer's Stamp Duty (BSD) and the New Residential Stamp Duty (NRSD) by half, from 15% to 7.5%. This arrangement will help alleviate the financial burden on Hong Kong Permanent Residents (HKPRs) who have already owned residential properties in their acquisition of another residential property, as well as reduce the costs of non-HKPRs in their acquisition of residential properties; and

(iii) introduce a stamp duty suspension arrangement for incoming talents' acquisition of residential properties. This is an enhancement of the stamp duty refund arrangement introduced last year for eligible incoming talents, whereby an incoming talent is required to pay the BSD and the NRSD at the time of property acquisition and will get a refund of the stamp duty paid when the talent concerned has resided in Hong Kong for seven years and become a HKPR. Under the suspension arrangement, the payment of stamp duty concerned is suspended at the time of property acquisition, but the talent is required to pay the relevant amount if he/she is subsequently unable to become a HKPR. This new arrangement applies to any sale and purchase agreement entered into from 25 October 2023 onwards.

Encouraging childbirth

Whilst the Government will implement the above measures to attract business and talents, and to boost up the market turnover rate of residential properties, Hong Kong's birth rate remains at its lowest level. In order to foster the development of the labour force, the Government will implement the following tax measures to promote fertility, subject to the enactment of the Bill: -

(i) Starting from the year of assessment 2024/25, the government will raise the deduction ceiling for home loan interest or domestic rents from the current HK$100,000 to HK$120,000, an increase of 20%, for taxpayers who live with his/her first child born today or after until the child reaches the age of 18.

(ii) With effect from the year of assessment 2024/25, the Government will introduce a new deduction for expenses on assisted reproductive services under salaries tax and personal assessment, subject to the ceiling of $100,000 per year, with the aim to provide a tax incentive for increasing fertility.

The taxpayer may apply in writing for holding over of the provisional salaries tax charged for the year of assessment 2024/25 in respect of the deduction, after the passage of the relevant legislation and the receipt of the notice of salaries tax assessment. The time limit for the application is 28 days before the due date for payment of the provisional tax, or 14 days after the date of the notice for payment of the provisional tax, whichever is later.

Deloitte's view

Further to the positive results from the 2022 Policy Address initiatives, we welcome and support Hong Kong's continual endeavours to continue expanding its talent pool, strengthening Hong Kong's competitiveness globally. Meanwhile, the tax relief measures provide incentive on promoting fertility.

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