

AGN TAXPRESSO

Quarterly Tax Publication
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MESSAGE FROM CHAIRMAN

Welcome to our first issue of the 2023 AGN AP Taxpresso, a quarterly publication composed of articles drafted by members of our AGN Asia Pacific Tax Committee, which we hope will be of interest to you.

This edition is also my first as chairman of the committee, as Vimala hands over the reins of chairmanship, a position she has expertly managed since the AGN Asia Pacific Tax Committee was originally formed. On behalf of the whole committee, I would sincerely like to express our appreciation and thanks to Vimala for her leadership of the group, and for her dedication to chairing our regular meetings over the past few years. While Vimala is stepping down as chairman, she will still remain a valuable member of our committee, and I certainly look forward to her future updates and insights with respect to the Singaporean tax scene.

We are presently lucky enough to have a diverse range of committee members from across the Asia Pacific jurisdictions of Australia, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Pakistan and Singapore.

As always, please do let us know if you have any feedback to our Taxpresso editions, as we do prepare them for the benefit of all AGN members, and we welcome any opportunity to improve the format and content accordingly.

Please also share with us any specific topics of interest which you would like to see included in future editions of Taxpresso. You can send your comments to me or our secretariat at asia-pacific@agn.com.

Finally, if you would also like to attend the committee meetings and share your own insights with respect to your jurisdiction, we would love to have you on board. Just forward your contact details to either myself or the secretariat, and we will ensure you receive the meeting invites.

Richard Ashby

Chairman, AGN Asia Pacific Tax Committee

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HONG KONG BUDGET 2023/24

Proposed Budget and Summary of Hong Kong Taxes 2023/24

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HIGHLIGHTS

1. Issue HK\$5,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new immigrants aged 18 or above to stimulate local consumption.
2. Waive salaries tax and tax under personal assessment for 2022/23, subject to a ceiling of HK\$6,000.
3. Reduce profits tax for the year of assessment 2022/23 by 100%, subject to a ceiling of HK\$6,000.
4. Increase the basic child allowance and the additional child allowance for each child born during the year of assessment from \$120,000 to \$130,000 from 2023/24.
5. Significant funding set forth for mega and MICE (meetings, incentives, conventions, and exhibitions) events. “Happy Hong Kong” campaign for locals to restore HK’s branding as a resilient Asia city.
6. Introduce initiatives including preferential tax treatments, incentive travels to provide facilitation for companies domiciled overseas for re-domiciliation to Hong Kong.
7. Implement the 15% global minimum tax as part of the BEPS 2.0 initiatives in 2025.
8. Introduce a new Capital Investment Entrant Scheme: applicants may reside and pursue development in Hong Kong after making investment at a certain amount in the local asset market, excluding property.

COMMENTARY

Restoring the City’s Position as a Regional Business Hub

Hong Kong’s Financial Secretary Mr Paul Chan has delivered a prudent finance budget on 22 February 2023. The budget continues to help the city recover, where more than 80% of the budget spending aims to support individuals and SMEs. Another focus of the Financial Secretary has shifted towards strengthening Hong Kong’s position as the leading regional financial and business hub. Continuing with the practices in recent years, electronic consumption voucher and other incentives are granted with lesser degree as compared to 2022, to balance the huge spending on pandemic relief measures for the previous fiscal years.

Huge funding is allocated for initiatives to stimulate the city’s local economy and restore Hong Kong’s economic resilience, such as hosting mega events and various measures to attract outbound businesses and tourists to rebuild international branding. The “Happy Hong Kong” Campaign that focuses on gourmet experiences and exciting amusements will be launched to revitalize local economy.

In addition, the government will continue to allocate capital expenditure towards various initiatives to strengthen Hong Kong's economic development and infrastructure. Highlighted measures include increased funding on 1.) Greater Bay Area (GBA) merger and collaboration; 2.) The cultivation and attraction of talents; 3.) Aviation hub and Northern Metropolis development; and 4) the development of health and frontier technology among other initiatives.

On a global tax aspect, the Financial Secretary announces implementation of the BEPS2.0 initiative, whereby a 15% minimum tax right applies to MNEs that operate with at least €750m group revenue will be effective in 2025. Although there is still a two-year window, however, qualified MNEs may still be impacted by other jurisdictions that have implemented same rule starting 2024. We welcome affected business to commence advance planning and reach out to us for further consultation.

The budget reflects a commitment to revitalise Hong Kong's economy and restoring its international standing as a regional economic business hub. We envisage these measures will provide much needed relief to key economic sectors, allowing for Hong Kong to retain its unique place as an APAC financial and trading centre.

SUMMARY OF HONG KONG BUDGET 2023/24

Cross-Industry

1. Reduce profits tax for the year of assessment 2022/23 by 100%, subject to a ceiling of HK\$6,000.
2. Waive rates for non-domestic properties for the first two quarters of 2023/24, subject to a ceiling of HK\$1,000 per quarter.
3. Extend the application period of all guaranteed products under the SME Financing Guarantee Scheme to March 2024.
4. Reduce rental by 50% for six months for eligible tenants of government properties and short-term tenancies.

Finance and Digital Economy

1. Issue no less than HK\$50b of Silver Bonds, HK\$15b of Green Bonds in the next financial year.
2. HK\$500m earmarked to launch a Digital Transformation Support Pilot Programme, to assist SMEs in applying ready-to-use basic digital solutions.
3. Provide HK\$100m to InvestHK to attract more family offices to Hong Kong.
4. Explore use of Hong Kong's Faster Payment System and Thailand's PromptPay by visitors from the two places for local payment.
5. Review the development potential and prospects of tokenised bond issuance.
6. Extend the Pilot Insurance-linked Securities Grant Scheme for 2 years.
7. Continue to explore with the Mainland on expansion of mutual market access and enhancement arrangements.
8. Introduce a listing regime for advanced technology companies in the first quarter of 2023.
9. Put up specific reform recommendations on GEM for stakeholder consultation.

Innovation and Technology

1. HK\$6b funding for universities and research institutes to set up thematic research centres related to life and health technology.
2. HK\$3b earmarked to enhance basic research in frontier technology fields such as artificial intelligence and quantum technology.
3. Establish a Microelectronics Research and Development Institute to enhance collaboration among universities, R&D centres, and the industry, expediting “1 to N” transformation.
4. Over HK\$260m reserved for Cyberport to nurture smart living start-ups.
5. HKSTPC will inject HK\$400m into its Corporate Venture Fund and inject an additional HK\$110m to launch the Co-acceleration Programme.
6. Conduct a feasibility study on setting up the second Advanced Manufacturing Centre.

Other Industries

1. Supporting tourism industry via multiple subsidy and funding schemes.
2. Enhance the aircraft leasing preferential tax regime to attract aircraft leasing companies to establish presence in Hong Kong.
3. Set up a task force to further promote the development of Hong Kong’s high-end maritime services and put forward an action plan.
4. Provide an additional funding of HK\$550m to the Hong Kong Trade Development Council to assist enterprises in opening up markets.
5. Inject HK\$500m into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and expedite the processing of applications.
6. Allocate HK\$100m to the Hong Kong Productivity Council to strengthen assistance for SMEs in applying for government subsidies.
7. Introduce a “patent box” tax incentive to encourage the I&T sector to create more patented inventions.
8. Seek to implement the use of a common online mediation platform in the GBA.

Liveable City

1. Provide 12 residential sites and 3 commercial sites under the 2023/24 Land Sale Programme to provide 20k units and 370k square metres of commercial/ industrial floor area.
2. Secure land for the production of no less than 72k private housing units in the coming 5 years.
3. Set forth HK\$100m to provide on-the-job training allowance to trainees who have enrolled in construction related programmes.
4. Earmark HK\$75m for conducting studies on establishing the Building Testing and Research Institute, constructing an advanced construction industry building, and strengthening the supply chain of Modular Integrated Construction (MiC) modules.
5. Inject HK\$200m for commencing trials of hydrogen fuel cell electric double-deck buses and heavy vehicles. Set aside HK\$350m for electric ferries.

1. Waive salaries tax and tax under personal assessment for 2022/23, subject to a ceiling of HK\$6,000.
2. Issue HK\$5,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above to stimulate local consumption.
3. Provide rates concession for domestic properties for two quarters of 2023/24, subject to a ceiling of HK\$1,000 per quarter.
4. Grant a subsidy of HK\$1,000 to each residential electricity account.
5. From the 2023/24 assessment year, increase the basic child allowance and the additional child allowance for each child born during the year of assessment from \$120,000 to \$130,000.
6. Current demand-side management measures for residential properties (commonly known as “harsh measures”) remain unchanged.
7. Adjust 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) to ease burden on ordinary families of purchasing their residential properties, particularly small and medium residential units.

Note: Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

TAX RATE TABLES

1. Profits Tax

	2023/2024	2022/2023*
Corporations - First HK\$2m profits - On the remainder	8.25% 16.5%	8.25% 16.5%
Unincorporated business	15%	15%
Capital gains	Nil	Nil
Dividend	Nil	Nil

*For 2022/23, the profits tax is proposed to be reduced by 100%, subject to a ceiling of **HK\$6,000**. (2021/22: HK\$10,000)

2. Salaries Tax

- Salaries tax is charged at the lower of net chargeable income (Total Income - Deductions - Allowances) at progressive rates or net total income (Assessable Income - Deductions) at standard rate.
- Standard rate remains the same at 15%.
- Progressive rates are as follows:

2023/2024 (remain the same)		2022/2023*	
First HK\$50,000 chargeable income	2%	First HK\$50,000 chargeable income	2%
Next HK\$50,000	6%	Next HK\$50,000	6%
Next HK\$50,000	10%	Next HK\$50,000	10%
Next HK\$50,000	14%	Next HK\$50,000	14%
Remainder	17%	Remainder	17%

*For 2022/23, the salaries tax and tax under personal assessment are proposed to be reduced by 100%, subject to a ceiling of **HK\$6,000**. (2021/22: HK\$10,000)

3. Allowances & Deductions

	Proposed 2023/24	2022/23
Personal allowance		
Basic	HK\$132,000	HK\$132,000
Married	HK\$264,000	HK\$264,000
Single Parent	HK\$132,000	HK\$132,000
Disabled	HK\$75,000	HK\$75,000
Child allowances (1st to 9th child)		
Year of Birth	HK\$260,000	HK\$240,000
Other years	HK\$130,000	HK\$120,000
Dependent parent / grandparent allowances		
Basic (Age 60+)	HK\$50,000	HK\$50,000
Additional allowance (for dependant living with taxpayer) (Age 60+)	HK\$50,000	HK\$50,000
Basic (Age 55-59)	HK\$25,000	HK\$25,000
Additional allowance (for dependant living with taxpayer) (Age 55-59)	HK\$25,000	HK\$25,000
Dependent brother / sister allowance	HK\$37,500	HK\$37,500
Disabled dependant allowance	HK\$75,000	HK\$75,000
Deductions		
Self-education expenses	HK\$100,000	HK\$100,000
Home loan interest	HK\$100,000 (entitlement period – 20 years)	HK\$100,000 (entitlement period – 20 years)
Approved charitable donations	35% of income	35% of income
Elderly residential care expenses	HK\$100,000	HK\$100,000
Contributions to recognised retirement schemes	HK\$18,000	HK\$18,000
Qualifying premiums paid under the voluntary health insurance scheme policy	HK\$8,000	HK\$8,000
Qualifying annuity premiums and mandatory voluntary contributions to recognised retirement schemes	HK\$60,000	HK\$60,000
Domestic rental expenses (New)	HK\$100,000	HK\$100,000

4. Property Tax & Stamp Duty

The standard rate (for non-corporate owners) remains at 15% for 2023/2024. Property stamp duty for Scale 2 will become more lenient while Scale 1 will remain unchanged, as detailed here:

	2023/24 (remain the same with 2022/23)	
Property consideration	Flat rate	Scale 1
Up to HK\$2,000,000	15%	1.5%
HK\$2,000,001 to HK\$3,000,000		3.0%
HK\$3,000,001 to HK\$4,000,000		4.5%
HK\$4,000,001 to HK\$6,000,000		6.0%
HK\$ 6,000,001 to HK\$20,000,000		7.5%
HK\$20,000,001 and above		8.5%

Duty rates are subject to marginal relief under Scales 1 & 2.

	2023/24 (adjusted from 2022/23)
Property consideration	Scale 2
Up to HK\$3,000,000	HK\$100
HK\$3,000,001 to HK\$3,528,240	HK\$100 + 10% of the excess over HK\$3m
HK\$3,528,241 to HK\$4,500,000	1.50%
HK\$4,500,001 to HK\$4,935,480	HK\$67,500 + 10% of the excess over HK\$4.5m
HK\$4,935,481 to HK\$6,000,000	2.25%
HK\$6,000,001 to HK\$6,642,860	HK\$135,000 + 10% of the excess over HK\$6m
HK\$6,642,861 to HK\$9,000,000	3.00%
HK\$9,000,001 to HK\$10,080,000	HK\$270,000 + 10% of the excess over HK\$9m
HK\$10,080,001 to HK\$20,000,000	3.75%
HK\$20,000,001 to HK\$21,739,120	HK\$750,000 + 10% of the excess over HK\$20m
HK\$21,739,121 and above	4.25%

Duty rates are subject to marginal relief.

NOTES:

1. The 15% flat rate applies to transfer of resident of resident property executed on or after 5 November 2016 except for the circumstances that Scale 2 rates are applicable.
2. The Scale 1 rates apply to transfer of non-residential property.
3. The Scale 2 rates apply to residential property acquired by a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquisition.

Special Stamp Duty (SSD) remains to impose on transactions of residential properties for all values if the property is acquired by the vendor on or after November 20, 2010 and resold within:-

- 24 months from the date of acquisition (if the property was acquired between 20 November 2010 and 26 October 2012); or
- 36 months from the date of acquisition (if the property was acquired on or after 27 October 2012).

The SSD rates are as follows:

- 20% if the vendor has held the property for 6 months or less;
- 15% if the vendor has held the property for more than 6 months but for 12 months or less;
- 10% if the vendor has held the property for more than 12 months but for 36 months or less.

From 1 August 2021, the rate of Stamp Duty on Stock Transfers is 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively.

Compiled by Helen Wong on 7 April 2023



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SINGAPORE

Singapore Budge 2023

The Deputy Prime Minister and Finance Minister, Mr Wong, announced the Singapore 2023 budget on 14 February 2023.

Singapore emerged from COVID-19 stronger in 2023, moving forward into a new era. There are many challenges facing Singapore and its people. Geopolitical uncertainties and technological self-reliance in critical industries have led major global governments to onboard their manufacturing and production facilities where they are less likely to face high risks of interference and disruptions by external forces.

The Government will spend \$104 billion to build capabilities, anchor quality investments, and equip and empower workers through wage growth and job opportunities. The National Productivity Fund will promote quality investments and support companies in Singapore to build new capabilities.

The Enterprise Innovation Scheme ("EIS") has been introduced to focus on key innovation value chain activities, including R&D conducted in Singapore, registration of Intellectual Properties, acquisition and licensing of IP, innovation carried out with Polytechnics and ITE and workers' training approved by SkillsFuture and Skills Framework. Under the EIS, the qualifying expenditures can obtain up to \$400,000 at 4 times tax deduction (except for \$50,000 at 4 times cap for innovation projects with Polytechnics and ITE). Further, companies are allowed to encash up to \$20,000 of qualifying expenditures.

The 2023 budget seeks to strengthen the social compact by supporting Singaporean families to have more children and cash grants for lower-income Singaporeans to alleviate inflationary living costs and mitigate the impact of the GST hikes.

The Child Development Account ("CDA") contributions will be increased from \$3,000 to \$5,000 to support families, particularly to address the rapidly declining population growth rate. Also, parents' contributions will be matched dollar for dollar up to \$4,000 for the first child and \$7,000 for the second child. The funds from CDA can be used for pre-school and healthcare fees. Further good news for fathers is that paternity leave will be doubled to four weeks from the earlier two weeks. Twelve days of unpaid infant care leave during the child's first two years will be granted from the beginning of next year.

To effectively support working mothers who are lower to middle-income earners, the Government has changed the Working Mother's Child Relief ("WMCR") from a percentage of the mother's earned income to a fixed amount. The WMCR is capped at 100% of the mother's earned income and is also subject to a cap of \$50,000 per child. Going forward, WMCR for children born on or after 1 Jan 2024 will be \$8,000 the first child, \$10,000 for the second child and \$12,000 each for the third and subsequent child.

Singapore is also facing rising cost of inflation due to rising interest rates and energy prices from global supply chain constraints and geopolitical unrest. Mr Wong will give a special payment ranging from \$200 to \$400 to all eligible Singaporeans having annual income below \$100,000 and who do not own more than one property. Further, all Singaporean households will get another \$300 in Community Development Council vouchers in Jan 2024.

Additionally, to defray the cost of the GST going up from 7% to 8% in 2023 and 9% in 2024, the GST vouchers ranging from \$250 to \$700 this year and \$450 and \$850 next year, depending on the annual values of the homes Singaporeans are staying will be given.

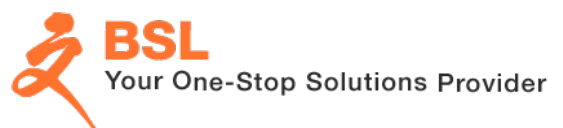
Mr Wong has further introduced a higher marginal buyer's stamp duty for higher value residential and non-residential properties and higher registration fees for higher-end cars. Residential properties over \$1.5m and up to \$3m will be taxed at 5%, while those over \$3m are taxed at 6%, up from the current 4%. 320% Higher Additional Registration Fee for higher-end cars with an open market value of more than \$40,000 will be imposed, an increase from 220%.

The wealth taxes aim to build a fairer society so the wealthy can contribute more to the social compact in alleviating the suffering of the needy. The increases in the tax rates are in keeping with the progressivity of the tax rates.

Overall the Singapore Budget 2023 lays out the Government's plan for increased spending and investments to address the rising inflation and support families and businesses. However, the Government must balance the need to provide assurance to Singaporeans while preventing the mindset of the citizens to expect the Government to become a crutch from all economic downturns.

Singapore maintains 2023 GDP forecast at 0.5% to 2.5% after the economy grew at 3.6% in 2022. The modest forecast is in view of the world uncertainties remaining in the Western economies with the ongoing war in Ukraine and poorer financial conditions with a rising interest rate environment.

Compiled by N Vimala Devi on 23 March 2023



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