

Consolidated budget forecast

2022/23 Original forecast	2022/23 Revised forecast	2023/24 Forecast	2027/28 Forecast
Deficit of HK\$56.3 billion	Deficit of HK\$139.8 billion consisting of: <ul style="list-style-type: none"> • HK\$196.1 billion deficit on operating account • HK\$9.7 billion deficit on capital account • HK\$66 billion of net proceeds from issuance of government bonds 	Deficit of HK\$54.4 billion consisting of: <ul style="list-style-type: none"> • HK\$92.7 billion deficit on operating account • HK\$25.9 billion deficit on capital account • HK\$65 billion of net proceeds from issuance of government bonds • HK\$0.8 billion of repayment of bonds and notes 	Surplus of HK\$99.9 billion consisting of: <ul style="list-style-type: none"> • HK\$45.3 billion surplus on operating account • HK\$3.3 billion surplus on capital account • HK\$65 billion of net proceeds from issuance of government bonds • HK\$13.7 billion of repayment of bonds and notes

By the end of 2027/28, the government projects fiscal reserves of approximately HK\$983.7 billion (equivalent to 14 months of government expenditure).

Operating expenditure forecast

2022/23	2023/24	2027/28
HK\$689.5 billion	HK\$629.5 billion	HK\$686.9 billion

Total public expenditure is 26.7% of GDP for 2023/24, and will be kept at around 25% of the GDP during the five-year period up to 2027/28. The figures for operating expenditure for 2024/25 and beyond represent the forecast operating expenditure requirements for the HKSAR Government.

Profits tax

- The two-tiered profits tax rates for corporations (8.25%/16.5%) and unincorporated businesses (7.5%/15%) remain unchanged.
- Propose to implement the 15% global minimum tax on large multinational enterprise (MNE) groups under BEPS 2.0 Pillar Two and a domestic minimum top-up tax starting from 2025 onwards. A consultation exercise will also be launched to allow MNE groups to make early preparation.
- Propose the introduction of a 'patent box' regime to provide tax concessions for profits sourced in Hong Kong from qualifying patents generated through research and development activities.
- Propose to further enhance the aircraft leasing preferential regime, which includes allowing tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities qualifying for the regime.
- Propose an enhanced tax deduction of 200% in respect of Mandatory Provident Fund voluntary contributions made by employers for their employees aged 65 or above.
- Propose a tax deduction for spectrum utilisation fees to be paid by future successful bidders of radio spectrum.

Salaries tax

- No change in the standard tax rate.
- No change in the progressive tax rates and the marginal tax bands.
- Propose to increase the basic child allowance and additional child allowance for each child born during the year of assessment from HK\$120,000 to HK\$130,000 starting from the year of assessment 2023/24.

Stamp duty

- Adjust the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties (i.e. Scale 2 rates).

Proposed one-off measures

- Waive 100% of profits tax for 2022/23, subject to a ceiling of HK\$6,000.
- Waive 100% of salaries tax and tax under personal assessment for 2022/23, subject to a ceiling of HK\$6,000.
- Provide rates concession for non-domestic properties for the first two quarters of 2023/24, subject to a ceiling of HK\$1,000 per quarter for each rateable property.
- Provide rates concession for domestic properties for the first two quarters of 2023/24, subject to a ceiling of HK\$1,000 per quarter for each rateable property.
- Issue electronic consumption vouchers of HK\$5,000 by two instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above. Eligible persons who have come to live in Hong Kong through different admission schemes or to study in Hong Kong will receive vouchers totalling HK\$2,500.
- Grant each eligible residential electricity account a subsidy of HK\$1,000.
- Provide an extra half-month allowance of standard Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance.
- Pay the examination fees for school candidates sitting for the 2024 Hong Kong Diploma of Secondary Education Examination.
- Extend the temporary special measures under the Public Transport Fare Subsidy Scheme for a period of six months till October 2023 to provide commuters with a subsidy amounting to one-third of their actual monthly public transport expenses in excess of HK\$200, subject to a ceiling of HK\$500 per month.

Other key proposals

- Introduce a mechanism to facilitate companies domiciled overseas to re-domicile to Hong Kong.
- Introduce a new Capital Investment Entrant Scheme under which applicants may reside and pursue development in Hong Kong after making investment at a certain amount in the local asset market, excluding property.
- Allocate HK\$100 million to InvestHK over the next three years for attracting more family offices to Hong Kong.

- Inject additional funding of HK\$500 million to the Create Smart Initiative to provide continuous support for the promotion and development of the creative industries.
- Set aside HK\$6 billion out of the HK\$10 billion earmarked in the 2022/23 Budget to set up Life and Health Research Institute(s) in Hong Kong.
- Earmark HK\$200 million to enhance the operation of the 'iAM Smart' platform to improve user experience.
- Earmark HK\$500 million to Cyberport to launch a Digital Transformation Support Pilot Programme to assist small and medium enterprises (SMEs) in applying ready-to-use basic digital solutions, and HK\$265 million to nurture smart living start-ups.
- Hong Kong Science and Technology Parks Corporation will inject HK\$400 million into its Corporate Venture Fund and an additional HK\$110 million to launch the Co-acceleration Programme.
- Earmark HK\$3 billion to further enhance the facilities for basic research in frontier technology fields.
- Earmark HK\$20 million to expedite strategic studies and exchanges of the high-end maritime service industry.
- Inject HK\$500 million into the Chinese Medicine Development Fund to bolster the development of Chinese medicine.
- Inject HK\$200 million to Maritime and Aviation Training Fund for training and promotion for aviation, maritime and related industry.
- Earmark HK\$100 million for attracting more mega events to be staged in Hong Kong.
- Allocate HK\$200 million to the Hong Kong Tourism Board to source more international meetings, conventions and exhibitions in Hong Kong.
- Allocate HK\$50 million to the Task Force on Promoting and Branding Hong Kong to promote Hong Kong to the world.
- Allocate HK\$155 million for hosting the Greater Bay Area (GBA) Culture and Arts Festival in 2024 and support performing arts groups and artists in Hong Kong in taking part in performances and productions in the GBA.
- Allocate HK\$30 million to the Information Technology Development Matching Fund Scheme for Travel Agents to encourage the industry to undergo upgrade and transformation.
- Allocate HK\$550 million over five years to the Hong Kong Trade Development Council to help Hong Kong enterprises seize opportunities arising from the Belt & Road Initiative and the GBA development.
- Allocate an additional HK\$500 million to the Branding, Upgrading and Domestic Sales Fund to enable more SMEs to make use of the funding to develop their business.
- Allocate HK\$100 million to Hong Kong Productivity Council to enhance its services in assisting SMEs to apply for government subsidies.
- Establish a Green Technology and Finance Development Committee to formulate an action agenda covering the development of Hong Kong into an international green technology and finance centre.
- Earmark HK\$200 million to the New Energy Transport Fund for trials with hydrogen fuel cell electric double-deck buses and heavy vehicle.

- Allocate HK\$350 million to subsidise in-harbour ferry operators for the construction and trials of electric ferries and the related charging facilities.
- The 2023/24 Land Sale Programme will include 12 residential sites, 3 commercial sites and 3 industrial sites.