

Hong Kong Tax Alert

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2022 Policy Address – Summary of key economic, business and tax measures



Summary

The Chief Executive delivered his maiden Policy Address on 19 October 2022. The Policy Address contained, among other policy initiatives, various measures to promote economic growth, attract enterprises and talents, and foster a closer collaboration between the Hong Kong SAR (Hong Kong) and the Greater Bay Area (GBA).

Background

The Chief Executive, Mr. John Lee, delivered the 2022 Policy Address speech¹ in the Legislative Council on 19 October 2022. The Policy Address covered different areas including: enhancing the governance and civil service management systems, attracting strategic enterprises and quality talents to Hong Kong, fostering the development of targeted industries and dovetailing with the National strategies including the 14th Five-Year Plan, the GBA development and the Belt and Road Initiative.

Key economic, business and tax measures

Below is a summary of the more important economic, business and tax measures mentioned in the Policy Address.

General measures:

- setting up **Hong Kong Investment Corporation Limited** to further optimise the use of fiscal reserves for promoting the development of industries and the economy e.g. to consolidate various sub-funds established under the Future Fund to invest in strategic industries and attract more enterprises to develop their business in Hong Kong;
- setting up the **Chief Executive's Policy Unit** to enhance capabilities in research and advocacy on long-term and strategic issues and from strategic and global perspectives, including in-depth studies and analyses on Mainland policies and developments as well as international trends; and
- establishing the **Steering Group on Integration into National Development** to formulate strategic plans for Hong Kong to dovetail with the 14th National Five-Year Plan and the GBA development, and promote better co-operation between Hong Kong and the Belt and Road countries.

¹ The 2022 Policy Address speech and the related materials can be accessed via this link: [Policy Address | The Chief Executive's 2022 Policy Address](#)

Measures to attract strategic enterprises and quality talents

- establishing the **Office for Attracting Strategic Enterprises** to attract high-potential and representative strategic enterprises to Hong Kong by offering them attractive and tailor-made facilitation measures and one-stop services covering aspects such as land, tax, financing, visa application and education arrangement for their employees' children;
- setting aside HK\$30 billion from the Future Fund to establish the **Co-Investment Fund** to attract enterprises to set up operations in Hong Kong and co-invest in their business / projects that drive industry development in Hong Kong;
- establishing the **Talents Service Unit** to formulate strategies to recruit talent, co-ordinate relevant work and provide one-stop support for incoming talent;
- launching the **Top Talent Pass Scheme** for a period of two years² to widely entice talents to pursue their careers in Hong Kong – eligible talents³ will be issued a two-year pass for exploring opportunities in Hong Kong and are not subject to any quota;
- enhancing the existing talent admission schemes (e.g. the Admission Scheme for Mainland Talents and Professionals, the Technology Talent Admission Scheme and the Quality Migrant Admission Scheme) and extending the limit of stay under the Immigration Arrangements for Non-local Graduates from 1 year to 2 years to better attract talents; and
- allowing eligible incoming talent to, upon becoming a Hong Kong permanent resident (HKPR), apply for a refund of the extra stamp duty paid (i.e. the Buyer Stamp Duty and the difference between the 15% flat rate and the Scale 2 rates of Ad Valorem Stamp Duty) for purchasing the first residential property in Hong Kong of which they still own when they become a HKPR⁴.

Industry-specific measures:

Financial services / Asset and wealth management

- revising the Main Board Listing Rules to facilitate fundraising of advanced technology enterprises that have yet to meet the profit and trading record requirements;
- encouraging issuers to set up RMB-denominated securities counters in Hong Kong and introducing a bill within this year to exempt the stamp duty payable for transactions conducted by dual-counter market makers;
- speeding up the implementation of a series of mutual market access arrangements – e.g. the Northbound Trading of Swap Connect and establishing insurance after-sales service centres in places such as Nansha and Qianhai;
- developing Hong Kong into an international carbon market;
- implementing a risk-based capital regime for the insurance industry in 2024 to align with international standards;
- introducing a tax bill into the Legislative Council by 2022 to offer tax concession for eligible family-owned investment holding vehicles managed by single family offices in Hong Kong⁵, with an aim to attract not less than 200 family offices to establish or expand their operations in Hong Kong by end-2025; and
- implementing a statutory licensing regime for virtual asset service providers.

Innovation and technology (I&T)

- life and health technology, artificial intelligence and data science, financial technology (Fintech), advanced manufacturing and new energy technology are identified as industries of strategic importance to Hong Kong;
- the goal is to attract not less than 100 high-potential or representative I&T enterprises to set up or expand their businesses in Hong Kong in the coming five years, including at least 20 top-notch I&T enterprises;
- launching the "Research, Academic and Industry Sectors One-plus Scheme" to fund, on a matching basis, at least 100 research teams in universities which have good potential to become start-ups;
- creating the post of Commissioner for Industry who will co-ordinate and steer the strategy on re-industrialisation and assist the manufacturing sector in upgrading and transformation by making use of I&T;

² The scheme will be reviewed after the first year of implementation.

³ Eligible talent will include (1) individuals whose annual salary reached HK\$2.5 million or above in the past year and (2) individuals graduated from the world's top 100 universities with at least three years of work experience over the past five years. Individuals graduated from the world's top 100 universities in the past five years and have yet to fulfil the work experience requirement will also be eligible, subject to an annual quota of 10,000.

⁴ The arrangement applies to any sale and purchase agreements of residential property in Hong Kong on or after 19 October 2022.

⁵ A proposal on the tax concession was released by the government for stakeholder consultation in March 2022.

- other than the general talent attraction measures mentioned above, additional measures focusing on attracting I&T talents include: increased subsidies for employing research talents under the Research Talent Hub Scheme, additional monthly living allowance of HK\$10,000 to research talents with a doctoral degree under the Research Talent Hub Scheme, building more accommodation facilities for I&T talents and expanding the STEM Internship Scheme for university STEM students; and
- continuing to develop Hong Kong into a smart city – e.g. aiming to turn all government services online in two years and provide one-stop digital services by fully adopting "iAM Smart" within three years.

Others

- International trade centre - actively pursuing accession to the Regional Comprehensive Economic Partnership
- International shipping centre – implementing tax concession measures to attract more high value-added maritime enterprises to establish presence in Hong Kong⁶
- International aviation hub - developing Hong Kong into the preferred location for aircraft leasing in the region by further enhancing the aircraft leasing preferential tax regime
- Regional intellectual property (IP) trading centre - strengthening protection of IP rights and providing IP training for 5,000 personnel across different industries
- Support for SMEs – raising the funding ceilings of the Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) and the SME Export Marketing Fund, extending the principal payment holiday arrangement to 31 July 2023 and extending concessions of government fees and charges.

KPMG observations

We are glad to see from the Policy Address that the HKSAR Government is adopting new approaches to attracting enterprises, investments and talents to Hong Kong, namely (1) establishing designated office/unit to drive and co-ordinate the work on attracting enterprises and talents to Hong Kong and (2) drawing up a list of target enterprises for the government to proactively reach out to them and formulate holistic and tailor-made business facilitation measures covering land, tax and financing, etc. for them.

We also welcome the setting of specific and measurable key performance indicators/goals to monitor the implementation of government policy initiatives, such as (1) an aim to attract not less than 200 family offices to establish or expand their operations in Hong Kong by end-2025 and (2) the goal of attracting not less than 100 high-potential or representative I&T enterprises to set up or expand their businesses in Hong Kong by 2027.

The successful implementation of these good policy initiatives will largely depend on the actual execution of the proposed measures by the working-level government officials across different bureaus and departments within the government. We hope to see a more coordinated, holistic and effective implementation of the proposed measures in practice.

The Policy Address also mentioned a number of tax measures, including refining the existing tax concessionary regime for aircraft leasing business and exemption of stamp duty payable for transactions conducted by dual-counter market makers in respect of RMB-denominated securities in Hong Kong. We look forward to the release of more details about these proposed tax measures as well as timely and effective implementation of them to enhance Hong Kong's status as an international financial centre.

⁶ A concessionary tax regime for qualifying ship agents, ship managers and ship brokers in Hong Kong has already been enacted and applies from 1 April 2022.

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