

# Hong Kong (SAR) Tax Alert

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## 2024 Policy Address – Summary of key tax and business measures

### Summary



The Chief Executive delivered the 2024 Policy Address on 16 October 2024. In terms of the Hong Kong SAR's economic development, the Policy Address includes measures on (1) enhancing Hong Kong's status as an international financial, shipping and trade centre, (2) promoting the development of the innovation and technology (I&T) sector and digital economy and (3) deepening the collaboration with the Greater Bay Area (GBA).

The Chief Executive, Mr. John Lee, delivered his third Policy Address speech<sup>1</sup> in the Legislative Council on 16 October 2024. We outline below some of the key tax and business-related measures covered in the 2024 Policy Address.

### Summary of the tax measures

- Expansion to the scope of eligible qualifying transactions under the **tax concessions for funds and single-family offices** (consultation will be launched by the end of 2024).
- Enhancing the **preferential tax regime for the maritime services sector**, including introducing new tax deduction arrangements for ship lessors pursuant to international tax rules.
- Introducing **tax concessions related to commodity (e.g. metals and minerals) trading activities** to attract the relevant enterprises to establish their presence in Hong Kong.
- Reducing the **duty rate for liquor**<sup>2</sup> from 100% to 10% for the portion of the import price above HK\$200. The duty rate for the first HK\$200 remains to be 100%. The relevant order<sup>3</sup> to amend the liquor duty was gazetted on 16 October 2024. The new duty rate has been effective from **11am on 16 October 2024**.

### Key business-related measures

#### Key measures to attract quality talents

- Reforming the talent admission regime, including:
  - 1) updating the Talent List to include talents required for the development of the "eight centres"<sup>4</sup>;

<sup>1</sup> The 2024 Policy Address speech and the related materials can be accessed via this link: <https://www.policyaddress.gov.hk/2024/en/policy.html>

<sup>2</sup> It refers to liquor with an alcoholic strength of more than 30% by volume measured at a temperature of 20°C.

<sup>3</sup> The Public Revenue Protection (Duty on Liquor) Order 2024 can be accessed via this link: <https://www.gld.gov.hk/egazette/english/gazette/file.php?year=2024&vol=28&no=31&extra=1&type=2&number=136>

<sup>4</sup> The eight centres are: international financial centre, international innovation and technology centre, East-meets-West centre for international cultural exchange, international trade centre, international shipping centre, international aviation hub, centre for international legal and dispute resolution services in the Asia-Pacific region as well as regional intellectual property trading centre.

- 2) extending the validity period of the first visa of high-income talents under Top Talent Pass Scheme from two years to three years; and
- 3) introducing a new mechanism under the Quality Migrant Admission Scheme to proactively invite top talent to come to Hong Kong for development.

### Key measures to foster development of specific industries / sectors

#### International financial centre

- Deepening mutual market access (e.g. exploring expansion of the Southbound Trading of Bond Connect) and enriching the offshore RMB business (e.g. introducing more RMB-denominated products in both the stock and bond markets).
- Further developing the non-life insurance business and attracting large Mainland and overseas enterprises to establish captive insurance companies in Hong Kong.
- Enhancing the New Capital Investment Entrant Scheme (CIES) by counting (1) investment in high-end residential properties<sup>5</sup> (effective on 16 October 2024) and (2) investments made through an eligible private company wholly owned by an applicant (effective from 1 March 2025) as permissible financial assets towards the fulfilment of the investment threshold.
- Further enhancing the securities market by optimising the relevant procedures to provide greater certainty regarding the time required for vetting of listing applications, boosting market efficiency and lowering the transaction costs.
- Developing an international gold trading market and facilities for physical storage of gold.

#### International shipping centre

- Promoting the development of high value-added maritime services such as ship broking, financing and leasing, maritime insurance and maritime arbitration.
- Creating a commodity (e.g. metals and minerals) trading ecosystem to boost demand for maritime services and related financial and professional services.

#### International trade centre / Headquarters economy

- Building a high value-added supply chain service centre to attract Mainland enterprises to establish international or regional trading and supply chain management headquarters in Hong Kong.
- Seeking early accession to the Regional Comprehensive Economic Partnership and further exploring priority markets such as Belt and Road countries.
- Submitting a bill on the proposed **company re-domiciliation regime**<sup>6</sup> to the Legislative Council by the end of 2024.
- Extending the validity period of multiple-entry visas to the Mainland for foreign staff of Hong Kong registered companies to a maximum of five years (effective from 16 October 2024).

#### International innovation and technology centre

- Setting up a "I&T Industry-Oriented Fund" to attract more market capital to invest in specified emerging and future industries of strategic importance, including life and health technology, AI and robotics, semi-conductors and smart devices, advanced materials and new energy.
- Setting up funds jointly with the market under the Innovation and Technology Venture Fund to co-invest in start-ups of strategic industries.
- Launching the I&T Accelerator Pilot Scheme to foster the growth of start-ups by attracting professional start-up service providers to set up accelerator bases in Hong Kong.
- Establishing a working group to develop the low-altitude economy as a new driving force for economic growth – e.g. formulating development strategies, exploring application scenarios, amending relevant regulations and building the supportive infrastructure.

<sup>5</sup> The transaction price of the residential property needs to be at least HK\$50 million. The amount of real estate investment to be counted towards the total capital investment is capped at HK\$10 million. For more details, please refer to the Rules for the New CIES via this link: <https://www.newcies.gov.hk/media/iuvkaotd/scheme-rule-en.pdf>.

<sup>6</sup> The latest legislative proposals on the regime can be accessed via this link:

[https://www.fstb.gov.hk/fsb/en/publication/consult/doc/ConsultationConclusionOnCompanyRe-domiciliationRegime\\_e.pdf](https://www.fstb.gov.hk/fsb/en/publication/consult/doc/ConsultationConclusionOnCompanyRe-domiciliationRegime_e.pdf)

### Collaborating with the GBA

- Promoting the GBA development by building a higher level of connectivity, facilitating policy innovations and breakthroughs, pursuing wider harmonisation of rules and mechanisms, and expediting coordinated development of I&T and related industries.
- Enhancing the mechanism on recognition of professional qualifications for the construction industry.
- Exploring with relevant Mainland organisations the co-operation opportunities for joint investment in GBA projects.

### Others

- Developing Hong Kong as an international health and medical innovation hub (e.g. reforming the approval mechanism for drugs and strengthening biomedical technology R&D and its clinical applications).
- Developing digital economy and e-commerce (e.g. accelerating the digital transformation of industries, strengthening digital infrastructure and exploring development of a data-trading ecosystem).
- The Hong Kong-Shenzhen I&T Park in the Loop – some more details of the development plan of the Hong Kong Park are set out and policies to facilitate the flow of personnel, materials, capital and data between the Hong Kong Park and Shenzhen Park will be announced later this year.

## **KPMG Observations**

We welcome the various business-related measures proposed by the government in the 2024 Policy Address. These measures are comprehensive and cover both the pillar industries in Hong Kong and the emerging industries that represent new growth areas for Hong Kong.

From a tax perspective, we are glad to see that the government is going to introduce new tax concessions to support the growth of emerging strategic sectors on one hand and refine some of the existing preferential tax regimes based on stakeholder comments on the other hand. We look forward to a timely and effective implementation of these concessionary tax measures.

In addition, as we transition into a new tax era with the upcoming implementation of the BEPS Pillar Two rules in Hong Kong, we trust that the government will perform periodic review of the effectiveness of the local tax incentives for large multinational groups that are subject to a minimum taxation under Pillar Two and seek inputs from the relevant stakeholders (including us) on alternative ways to maintain Hong Kong as an attractive business location.

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