

Hong Kong

Hong Kong Proposes Global Minimum Tax in 2025, Patent Box Regime in Budget 2023/24

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On 22 February 2023, the Financial Secretary presented the Budget for 2023/24 to the Legislative Council. The Budget proposes to implement a minimum tax in 2025 under Pillar 2 of the OECD's two-pillar plan, introduce a patent box regime and provide more guidance on the taxability of capital gains from the disposal of equity interests. The proposed tax measures are subject to legislative amendments before implementation. The tax proposals are summarized as follows:

- implementation of the global minimum effective tax rate of 15% on large multinational enterprise groups and of the domestic minimum top-up tax in 2025;
- introduction of a patent box tax incentive to provide tax concessions for profits sourced in Hong Kong from qualifying patents generated through R&D activities, with consultation on the patent box tax arrangements in 2023 and legislative amendments aimed to be proposed in the first half of 2024;
- a one-off reduction of 100% of profits tax, salaries tax and tax under personal assessment for the year of assessment 2022/23, subject to a maximum of HKD 6,000 per case;
- an increase in child allowance from the year of assessment 2023/24, i.e., the basic child allowance for each child and the additional child allowance for each child born during the year of assessment will both increase from the current HKD 120,000 to HKD 130,000;
- a tax deduction for spectrum utilization fees to be paid by future successful bidders of the radio spectrum;
- an increase in the tax deduction for voluntary contributions made by employers to the Mandatory Provident Fund for employees aged 65 or above from the current 100% to 200%;
- an adjustment of the value bands for ad valorem stamp duty at Scale 2 rates, which will apply to instruments for residential or non-residential property transaction executed on or after 22 February 2023. The adjustment is aimed at reducing costs for first-time buyers of small and medium-size residential homes;
- a rates concession for non-domestic properties for the first two quarters of 2023/24, subject to a ceiling of HKD 1,000 per quarter for each rateable property; and
- imposition of an annual special football betting duty of HKD 2.4 billion on the Hong Kong Jockey Club for 5 years starting from 2023/24, while the current betting duty rates remain unchanged.

The government will also present a proposal in mid-March to provide clearer guidelines on whether onshore gains on the disposal of equity interests are subject to tax.

The full details of the Budget are available [here](#) (as a PDF).

See also

[Hong Kong Defers Pillar Two Implementation \(22 August 2022\)](#)

[Hong Kong - Corporate Taxation - Country Surveys sections 1.4. Capital gains, 1.6.1. Income and capital gains, 1.7. Incentives, 4.2. Social security contributions, 7.1. General, 9.3.2.1. Ad valorem stamp duty](#)

[Hong Kong - Individual Taxation - Country Surveys sections 1.7.2. Allowances, 1.9.1. Income and capital gains](#)

[Hong Kong - Country Analyses - Corporate Taxation sections 1.7. Capital gains, 1.9.4.6. Other incentives, 1.10.1. Income, 4.2.1. Mandatory Provident Fund, 10.1. General anti-avoidance rules, 14.3.2.1. Ad valorem stamp duty, 14.6. Other](#)

[Hong Kong - Country Analyses - Individual Taxation sections 1.8.2.2. Dependent children, 1.10.1. Income](#)