ACCA 香港分會 2025/26 年度 財政預算案建議

ACCA Hong Kong Budget Submission 2025/26

EXECUTIVE SUMMARY

In 2024, the Hong Kong economy experienced moderate expansion. The Central Government's various supportive measures have benefited the Hong Kong SAR Government's initiatives aimed at boosting market sentiment. However, despite this growth, the recovery of imports outpaced exports, resulting in a negative impact on GDP growth. Domestically, private consumption encountered challenges due to subdued consumer sentiment, while investment spending faced obstacles amid tight financial conditions.

The governmental endeavours undertaken to date, including the implementation of financial assistance programmes and tax relief measures, have demonstrated certain favourable outcomes. Nonetheless, the recovery has been gradual, and given the prevailing fiscal challenges confronting the Government, a thorough reassessment and the adoption of innovative strategies are imperative to foster a resilient and enduring economic revival.

As such, we propose a three-pronged approach that focuses on (1) economising on expenditures, (2) broadening the sources of income, and (3) supporting the diverse needs of the community while emphasising balance. The Government must maintain equilibrium in developing public policies, addressing various community needs while fostering economic growth.

(1) To economise on expenditures, ACCA Hong Kong proposes the following measures:
- Reducing government spending through the strategic use of technology and adoption of AI;
- Enhancing government effectiveness and efficiency through establishment of an independent Department of Government Efficiency;
- Revisiting the effectiveness of subsidies for projects that are supposed to bring benefits and transitioning them towards self-financing models;
- Delaying Hong Kong’s less critical public projects and reviewing

payment terms;

- Revisiting the transport subsidy schemes; and
- No one-off reduction for the upcoming assessment year.

(2) ACCA Hong Kong has the below proposal on broadening the sources of income:

- Providing incentives for the set-up of regional headquarters / service centres;
- Attracting foreign enterprises to establish privately offered funds, family-owned investment holding vehicles and carried interest in Hong Kong;
- Implementing a progressive tax structure for affordable taxpayers;
- Increasing air passenger departure tax;
- Implementing tax on digital business conducted by non-Hong Kong resident;
- Expanding the scope of sports betting to include basketball matches;
- Commercialising excess space within government-owned properties and selling of government's fixed assets;
- Increasing rental fees for government-owned leisure facilities; and
- Reinvesting on additional revenue.

(3) To alleviate the downward pressures put upon the city's economy and rebuild the community, ACCA Hong Kong proposes the following measures:

- Increasing tax deductions for approved charitable donations for causes that benefit the local community;
- Providing tax deductions for the cost of employing domestic helpers / caregivers;
- Extending statutory maternity and paternity leave;
- Building a greener Hong Kong; and
- Building a smarter Hong Kong.

Please find below ACCA Hong Kong's Budget recommendations in full detail.

Together with the HKSAR Government, we are committed to supporting the profession, the wider business community and the general public, contributing to Hong Kong's sustainable recovery and long-term competitiveness.

PROPOSALS

1. Economising on expenditures

ACCA Hong Kong recommends a series of cost-saving measures to optimise expenditures and promote financial prudence. These proposals include leveraging technology and AI to streamline government's spending, establishing an independent department dedicated to enhancing governmental efficiency, reassessing subsidies for projects to align them with self-financing models, postponing non-essential public projects in Hong Kong while reviewing payment terms, reevaluating transport subsidy schemes, and disallowing any one-off reductions for the upcoming assessment year. These strategies aim to foster fiscal responsibility, enhance operational efficiency, and ensure the sustainable management of financial resources within the city.

1.1 Reducing government spending through the strategic use of technology and adoption of AI

In addition to the committed 1% reduction in recurrent expenditure allocation for 2024-2025 and addition 1% reduction for 2025-2026 as mentioned in 2023-24 Budget, the Government can explore further means to reduce spending. One approach is to seize cost-saving opportunities through the strategic use of technology. In today's digital age, technology has become a powerful tool for streamlining processes, improving efficiency, and reducing costs across various sectors. Tasks involving clerical duties and front-end services can benefit from AI integration, paving the way for sustained cost savings. For instance, utilising AI chatbots can address issues like full hotline occupancy, ensuring efficient responses. By harnessing the potential of technology, the Government can optimise its operations, enhance service delivery, and ultimately achieve significant cost savings.

1.2 Enhancing government effectiveness and efficiency through establishment of an independent Department of Government Efficiency

Effectiveness and efficiency stand as crucial pillars of government reform. Taking a cue from plans in the United States to establish the 'Department of Government Efficiency (DOGE)' aimed at addressing bureaucracy, eliminating redundant regulations, reducing unnecessary spending, and restructuring government agencies, it is anticipated that such initiatives could substantially reduce government spending and fiscal deficit, as well as streamline government operations.

Given that Hong Kong is at significant risk of entering a structural fiscal deficit, with expenses in social welfare, health, and education consistently remaining high, it is strongly advised to consider setting up a similar department in our city. Considering the existence of the current Digital Policy Office within the Government, which shares similar objectives, enhancing its effectiveness by assigning key performance indicators (KPIs) and extending its authority could further amplify its impact. This strategic enhancement would fortify efforts towards achieving operational excellence and bolstering fiscal sustainability within the government framework.

1.3 Revisiting the effectiveness of subsidies for projects that are supposed to bring benefits and transitioning them towards self-financing models

In recent years, the Government has implemented various subsidies across different sectors, driven by objectives such as economic stimulus, social welfare enhancement, and industry support. These initiatives aimed to promote growth, and support vulnerable segments of society. However, it is prudent for the Government to conduct a comprehensive review of the effectiveness of these subsidised projects in delivering intended benefits and meeting the outlined objectives. Evaluating the sustainability and impact of these programs is crucial to ensure that resources are allocated efficiently. Moving forward, a focus on the long-term viability of these projects is essential, with the ultimate goal of transitioning them towards self-financing models to promote fiscal sustainability and continued success.

1.4 Delaying Hong Kong's less critical public projects and reviewing payment terms

Considering the existing budget deficit of the HKSAR Government, we recommend a strategic approach towards cost management. One viable suggestion involves delaying less critical public projects. Projects that are deemed less urgent and do not directly contribute to the government's revenue, such as non-essential enhancements to public infrastructure, could be postponed for the time being. This measure aims to prioritise essential expenditures and streamline budget allocation during this challenging financial period. Furthermore, the Government could reassess payment terms and contemplate postponing payments to its suppliers, potentially aligning these delays with the receipt of bond funds, to enhance the management of cash flow effectively.

1.5 Revisiting the transport subsidy schemes

The two transport subsidy schemes in place, namely the HK$2 scheme and the public transport fare subsidy scheme, have incurred substantial expenditures over the years. Given the financial implications of these schemes, we recommend that the Government reassess their structure to explore cost-reduction measures. One proposed approach for the HK$2 scheme could involve introducing a tiered subsidy system, where fares below $10 incur a $2 charge, fares between $10 and $20 incur a $5 charge, fares above $20 incur a $10 charge, while non-eligible trips remain unaffected. As for the public transport fare subsidy scheme, we acknowledge that the scheme is available to all citizens in Hong Kong. We recommend reviewing the scheme to target specifically those in need, such as low-income employees who must commute across districts for work. This targeted approach could help mitigate the financial burden on the Government while ensuring that the benefits of the schemes remain accessible and effective for those require assistance.

1.6 No one-off reduction for the upcoming assessment year

For the year of assessment 2023/24, the Government has offered a 100% one-off reduction of profits tax, salaries tax, and tax under personal assessment, capped at $3,000 per case. However, considering the prevailing financial circumstances faced by the Government, we advocate for a revised approach for the year of assessment 2024/25. It is our recommendation that no one-off reductions be extended for this upcoming assessment year. This strategic decision aligns with the necessity to manage the Government's financial resources prudently and prioritise fiscal stability in the face of evolving economic conditions. By forgoing the one-off reductions for the forthcoming year, the Government can redirect resources towards essential areas, ensuring sustainable financial management and resilience in the long term.

2. Broaden the sources of income

ACCA Hong Kong presents a comprehensive strategy to broaden sources of income, aimed at enriching Hong Kong's financial landscape and ensuring economic sustainability. To attract more revenue from foreign enterprises, we propose incentivising the establishment of regional headquarters, service centers, and funds. In line with global trends on ‘affordable users pay’, we advocate for a progressive tax structure for affordable taxpayers. To stimulate domestic consumption, we suggest introducing a tax on digital business conducted by non-Hong Kong resident. Other suggestions include increasing air departure tax, expanding sports betting options, optimising government-owned properties, adjusting rental fees for leisure facilities and reinvesting on additional revenue. These proposals seek to not only diversify income streams but also foster long-term financial growth and competitiveness for Hong Kong.

2.1 Providing incentives for the set-up of regional headquarters / service centres

To strengthen the role of Hong Kong as a 'super connector' between China and the rest of world, and to create professional employment opportunities. ACCA Hong Kong would like to reiterate our proposal to the Government to consider implementing measures that develop Hong Kong into a regional hub.

To enhance Hong Kong's competitive edge in attracting investors from other jurisdictions, ACCA Hong Kong continues to reiterate our proposal of improving certainty for taxpayers, along with simplicity and stability, which have been identified as key features of good tax system. In addition, we suggest offering concessionary tax rates, (e.g. half rate), incentives for individual employees / expatriates and incentives of setting up regional headquarters' activities of substantial scale and nature of investment, general management, financial management, and marketing with a broad geographical coverage. Given Hong Kong's proximity and close connection to the Mainland and the Asian countries along the 21st-Century Maritime Silk Road, this incentive would lure more investors in China and foreign countries to set up their regional headquarters in Hong Kong.

2.2 Attracting foreign enterprises to establish privately offered funds, family-owned investment holding vehicles and carried interest in Hong Kong

To attract foreign enterprises to establish privately offered funds, family-owned investment holding vehicles ("FIHVs") and carried interest in Hong Kong, ACCA welcomes broadening the scope of permissible assets to provide investment managers with increased flexibility for portfolio diversification as well as offering concessionary profits tax rate for eligible family offices, which is essential in attracting international funds looking to leverage emerging investment opportunities. At the same time, we believe it is crucial to underscore the importance of implementing strong anti-money laundering controls concerning the sources of funds and permissible assets. These controls should be clear and effective, proportionate to the risks posed and the complexity of managing those risks. In addition, ultra-high net worth individuals are driven to establish single-family offices in Hong Kong to secure residency. However, the introduction of the New Capital Investment Entrant Scheme ("CIES") may deter them from setting up Hong Kong single-family offices due to lower investment requirements, we propose for an alignment between permissible investments under CIES and the proposed FIHV tax regime from the Government to streamline investment decisions.

2.3 Implementing a progressive tax structure for affordable taxpayers

Last year, the EU Tax Observatory released a report providing a blueprint for a coordinated minimum tax on ultra-high net worth individuals (UHNWI) equal to 2% of their wealth. In Hong Kong, a two-tiered standard rates regime applied for salaries tax and tax under personal assessment where the amount of tax for taxpayers whose net income (before deduction of allowances) exceeds $5 million and whose salaries tax or tax under personal assessment is to be charged at a standard rate, the first $5 million of their net income will continue to be subject to the standard rate of 15% while the portion of their net income exceeding $5 million will be subject to the standard rate of 16%. The move affected about 12,000 people or about 0.6 percent of taxpayers, raising HK$910 million in revenue. We view this development positively and propose implementing a progressive tax structure for individuals with incomes over $5 million. For instance, a rate of 17% could apply to incomes exceeding $10 million, and 18% for those exceeding $15 million. This adjustment aligns with the “affordable users pay” principle while ensuring minimal impact on the majority of the working population.

2.4 Implementing tax on digital business conducted by non-Hong Kong resident

In light of the benefits brought by the digital economy to individuals and businesses, it is crucial to address the challenges posed by emerging digital activities and innovative business models to existing taxation systems. Ensuring that all sectors of the economy contribute their fair share of taxes is essential for sustaining the functioning of our societies. Currently, non-resident digital services providers are not subject to Hong Kong tax on their income from services rendered outside Hong Kong but for Hong Kong residents; whilst local digital services providers would have to pay tax in Hong Kong on their digital services rendered in Hong Kong for overseas customers. Therefore, proposing the review of the current tax system and introduce tax on such income with an aim to help level the playing field can ensure that digital enterprises are appropriately taxed, contributing equitably to the welfare of our communities.

2.5 Increasing air passenger departure tax

At present, a mandatory HK$120 Air Passenger Departure Tax is levied on all passengers aged 12 and above departing from Hong Kong International Airport. In a bid to bolster governmental revenue streams and foster the retention of Hong Kong residents within the city, ACCA proposes increasing this tax by $40 as the taxation amount has not been reviewed since 2003. The taxation amount is still a relatively small amount compared with the average price of an air ticket, and thus will not hinder the development of tourism. By increasing air passenger tax, the Government will generate additional revenue of $646 million for the Government in a full year, easing the Government's fiscal deficit by providing an additional and stable source of recurrent revenue.

2.6 Expanding the scope of sports betting to include basketball matches

In order to augment the Government's revenue streams, we propose an extension of the sports betting scope to encompass basketball matches. According to a research from US, basketball is the second most popular betting sports in the world (after soccer). Presently, the Government imposes a 50% charge on the net stake receipts from betting on football matches, with the betting duty revenue contributing approximately 4% to the Government's total revenue. We are of the opinion that by permitting betting on basketball matches, the Government stands to significantly enhance its revenue generation. The participation of young individuals in illegal gambling has shown a double-digit increase annually. Opening up basketball betting could lead to higher gambling tax revenues and aid in regulating illegal gambling activities. This strategic expansion of the sports betting domain not only diversifies revenue sources but also aligns with current market trends and consumer preferences, ultimately fostering greater financial stability and resource optimisation for the Government.

2.7 Commercialising excess space within government-owned properties and selling of government's fixed assets

Given the substantial demands in public expenditure on the horizon, it is imperative that the Government adopts a proactive approach towards managing its asset portfolio. The Government owns a large amount of properties in the city and by strategically leveraging these assets, the Government can harness financial returns to alleviate fiscal pressures in the forthcoming decades. It is recommended that the Government assesses the potential for commercialising any excess space within government-owned properties that surpass the Government's operational needs. For example, some government-operated markets face low occupancy rates - partnering with commercial entities to occupy vacant stalls could be a viable solution, as currently the operating costs might be lower than the rental income obtained. In instances where excess government-owned properties do not serve alternative beneficial purposes, consideration should be given to selling these assets to reduce costs and create immediate revenue streams. Through these measures, the Government can optimise its asset management practices, enhance financial sustainability, and pave the way for prudent fiscal management in the long term.

2.8 Increasing rental fees for government-owned leisure facilities

An additional avenue to boost revenue involves a thorough review of the rental fees for government-owned leisure facilities, such as tennis courts, badminton courts, and table tennis courts. Presently, the charges for renting these facilities fall significantly below market rates, leading to persistent full bookings, indicative of a substantial demand. Adjusting these fees to align more closely with market standards not only has the potential to enhance revenue but also to free up availability for those seeking to utilise the facilities. For instance, fees for tennis courts and badminton courts have remained unchanged for over 20 years. Individuals eligible for concessionary rates can continue to benefit from reduced fees, ensuring affordability while optimising revenue streams.

2.9 Reinvesting on additional revenue

BEPS 2.0, a significant tax reform initiative, is currently in progress. The Government anticipates an incremental income of HK$15 billion annually starting from 2027. In light of this projected surplus, ACCA strongly advises the Government to strategically reinvest part of this additional revenue for further financial gains and sustainable growth; for example, the introduction of qualified refundable investment credit so to make our tax system remain competitive. By leveraging these newfound resources effectively, the Government can capitalise on opportunities to enhance economic stability, foster innovation, and bolster long-term prosperity for the benefit of all stakeholders.

3. Supporting the community

Aimed at alleviating economic challenges and fostering community resilience in Hong Kong, ACCA proposes the below measures, include increasing tax deductions for approved charitable donations for causes that benefit the local community, introducing tax benefits for employing domestic helpers and caregivers, extending statutory maternity and paternity leave, promoting environmental sustainability through initiatives to create a greener Hong Kong, and advancing technological innovation to build a smarter city. These recommendations seek to promote social welfare, environmental progress, and technological advancement for a more sustainable and resilient future in Hong Kong.

3.1 Increasing tax deductions for approved charitable donations for causes that benefit the local community

We advocate for an enhancement in tax deductions for approved charitable donations benefiting the local community. Charities play a crucial role in community welfare, and while the Government offers support, augmenting tax benefits for individuals and corporations can alleviate financial strains. Referencing the Singaporean Government, where a tax deduction of 2.5 times the amount of qualifying donation is allowed upon donation to a charity which is an approved Institution of a Public Character (IPC) for causes that benefit the local community. We recommend a similar approach to incentivise contributions towards local community causes, fostering a more robust charitable ecosystem and societal well-being.

3.2 Providing tax deductions for the cost of employing domestic helpers

/ caregivers

To address the challenge of balancing work and caregiving responsibilities within families, particularly concerning children, elderly parents, or disabled dependents, we propose the introduction of a tax deduction for the wages paid to one domestic helper or caregiver, with a cap of HK$10,000. This aims to ease financial burdens on middle-income households during life stages requiring extra care and incentivise individuals to re-enter the workforce by freeing them from caregiving duties. According to a research from HSBC in 2021, one of four participants intended leaving employment for caregiving roles when needed. A tax deduction could empower more to remain in or rejoin the workforce, boosting productivity of the city, which in turn can enhance income tax revenues for the Government.

3.3 Extending statutory paternity and maternity leave

To boost efforts to encourage childbirth, the Government provides a one-off cash allowance of $20,000 as a financial incentive to eligible parents for each baby born on or after 25 October 2023 in Hong Kong for a period of three years. In addition to financial incentives, we recommend updating the Employment (Amendment) Ordinance to, ensuring that parents have adequate time off work to care for their newborns and fostering a supportive environment for family life. By enhancing both financial and legislative support, the Government can create a more conducive environment for individuals to consider starting or expanding their families, ultimately contributing to the growth and sustainability of society. At present, statutory paternity leave covers 5 days, while statutory maternity leave covers 14 weeks. Employers can seek reimbursement for maternity leave pay during the 11th to 14th weeks from the Government, capped at $80,000 per employee. Should we extend statutory paternity and maternity leave, a reduced subsidy could be allocated for the extra leave duration.

3.4 Building a greener Hong Kong

To enhance environmental sustainability, it is crucial to prioritise waste management strategies like promoting recycling, reducing single-use plastics, and implementing waste reduction initiatives. Low-cost educational campaigns should be initiated to inform and engage the community about the importance of waste reduction and recycling practices, fostering a culture of environmental consciousness and encouraging voluntary participation. Additionally, to further promote environmental innovation and sustainability, the Government could attract foreign green innovative enterprises to establish their businesses in Hong Kong. Incentives such as offering low rental rates in science parks and providing support for green initiatives can help attract and retain these businesses, fostering a culture of environmental innovation and sustainability in the region.

3.5 Building a smarter Hong Kong

To make Hong Kong smarter and transforming into a cashless city, the Government should focus on promoting digital payment methods like mobile wallets, contactless cards, and online banking. Launching educational campaigns to highlight the advantages of cashless transactions and encouraging their widespread adoption is crucial. Additionally, the Government should prioritise addressing barriers to financial inclusion by promoting digital literacy and enhancing access to banking services for underserved populations. Developing targeted initiatives to provide digital payment solutions to low-income individuals, elderly citizens, and marginalised communities can help bridge the digital divide and promote financial inclusion across all segments of society. These efforts can significantly contribute to building a smarter Hong Kong that is more inclusive and digitally advanced.

SUMMARY

In conclusion, the economic landscape of Hong Kong in 2024 displayed signs of moderate growth. The HKSAR Government's efforts through financial assistance programmes and tax relief measures yielded favourable outcomes; however, a comprehensive reassessment is crucial to navigate the current fiscal challenges and ensure a robust economic revival.

ACCA Hong Kong proposes a three-pronged approach. Firstly, we advocate for optimising expenditures through technological solutions and strategic financial management. Secondly, we recommend enhancing income sources through measures such as incentivising foreign enterprises, introducing a progressive tax structure for affordable taxpayers, and implementing tax on digital business conducted by non-Hong Kong resident. Thirdly, we highlight the importance of supporting the community through initiatives like increased tax deductions for charitable donations and extending family-related benefits. These initiatives aim to create a resilient economic revival, maintaining a balance between addressing social needs and fostering economic growth in Hong Kong.

While certain proposed suggestions may lead to immediate investments, it is prudent for the HKSAR Government to distribute its wealth accumulated from previous economic growth with the community during this recovery time. We are confident that our recommendations will not only enhance confidence in Hong Kong but also expedite growth, ultimately sharpening our city's competitive edge in the long term.