



## Tax Newsflash

### Hong Kong Tax News: New Tax Policy Directions



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The Hong Kong Government hosted a Tax Summit on 23 October 2017. Tax practitioners and representatives from the business sectors were invited to express their views on Hong Kong tax initiatives for fostering economic development. This marked a milestone on the new tax policy directions for Hong Kong.

The Chief Executive of Hong Kong SAR, Ms. Carrie Lam, and the Financial Secretary, Mr. Paul Chan, emphasized that the Government will form tax policies based on the principles below:

- **Simple tax system** - maintain simple tax system which is the fundamental concept of Hong Kong tax policy;
- **Focus** – tax measures are designed with specific goals for enhancing the encouraged businesses and fostering economic development;
- **Efficient & practical** – tax measures should be introduced and implemented in an efficient manner and they should be practical, feasible and not easily abused; and
- **Compliance** – tax measures should comply with the international tax standard.

With these principles as the fundamental elements of the new tax policy directions, the Government considers Hong Kong economy has to change in order to stay competitive. The keynote speaker, Professor Lawrence Lau, shared his view on

Hong Kong's future economic development. He suggested that Hong Kong must open up with new directions to maintain economic development and prosperity. He also suggested four potential growth directions (1) international financial center (2) international hub for innovation and technology (3) cultural and creative industries (4) opportunities from One Belt One Road and Greater Bay Area development.

The Government also invited some tax practitioners and representatives from the business sectors to share their views on the stage. In particular, our firm's Tax Partner, Dr. Danny Po, was invited as one of the panelists to express our views and propose various tax initiatives for the Government's consideration. Some of the suggested tax initiatives include: group tax loss relief for encouraged industries, individual tax incentives for attracting talents, relaxation of deduction rules for R&D expenditure and purchase of IP rights, research and development (R&D) cash credit for start-up business, etc. Our firm's other participants also expressed our points of view on the current tax measures.

We welcome the Government's initiative in obtaining various stakeholders' views during the process of forming future tax policy. While tax revenue can cover public expenses, tax measures can be used as a tool to enhance Hong Kong's economic development. As the business and international taxation environment is becoming more complex, the Government should consult different stakeholders and professionals when forming the detailed tax measures. In particular, care and attention needs to be given to ensure that legislation introduced has the desired impact on taxpayer behavior.

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If you have any questions please contact:

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**Danny Po**

Tax Partner

+852 2238 7333

[dannpo@deloitte.com.hk](mailto:dannpo@deloitte.com.hk)

**Sarah Chan**

Tax Partner

+852 2852 1628

[sarahchan@deloitte.com.hk](mailto:sarahchan@deloitte.com.hk)

**Jonathan Culver**

Tax Partner

+852 2852 6683

[joculver@deloitte.com.hk](mailto:joculver@deloitte.com.hk)

**Doris Chik**

Tax Senior Manager

+852 2852 6608

[dchik@deloitte.com.hk](mailto:dchik@deloitte.com.hk)

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