



香港工業總會

Federation of Hong Kong Industries

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Industry News

Press Release

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The FHKI Welcomes and Supports the Chief Executive's Preparation Work in Introducing a Two-tier Profits Tax System

At the 57th Annual Dinner of Federation of Hong Kong Industries (FHKI) held yesterday (31 July), guest-of-honour Chief Executive Carrie Lam said that the SAR Government is now preparing to introduce a two-tier profits tax system. The FHKI welcomes and supports such initiative to relieve tax burden of local enterprises, especially the small- and medium- sized enterprises (SMEs) and startups.

FHKI Chairman Jimmy Kwok says, "We are very glad to see that the Chief Executive takes forward the proposal of a two-tier profits tax system as stated in her election manifesto. For companies with an annual profit less than HK\$2 million, Mrs Lam once proposed to reduce the profits tax rate from 16.5 per cent to 10 per cent, which will lead to a 40 per cent tax reduction for tens of thousands of companies. The FHKI believes that the proposal is definitely helpful for alleviating the financial burden of SMEs and startups. This will also strengthen the overall competitiveness of Hong Kong's business environment and may attract more local or overseas entities to start their businesses in Hong Kong."

The FHKI has been urging the Government to provide tax incentive to SMEs and startups and set a lower profit tax rate over the years. Therefore, we are pleased that the Chief Executive has accepted this proposal and we hope that the Government would expand the scope of tax break and proceed with implementation as soon as possible.

"Apart from the two-tier profits tax system, Mrs Lam also suggested to introduce a super-deduction, such as deducting 200 per cent tax for expenses on research and development (R&D), environmental protection facilities, arts and culture and design. We believe that tax deduction is particularly important for R&D and related activities. On one hand, it can encourage enterprises to increase investment in high value-added projects such as product R&D, product design, brand promotion and intellectual property and promote Hong Kong's innovation and technology development; on the other hand, the Government will be able to grasp more accurately the expenses on the overall scientific research and attract overseas talents to settle in Hong Kong. Therefore, we urge the Government to implement the relevant tax deduction as soon as possible, with triple tax deduction as a starting point", Mr Kwok adds.

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