

# LCQ18: Retiring in Mainland cities of Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Kingsley Wong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 8):

Question:

In recent years, the Government has introduced a series of support measures and reformed the policy of portability to facilitate members of the public to work, study, seek medical treatment and retire in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). However, it is learnt that under the Inland Revenue Ordinance (Cap. 112), Hong Kong elderly persons settling in the Mainland do not qualify as dependants for Dependent Parent Allowance, thus depriving taxpayers of tax relief. There are views that this requirement is contrary to the policy of facilitating the retirement of elderly persons in the Mainland cities of the GBA. In this connection, will the Government inform this Council:

(1) whether it will relax the requirement for the dependants' ordinary place of residence for Dependent Parent and Dependent Grandparent Allowance to include the nine Mainland cities of the GBA; if so, of the details; if not, the reasons for that;

(2) whether it will relax the location requirement for residential care homes eligible for the deduction for elderly residential care expenses to include the nine Mainland cities of the GBA, so as to allay the concerns of taxpayers and elderly persons and to provide more choices of quality residential care homes for the elderly; if so, of the details; if not, the reasons for that;

(3) of the number of cases in the past three years where taxpayers lost/were denied Dependent Parent and Dependent Grandparent Allowance or deduction for elderly residential care expenses due to the dependants' ordinary place of residence being changed to/declared to be on the Mainland; and

(4) of the number of Hong Kong residents usually staying in Guangdong Province in the past three years; among them, the respective numbers of those aged between 55 and 59 and those aged 60 or above?

Reply:

President,

At present, the Government mainly provides needy elders with welfare support in Hong Kong. In face of the challenges of an ageing population in

Hong Kong, the Government has implemented various measures to facilitate cross-boundary retirement to provide more options for the elderly. However, the Government must carefully examine the impact on public finance and take into account the risk of dishonest claims when considering tax policies to change the eligibility criteria for providing allowances and deductions, with a view to striking a balance between promoting elderly-friendly policies and upholding fiscal prudence.

Having consulted the Labour and Welfare Bureau, the reply to the question raised by the Hon Kingsley Wong is as follows:

(1) and (2) Hong Kong adopts a territorial source principle in the collection of salaries tax, which means only employment income, pension, or other income derived from holding offices that are arising in or derived from Hong Kong are chargeable to salaries tax. At the same time, there are several allowances and deduction items under salaries tax for which different eligibility criteria, including territorial restriction, are established to meet their policy intents and to address the risk of abuse during implementation.

Under the Inland Revenue Ordinance, one of the eligibility criteria for claiming allowances in respect of dependants is that the dependant must be ordinarily resident in Hong Kong in the year of assessment concerned. This requirement applies to both the dependent parent allowance and the dependent grandparent allowance. As for claiming the deduction for elderly residential care expenses, one of the eligibility criteria is that the dependant must be receiving residential care in a qualifying residential care home situated in Hong Kong in the year of assessment concerned.

Inclusion of territorial restriction in the eligibility criteria is in line with the territorial source principle in the collection of tax. In addition, it facilitates the Inland Revenue Department in conducting investigation to prevent dishonest claims.

Based on the considerations above, currently we have no plan to relax the relevant requirements to cover the Mainland and other places outside Hong Kong, especially when the Government is tackling fiscal deficit through a fiscal consolidation programme.

(3) The Inland Revenue Department does not collect the figures concerned because taxpayers are only required to declare whether the dependants are ordinarily resident in Hong Kong in the relevant year of assessment in the tax returns for individuals. For dependants who are not ordinarily resident in Hong Kong, taxpayers do not need to declare the places of residence of the dependants.

(4) According to the statistics of the Census and Statistics Department, the numbers of Hong Kong residents in the three age groups usually staying in Guangdong Province at the end of 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Aged 55 to 59	33 500	33 600	36 000
Aged 60 or above	116 400	120 800	129 900
All age groups	523 300	505 000	495 900