

LCQ9: Pursuing development in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Jeffrey Lam and a written reply by the Secretary for Constitutional and Mainland Affairs, Mr Erick Tsang Kwok-wai, in the Legislative Council today (May 12):

Question:

On facilitating Hong Kong residents and enterprises to pursue development in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), will the Government inform this Council:

(1) given that the Central Authorities introduced on March 1, 2019 eight policy measures on taking forward the development of the Greater Bay Area to facilitate Hong Kong residents to pursue development, take up employment and reside in the Mainland cities of the Greater Bay Area, as well as strengthen the convenient flows of people and goods etc. within the Greater Bay Area, of the commencement dates and the latest implementation situation of the various measures (including the number of beneficiaries);

(2) whether it is currently discussing with the governments of the Guangdong Province and Macao measures to facilitate Hong Kong enterprises to do business in Macao and the Mainland cities of the Greater Bay Area; if so, of the details of such measures;

(3) whether it will amend sections 39E and 16EC of the Inland Revenue Ordinance (Cap. 112) to enable enterprises to claim tax allowances in respect of the machinery, equipment and intellectual property rights used in their production processes carried out in the Mainland cities of the Greater Bay Area; and

(4) of the measures in place to help Hong Kong residents working in the Mainland cities of the Greater Bay Area gain an understanding of the local taxation and social security arrangements, as well as file tax returns to the relevant authorities and calculate the tax payable?

Reply:

President,

The Hong Kong Special Administrative Region (HKSAR) Government has been taking forward the development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) in accordance with the directions set out in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, exploring and identifying the economic, social and livelihood opportunities

for Hong Kong, thereby expanding the choices of living and career development for Hong Kong people. The HKSAR Government's work include following up closely with the central ministries/departments and the Guangdong Provincial Government to take forward the implementation of the policy measures that have been approved in principle by the Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (Leading Group) after its two meetings in 2019.

Having consulted relevant bureaux, our reply to the various parts of the question raised by the Hon Jeffrey Lam is as follows:

(1) The eight measures announced after the Leading Group meeting on March 1, 2019 cover different areas. They include the method for calculating "183 days" for paying individual income tax on the Mainland; providing tax relief by municipal governments to non-Mainland high-end talents and talents in short supply by offsetting the tax differential between the two places; encouraging innovation and entrepreneurship in the nine Mainland cities of the Greater Bay Area by the young people of Hong Kong and Macao; supporting the open recruitment of Hong Kong and Macao residents by public institutions in the Greater Bay Area; supporting higher education institutions and scientific research institutes from Hong Kong and Macao to participate in projects under Guangdong technology programmes; introducing immigration facilitation reform pilots schemes in the Greater Bay Area; expanding the implementation scope of the connection with the Speedy Customs Clearance between customs administrations; and facilitating vehicles from Hong Kong and Macao to enter and exit Mainland ports.

Specifically, on taxation-related arrangements, the Mainland issued a document specifying the method for calculating "183 days" for paying individual income tax on the Mainland, that is, any stay in the Mainland of less than 24 hours will not count as a day for the purpose of counting the days that an individual stays in the Mainland; the Ministry of Finance and State Administration of Taxation jointly issued the Notice Regarding Preferential Individual Income Tax Treatment for the Guangdong-Hong Kong-Macao Greater Bay Area in March 2019, providing tax relief by municipal governments to non-Mainland (including Hong Kong) high-end talents and talents in short supply by offsetting the tax differential between the two places.

Moreover, the Guangdong Provincial Government issued the Implementation Measures for Strengthening Innovation and Entrepreneurship Bases for Hong Kong and Macao Youths and the Notice on the Administrative Measures on Open Recruitment of Hong Kong and Macao Residents by (Mainland) Institutions in the Greater Bay Area (Trial), with a view to encouraging innovation and entrepreneurship in the nine Mainland cities of the Greater Bay Area by young people from Hong Kong and supporting the open recruitment of Hong Kong residents by public institutions in the Greater Bay Area respectively. The Home Affairs Bureau has also introduced, under the Youth Development Fund, the Funding Scheme for Youth Entrepreneurship in the Guangdong-Hong Kong-Macao Greater Bay Area (the Entrepreneurship Scheme) and the Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in the

Guangdong-Hong Kong-Macao Greater Bay Area (the Experiential Scheme), with a view to encouraging Hong Kong's young people to make optimal use of the innovative and entrepreneurial bases in the Greater Bay Area and helping them develop their businesses in both Hong Kong and the Mainland cities of the Greater Bay Area. Up till late 2020, a total of 10 young people from Hong Kong have been recruited as civil servants by various institutions in Guangdong. In addition, Guangdong announced in the Public Notice on Civil Service Examinations and Appointments of Guangdong Province in 2021 that five positions in Shenzhen and Dongguan are open for application from residents from Hong Kong and Macao.

The policy measure which supports higher education institutions and scientific research institutes from Hong Kong and Macao to participate in projects under Guangdong technology programmes is conducive to strengthening the collaboration on innovation and technology (I&T) between the two places, and for supporting the development of an international I&T hub in the Greater Bay Area. As at end 2020, the Department of Science and Technology of Guangdong Province, the Science and Technology Bureau of Guangzhou Municipality and the Science, Technology and Innovation Commission of Shenzhen Municipality have approved over RMB 160 million funding to local universities and research and development (R&D) institutions for conducting some 90 R&D projects, participating in the establishment of 19 Guangdong-Hong Kong-Macao Joint Laboratories, and setting up the Hong Kong Branch of a laboratory.

The other measures announced by the Leading Group will strengthen the convenient flow of people and goods, etc. On the introduction of immigration facilitation reform pilot schemes in the Greater Bay Area, the National Immigration Administration announced on January 21, 2020 that a total of 35 facilitation measures covering three major areas of government services, public services and the use of internet had been implemented. Starting from October 10, 2020, Hong Kong and Macao residents could apply for renewal and re-issue of their Home Return Permits from the public security authorities above county level on the Mainland, according to the same application procedures as those in Hong Kong and Macao.

Moreover, the Single E-lock Scheme has been extended. The number of clearance points have been extended to 13 and 63 in Hong Kong and Guangdong Province respectively, covering all nine Mainland cities of the Greater Bay Area.

The HKSAR Government is now pressing ahead with the "Quota-free scheme for Hong Kong private cars travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge (HZMB)" (the Scheme), which will allow eligible Hong Kong private cars to travel between Hong Kong and Guangdong via the HZMB without quota. The Scheme will facilitate Hong Kong residents to drive to Guangdong Province for business, visiting families or sight-seeing on a short-term basis. The HKSAR Government is finalising with the Guangdong Provincial Government and relevant Mainland authorities the implementation arrangements, and will strive for the early implementation and announcement of the details of the Scheme.

(2) The HKSAR Government has been facilitating the access of Hong Kong businesses to the Mainland market through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). On trade in services, Hong Kong service suppliers can enjoy preferential treatment for their access to the Mainland market in most service sectors. Under the amendment agreement to the CEPA Agreement on Trade in Services implemented since June 2020, in addition to the liberalisation measures applicable to the whole of the Mainland, new liberalisation measures in financial services, legal services, construction and related engineering services, tourism, education, and so forth have also been introduced for pilot implementation in Guangdong Province, further enhancing the liberalisation of trade in services between Hong Kong and Guangdong and providing the Hong Kong services trade, including professionals, with more favourable conditions for market access to the Greater Bay Area.

Moreover, Hong Kong and Macao signed the Hong Kong Special Administrative Region and Macao Special Administrative Region Closer Economic Partnership Arrangement (Hong Kong-Macao CEPA) in 2017, which further reinforces the longstanding and close economic co-operation partnership between the two places, boosts investors' confidence in business and investment, and promotes economic development and joint prosperity of Hong Kong and Macao. Take trade in services as an example, Hong Kong service suppliers can enjoy preferential treatment in Macao's market in various sectors, such as audio-visual services, environmental protection, telecommunications, distribution and education.

In addition, to help Hong Kong enterprises grasp the enormous business opportunities brought by the country's domestic circulation strategy and develop the Mainland domestic market, the HKSAR Government has provided additional funding to Hong Kong Trade Development Council (HKTDC) for rolling out a range of supporting measures shortly, including the launch of a one-stop "GoGBA" digital platform, which provides market information on the Greater Bay Area and related government policies, enquiry service and training, as well as business promotion, development and matching services. This would complement the "HKTDC Greater Bay Area Centre" to be established in Shenzhen shortly, help Hong Kong enterprises develop their businesses in the Greater Bay Area, and further use the Greater Bay Area as a springboard to expand into other markets on the Mainland.

The HKSAR Government will continue to strengthen support to enterprises, and seek closer economic and trade co-operation jointly with the Mainland and Macao on the basis of the existing CEPAs to help Hong Kong enterprises grasp the opportunities in the Greater Bay Area.

(3) Section 39E of the Inland Revenue Ordinance (IRO) aims at preventing tax avoidance arising from machinery or plant leasing arrangements. Under the provision, depreciation allowance will not be granted if the machinery or plant owned by a taxpayer is used outside Hong Kong by other parties. However, Hong Kong enterprises which use their own machinery or plant in or outside Hong Kong for production of Hong Kong chargeable profits may still

claim depreciation allowance in Hong Kong for such machinery or plant. Similar requirements are also imposed under section 16EC of the IRO in relation to the purchase of intellectual property rights for use outside Hong Kong by other parties.

The aforesaid requirements are in accordance with the established principles of Hong Kong's tax regime and are fully justified. Under the "territorial source" principle, the Inland Revenue Department (IRD) will not charge profits tax on profits which are not derived from Hong Kong. In accordance with the "tax symmetry" principle, neither will the IRD grant depreciation allowance for any machinery and plant solely used in manufacturing activities outside Hong Kong which are not generating Hong Kong chargeable profits.

(4) The Mainland Offices of the HKSAR Government have disseminated information on measures facilitating Hong Kong people on the Mainland (including taxation and social security policies) through various channels such as websites, WeChat public accounts, emails and gatherings of Hong Kong people. For specific topics (such as taxation), Mainland Offices have issued reports and organised seminars to assist Hong Kong people in understanding the latest policy arrangements in the Mainland. The HKSAR Government has been working closely with the HKTDC to provide relevant information and services through the "GoGBA" digital platform.

The HKSAR Government established the Guangdong-Hong Kong-Macao Greater Bay Area Development Office (the Office) in November 2020 to strengthen promotion and co-ordination work in taking forward the development of the Greater Bay Area. The Office will continue to maintain close liaison with local stakeholders; and disseminate further and more comprehensive information relating to the development of the Greater Bay Area to different sectors in the community through publicity and promotional efforts, with a view to encouraging them to actively participate in the development of the Greater Bay Area.