

7 October 2022

Policy Address Team,
26/F, West Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

By Email: policyaddress@csso.gov.hk

Dear Sir / Madam,

CPA Australia's submission to the Hong Kong 2022 Policy Address Public Consultation

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of over 170,000 members working in 100 jurisdictions and regions around the world. This includes over 15,000 members in Hong Kong. We make this submission on behalf of our members and in the broader public interest.

We support the recent decision of the Hong Kong SAR (HKSAR) Government to lift compulsory quarantine requirements. This should help with Hong Kong's economic recovery in the short-term. We believe that the HKSAR Government could announce further measures to revitalise the economy, consolidate Hong Kong's advantages as an international financial centre, enhance its international competitiveness in the medium to long-term and continue to address issues such as talent shortages, an ageing and declining population and climate change.

The Chief Executive may therefore wish to include announcements in his Policy Address that seek to:

- expedite the resumption of restriction-free cross-border travel
- attract and retain talent
- upskill and reskill the workforce
- increase the promotion of environmental, social and governance (ESG) initiatives
- further support the development of innovation, technology and digital transformation
- build upon Hong Kong's position as a leading international financial centre
- enhance cooperation and connectivity with other regions of the Greater Bay Area (GBA)
- develop a long-term tax reform agenda.

The suggestions in the attachment have been shaped by input from our members in Hong Kong, our experiences in Australia and other jurisdictions, and from various member surveys and research we have conducted in the past year.

If you have any queries, please do not hesitate to contact Mr Jonathan Ng, Policy Adviser at CPA Australia on jonathan.ng@cpaustralia.com.au.

Yours sincerely,

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Expedite the resumption of restriction-free cross-border travel

CPA Australia supports the lifting of compulsory quarantine requirements for arrivals to Hong Kong. We suggest the Chief Executive consider announcing a roadmap to further relax or remove existing travel restrictions and resume restriction-free travel with the Mainland and other jurisdictions in the upcoming Policy Address. We believe this will help to revitalise Hong Kong's economy and enhance business confidence.

Attracting and retaining talent

Many Hong Kong respondents to our [Business Technology Survey 2022](#) said their company was struggling to find employees with the necessary skills. This is having a negative impact on some Hong Kong businesses and may stifle the city's economic recovery.

Skills and worker shortages are global issues. Other jurisdictions are already actively competing for skilled workers. Possible measures to attract and retain talent in Hong Kong that could be announced in this year's Policy Address include:

- commissioning a comprehensive review of the current pathways for skilled migration to Hong Kong. The review could assess:
 - whether the existing talent admission schemes meet the current and future needs of Hong Kong
 - possible barriers to immigration to Hong Kong and identify measures to overcome them
 - opportunities to streamline the processes of bringing in quality overseas talent. This could include simplifying, updating and increasing the flexibility of existing talent admission schemes
 - the provision of adequate housing, medical and educational support for overseas talent and their families.
 - talent schemes offered in other jurisdictions and how Hong Kong could enhance its pathways for talent migration based on the experience of others.
- funding for a scheme to actively promote and invite individuals to apply for the various talent admission schemes. Australia uses 'global talent officers' situated around the world to identify, attract and assist exceptional talent to apply for its [Global Talent Visa Program](#).
- expanding the scope of mutual recognition of professional qualifications with the Mainland, Macao and overseas jurisdictions
- extending the initial 12 months stay on time limitation under the Immigration Arrangements for Non-Local Graduates. [Australia](#) allows international students to live, study and work in Australia for 18 months to five years post-graduation, depending on the level of qualification and the passport held (in response to its skills shortage, the Australian government recently [announced](#) it will increase the duration to four years for select Bachelor's degrees, five years for select Masters degrees and six years for select PhDs). [New Zealand](#) allows international students to stay and work for up to three years post-graduation, depending on the qualification and duration of study.

Upskilling and reskilling the workforce

We are in a period of rapidly increasing technological disruption and industry changes. In this environment, upskilling and reskilling the workforce is vital to not only maintaining Hong Kong's competitiveness, but also to equip the city's workforce with the skills and competencies necessary to prosper within a knowledge-based and innovation-driven economy.

To upskill and reskill the workforce, we suggest the following ideas be considered for this year's Policy Address:

- develop a long-term strategy that encourages industry and educational institutions to offer flexible, relevant and lifelong learning opportunities for individuals to upskill or reskill. For example, offering competency-based training courses such as micro-credentials, vendor certificates and short-term courses. We note that according to the

Technology Council of Australia, greater use of shorter and more flexible learning options to develop technical digital and data skills could lift female participation in specialist technology roles

- commission a comprehensive review of the future skills, training and workforce development needs of Hong Kong. Such a review could include assessments of the skills and capabilities of the current workforce, the right employability skills and competencies, including “soft” skills and “hard” technical skills, and reforms that may be needed to the education and training system to meet those needs
- assist private sector organisations deliver back-to-work or “returnship” programs for individuals who has been out of the workforce for a period of time (for example, due to family responsibilities). Such a program will support people to return to the workforce and help boost female participation rates. Reference could be made to the United Kingdom’s Returners Fund, which supports organisations that assist individuals to return to work in the private sector
- collaborate with universities and private sector organisations to provide more internships opportunities in strategically important areas such as FinTech
- provide free vocational training to help young people without university education develop knowledge and skills where there is an identified shortage
- provide further financial incentives to employers to encourage them to reskill or upskill their employees.

Promoting innovation, technology and digital transformation

The results of our Business Technology Survey 2022 show that 73 per cent of Hong Kong respondents reported that their business had already formulated a digital transformation strategy, and 91 per cent said their company had undertaken technology-related initiatives in the past 12 months. These positive results are consistent with the HKSAR Government’s commitment to facilitate the development of innovation and technology (I&T) and the digital transformation of Hong Kong’s enterprises.

To help develop Hong Kong into an international I&T centre, we suggest that this year’s Policy Address could include proposals that:

- expand the city’s I&T talent pool through:
 - identifying what I&T skills will be in strong demand and researching how to meet those needs
 - attracting talent to meet existing shortages such as solution architects, and talent in fields such as data science, robotics, materials science, virtual reality and the metaverse
 - continuing to enhance basic STEM literacy in primary and secondary schools and optimising university curricula to ensure a steady and sustainable supply of local I&T talent.
- create an I&T ecosystem that supports start-ups and the development of the Northern Metropolis. This could include policies supporting the development of industries with high-growth potential such as aged care, medical device manufacturing, biotechnology and gerontechnology. Measures could include administrative support, and tax incentives or financial subsidies
- simplify the immigration process to allow I&T talent to move freely between the Northern Metropolis and neighbouring cities in the GBA without the need for work permits
- further strengthen cross-boundary collaboration between research institutions, academics, companies and public sector organisations. For example, creating a GBA-wide I&T networking platform
- support the development and application of artificial intelligence (AI). Reference could be made to the AI strategies of the United Kingdom, Singapore and Germany. Areas of focus for such support could include:
 - estimating the impacts of AI on industries and workplace skills over time
 - identifying measures necessary to support industries and individuals that will be heavily impacted by AI
 - identifying measures to attract global AI talent to Hong Kong
 - identifying opportunities for the application of AI in the public sector.

- introduce tax incentives for digital transformation-related expenditure. We note that in [Japan](#), digital transformation-related expenditure will be eligible for a three to five per cent tax credit or a 30 per cent special depreciation rate
- increase the depreciation allowance on the construction of industrial buildings and structures that support advanced manufacturing
- issue clear guidelines and rules to provide regulatory clarity for digital assets. We note that the Australian government have [commenced](#) a “token-mapping” exercise to improve the way Australia’s regulatory system manages crypto assets, to keep up with developments and provide greater protections for consumers.

Strengthening Hong Kong’s position as an international financial centre

Our [Hong Kong Economic and Business Sentiment Survey 2022](#) shows that “strengthening Hong Kong’s position as an international financial centre” is a key measure our members believe that the HKSAR Government should undertake to improve the SARs international competitiveness. To strengthen Hong Kong’s position as an international financial centre, this year’s Policy Address could include announcements that:

- promote the development of the bond market. This could be done through introducing further financial support such as tax incentives, continuing to diversify and expand bond products, enhancing the support measures for bond issuance, and issuing bonds with a maturity of 30 years or more to international institutional investors
- promote financial connectivity and sustainable development in the Greater Bay Area. For example, encouraging financial institutions to expand the range of green and sustainable financing options and provide more RMB-denominated green financial products
- attract more overseas companies to list in Hong Kong. For example, by adjusting the listing rules to encourage high-quality companies such as those in the semiconductor, robotics and smart manufacturing sectors to choose Hong Kong as their IPO fundraising destination.

To strengthen Hong Kong’s position as a leading family office hub and further buttress the SAR’s reputation as an international financial centre, we suggest that this year’s Policy Address could consider the following:

- offering incentives such as preferential tax treatment for fee income derived by a fund or family office manager from managing and advising funds and family offices
- establishing a fast-track immigration scheme for family office owners, senior executives and professionals
- introducing a new and quick pathway to permanent residency for high-net-worth individuals setting up family offices in Hong Kong
- establishing a training institute to increase the talent pool for family office employees. We note that Singapore has a [Wealth Management Institute](#) that offers a Family Office Program to help professionals acquire in-depth understanding of family offices.

Promoting ESG initiatives

CPA Australia supports initiatives that support ESG adoption, including the development of green and sustainable finance. To further promote ESG and green and sustainable finance in Hong Kong, we suggest the government consider including the following suggestions in the Policy Address:

- providing SMEs access to funding and skills to assist them to integrate ESG into their business models. For example, establishing a dedicated ESG funding programme similar to the Technology Voucher programme
- subsidising or providing a government guarantee for SME green financing
- collaborating with financial institutions to produce a standardised application template and procedures to access green and sustainable finance

- collaborating with financial institutions to launch a green financing platform for SMEs to search for and identify suitable green financing products
- continuing financial regulators' support for developing and maintaining a global, uniform set of sustainability reporting standards through the International Sustainability Standards Board
- establishing a training institute to increase the talent pool of workers with ESG skills
- considering tax and prudential requirements that may encourage financial institutions to expand their offerings of green and sustainable funding options. For example, subject to the proposed OECD Base Erosion and Profiting Shifting requirements, lowering tax rates on income derived from green and sustainable financing products
- utilising the United Nations Sustainable Development Goals as a framework for public policies that strengthen the economy and establish a sustainable and equitable recovery from COVID-19 impacts
- developing a hydrogen economy plan for Hong Kong.
- allocating resources for public sector decarbonisation. We note that the United Kingdom has a [Public Sector Decarbonisation Scheme](#) that provide grants for public sector bodies to fund heat decarbonisation and energy efficiency measures.
- hastening the electrification of all public transport vehicles and funding the construction of facilities to recycle or dispose electric vehicle batteries.

Enhancing cooperation in the GBA

According to CPA Australia's recent [Seizing Success and Connectivity in the GBA: Financial Services report](#), two-thirds of local accounting and finance professionals polled expect corporate investment in the GBA to increase in the next five years. Noting the commencement and expansion of several financial connectivity schemes with Mainland China, we also suggest that the HKSAR Government consider the following policy suggestions to enhance connectivity between the GBA cities:

Cross-border capital

- relax eligibility criteria for cross-border cash pooling
- further loosen foreign exchange control within the GBA and gradually expand the scope of financial products available for investors and increasing the quota of the Wealth Management Connect Scheme
- build an interconnected payment and clearing system or allow Faster Payment System for cross-border payments
- harmonise financial regulations and practices across jurisdictions within the GBA
- continue to work with the industry to promote deeper integration between the financial and accounting sectors, facilitate exchanges and cooperation between professionals, and enable Hong Kong professionals to offer professional services in the Greater Bay Area.

Green and Sustainable Finance

- launch pilot programs for foreign-currency carbon trading in the GBA
- establish a GBA unified carbon market and establish unified standards for carbon labelling and reporting.

Technology

- expedite the release of detailed policies on cross-boundary data sharing in the GBA
- implement a pilot to help formulate an appropriate cross-boundary data management mechanism
- further strengthen cross-boundary collaboration between research institutions, academics, companies and public sector organisations in Hong Kong with their counterparts in other cities of the GBA.

Talent

- work with Mainland authorities to expand and extend the one-way ratification list system for professional qualifications, such as CPA Australia’s CPA Program and other overseas accounting qualifications
- work with Mainland and Macao authorities to streamline tax filing arrangements in the three tax jurisdictions in the GBA to avoid double taxation and reduce tax compliance costs.

Commissioning a comprehensive “root and branch” review of the tax system

Hong Kong faces a range of long-term economic and social challenges including an ageing and declining population, talent shortages, and a narrow and volatile tax base. Given that Hong Kong’s tax system has remained largely unchanged for almost five decades, we suggest the HKSAR Government considers commissioning a comprehensive “root and branch” review of the tax system. We suggest that reforms to the tax system not only consider simplicity, equity and efficiency, but also the three Cs - certainty, clarity and consistency. Such a review should include modelling the economic impacts of maintaining the current system as well as the options for reform and potential compensation to the community for any adverse impacts.