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Accountants advise HK to hike public service fees, add green tax to boost revenue

By Zhang Tianyuan

This Sept 3, 2023, file photo shows boats plying Victoria Harbour in Hong Kong. (SHAMIM ASHRAF / CHINA DAILY)

CPA Australia on Wednesday urged Hong Kong to explore “innovative strategies” to improve revenue, including higher public service fees and a carbon levy of HK$100 ($12.84) per metric ton, as the accounting body forecasts a HK$96.1 billion fiscal deficit for 2024-25.

“We recommend that the government prioritize raising revenue from nontax sources, such as modestly raising fees on some government services,” said Karina Wong, 2025 divisional president and deputy chairperson of the taxation committee CPA Australia Greater China, adding that Hong Kong must preserve its cornerstone low and simple tax system.

The committee estimates a fiscal deficit of HK$96.1 billion for 2024-25 and fiscal reserves of HK$638.5 billion.

Wong said that the special administrative region lags behind other advanced economies in generating revenue through various levies, visa-application and passport fees, as well as other charges. “Hong Kong generates only about 1 percent of the revenue Australia does from visa-processing fees, and our passport fees are much lower than many jurisdictions,” she said.

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To close the gap, CPA Australia recommends implementing a standardized cost-recovery policy with affordable rates and limited increases. “The fees should be based on optimal-service delivery costs rather than actual operating expenses, which tend to be higher,” Wong added.

The committee’s proposals include elevating illegal parking fines and hiking tobacco duty from 65 percent to 75 percent of cigarette packet costs, aligning with World Health Organization recommendations.

It also suggests introducing a carbon tax of HK$100 per ton for corporations emitting over 25,000 tons of CO_2 equivalent, with businesses able to offset up to 5 percent of their taxable emissions through carbon credits.

“Many jurisdictions have adopted carbon tax policies, and large companies are already making emissions disclosures. As this would only affect major corporations while sparing small and medium-sized enterprises, we believe it warrants careful study, even if not for immediate implementation,” said Anthony Lau, co-chairperson of CPA Australia’s Greater China taxation committee.

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Hong Kong regulators outlined sweeping sustainability requirements last year, with major listed companies mandated to adopt international sustainability reporting standards by 2028 and banks required to achieve net-zero operational emissions by 2030, as the city pushes toward halving carbon emissions from 2005 levels by 2035.

As part of these green initiatives, the accounting body also proposed raising the first-registration tax rate for nonelectric vehicles valued above HK$500,000.

The Taxation Institute of Hong Kong has also called for a feasibility study on implementing a carbon pricing mechanism as an additional source of government revenue.

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In the realm of green finance, Mofiz Chan, chairman of the Hong Kong Securities and Futures Professionals Association, called for supporting the digitalization of green bonds and other financial assets to promote sustainable finance.

Blockchain-based digital green bonds can reduce issuance costs and improve trading efficiency, he said.

He added that automating the certification process of green bonds through digital technology will enhance information transparency and issuance efficiency, and a digital green bond platform could draw more international investors to Hong Kong's green finance market and absorb massive global capital.

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