

LEGISLATIVE COUNCIL BRIEF

Public Revenue Protection Ordinance

(Chapter 120)

Business Registration Ordinance

(Chapter 310)

PUBLIC REVENUE PROTECTION (BUSINESS REGISTRATION) ORDER 2024

RESOLUTION OF THE LEGISLATIVE COUNCIL UNDER SECTION 18(1) OF THE BUSINESS REGISTRATION ORDINANCE (CAP. 310)

BUSINESS REGISTRATION ORDINANCE (AMENDMENT OF SCHEDULE 2) ORDER 2024

INTRODUCTION

At the meeting of the Executive Council on 28 February 2024, the Council ADVISED and the Chief Executive (“CE”) ORDERED that –

A (a) the Secretary for Financial Services and the Treasury should move a resolution under section 18(1) of the Business Registration Ordinance (Cap. 310) (“BRO”) (“the Resolution”), at **Annex A**, at the Legislative Council (“LegCo”) in order to raise the business registration fees; and

B (b) the Public Revenue Protection (Business Registration) Order 2024 (“the PRP Order”), at **Annex B**, should be made to give full force and effect of law to all the provisions of the Resolution so long as the PRP Order remains in force.

2. Separately, the Financial Secretary (“FS”) has made the Business Registration Ordinance (Amendment of Schedule 2) Order 2024 (“the

C BRO Order”), at **Annex C** under section 18(2) of the BRO, to raise the branch registration fees to keep them in line with the business registration fees, and to waive the business registration levy of \$150 payable to the Protection of Wages on Insolvency Fund (“PWIF”) for two years.

JUSTIFICATIONS

3. The FS proposed in the 2024-25 Budget increasing business registration fees and waiving the business registration levy of \$150 payable to the PWIF for two years.

Increase in business registration fees

4. The BRO requires every person who carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. There are two types of business registration certificate, namely one-year certificate and three-year certificate.

5. To apply for a business registration certificate, the applicant is required to pay the business registration fee at the amount as prescribed in Schedule 1 to the BRO. Business registration fees have remained unchanged for close to 30 years¹. Taking into account the economic growth and the cumulative inflation rate of 106% from 1993 to 2023, the 2024-25 Budget has proposed to increase the business registration fees by 10%, with effect from 1 April 2024. The current and proposed business registration fees are set out as follows –

Business registration certificate	Current business registration fee	Proposed business registration fee
(a) one-year certificate	\$2,000	\$2,200 (+\$200)
(b) three-year certificate	\$5,200	\$5,720 (+\$520)

6. Considering that the Resolution may be passed by the LegCo on a date after 1 April 2024, the PRP Order has been made by the CE under the Public Revenue Protection Ordinance (Cap. 120) to give full force and

¹ The business registration fee for one-year certificate was increased from \$1,000 to \$2,000 with effect from 1 April 1994, while the business registration fee for three-year certificate has remained unchanged at \$5,200 since the certificate was first introduced on 1 April 1999.

effect of law to the Resolution with effect from 1 April 2024 until its enactment, so that the proposed business registration fees will take effect from the beginning of 2024-25 financial year.

Increase in branch registration fees

7. In line with the increase in business registration fees, the branch registration fees² payable for one-year certificate and three-year certificate should also be increased by 10% with effect from 1 April 2024. The current and proposed branch registration fees are set out as follows –

Branch registration certificate	Current branch registration fee	Proposed branch registration fee
(a) one-year certificate	\$73	\$80 (+\$7)
(b) three-year certificate	\$189	\$208 (+\$19)

In this regard, the BRO Order has been made by the FS in accordance with section 18(2) of the BRO to, amongst others, raise the branch registration fees to the proposed level with effect from 1 April 2024.

Two-year waiver of business registration levy

8. At present, an annual amount of \$150 is levied on each business registration or branch registration under the BRO to finance the PWIF. To reduce the impact of the proposed increase in business registration fees on businesses and in view of the stable financial position of the PWIF³, the 2024-25 Budget has proposed waiving the levy on business registration and branch registration by \$150 for two years starting from 1 April 2024. With the proposed waiver, the levy payable for business registration and branch registration is set out as follows –

² The BRO also requires each branch of a business to apply for business registration and to pay a branch registration fee as prescribed in Schedule 2 to the BRO.

³ As of end-2023, the accumulated surplus of the PWIF is \$7,259 million. The amount of ex gratia payment made by the PWIF in 2023 was \$155 million while the levies on business registration collected within the same year was \$243 million.

Business / Branch registration certificate	The date on which the incorporation submission is made⁴, the date on which the limited partnership fund registration application is made⁵, or the commencement date of the business / branch registration certificate (“the Date”)			
	On or after 17 June 2022 and before 1 April 2024	On or after 1 April 2024 and before 1 April 2025	On or after 1 April 2025 and before 1 April 2026	On or after 1 April 2026
(a) one-year certificate	\$150	\$0	\$0	\$150
(b) three-year certificate	\$450	\$150	\$300	\$450

9. For one-year certificates, if the Date falls within the period on or after 1 April 2024 and before 1 April 2026, the business registration levy payable will be reduced by \$150 to \$0. For three-year certificates, if the Date falls within the period on or after 1 April 2024 and before 1 April 2025, the validity period of the business / branch registration certificates will cover two financial years during which the waiver is provided. Hence, the business registration levy payable will be reduced by \$300 to \$150. Similarly, if the Date falls within the period on or after 1 April 2025 and before 1 April 2026, since the validity period of the business / branch registration certificates will cover only one financial year during which the waiver is provided (i.e. from 1 April 2025 to 31 March 2026), the business registration levy payable will be reduced by \$150 to \$300.

10. The BRO Order will also give effect to the proposed waiver of levy with effect from 1 April 2024.

OTHER OPTIONS

11. Amending the BRO is the only way to give effect to the above proposals of increasing business registration fees, branch registration fees and waiving the business registration levy of \$150 for two years. Before

⁴ For local companies registered under the one-stop company incorporation and business registration regime.

⁵ For simultaneous business registration application on registration of limited partnership funds.

the Resolution becomes law, the proposed increase in business registration fees can only take effect promptly under the PRP Order made by the CE. There is no other option.

THE RESOLUTION

12. The Resolution increases the business registration fees as prescribed in Schedule 1 to the BRO from \$2,000 to \$2,200 for one-year certificate, and from \$5,200 to \$5,720 for three-year certificate.

THE PRP ORDER

13. The PRP Order, made by the CE pursuant to section 2 of the Public Revenue Protection Ordinance (Cap. 120) after consultation with the Executive Council, gives full force and effect of law to the Resolution so long as the PRP Order remains in force. The PRP Order comes into force on 1 April 2024.

THE BRO ORDER

14. The BRO Order, made by the FS pursuant to section 18(2) of the BRO, gives effect to the proposals of raising branch registration fees and waiving the business registration levy of \$150 for two years with effect from 1 April 2024.

LEGISLATIVE TIMETABLE

15. The legislative timetable is as follows –

Publication of the PRP Order and the BRO Order in the Gazette	8 March 2024
Tabling of the PRP Order and the BRO Order at the LegCo for negative vetting	13 March 2024
Moving of the Resolution	27 March 2024

Publication of the Resolution in the Gazette (if passed by LegCo at the meeting on 27 March 2024) 28 March 2024

Commencement of the PRP Order (if the Resolution has not been passed by LegCo at the meeting on 27 March 2024) 1 April 2024

Commencement of the BRO Order 1 April 2024

IMPLICATIONS OF THE PROPOSAL

D 16. The proposal has economic and financial implications as set out at **Annex D**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It will not affect the binding effect of the existing provisions of the BRO and the Public Revenue Protection Ordinance (Cap.120). It has no productivity, environmental, civil service, gender, or family implications, and no sustainability implications other than those set out in the economic implications paragraph.

PUBLIC CONSULTATION

17. We have formulated the proposal after taking into account views received from LegCo Members and other stakeholders during the Budget consultation process. Owing to the confidentiality of the Budget, we have not carried out prior consultation for the proposed measures.

PUBLICITY

18. We will issue a press release on 6 March 2024. A spokesperson will be available to answer media and public enquiries.

BACKGROUND

19. As a tax-loaded fee, business registration fees and branch registration fees (“BR fees”) provide a stable source of government revenue, contributing about \$2.7 billion to \$2.8 billion annually before

2019-2020⁶. The estimated revenue from BR fees is \$2.9 billion under the 2023-24 Revised Estimate and \$3.3 billion under the 2024-25 Original Estimate.

20. Businesses with an average monthly turnover below a certain level (“exemption level”) are exempted from payment of business registration fee and levy. The exemption levels for businesses of which profits are derived primarily from the sale of services (“service businesses”) and non-service businesses are \$10,000 and \$30,000 respectively.

ENQUIRIES

21. Enquiries on this Brief can be directed to Miss Josephine TSANG, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
March 2024

⁶ From 2019-20 to 2022-23, the BR fee revenue substantially dropped to a range from \$57.3 million to \$189.6 million because of the waiver of BR fees to support businesses.

Business Registration Ordinance

Resolution of the Legislative Council

Resolution made and passed by the Legislative Council under section 18(1) of the Business Registration Ordinance (Cap. 310) on 2024.

Resolved that, with effect from 1 April 2024, the Business Registration Ordinance (Cap. 310) be amended as follows—

- (a) Schedule 1, Table, item 1(l), before the dash—

Add

“and before 1 April 2024”;

- (b) Schedule 1, Table, after item 1(l)—

Add

“(m) on or after 1 April 2024—

- (i) where no election is made under section 6(5C) \$ 2,200
- (ii) where an election is made under section 6(5C) \$ 5,720”.

Clerk to the Legislative Council

2024

Explanatory Note

The purpose of this Resolution is to amend item 1 of the Table in Schedule 1 to the Business Registration Ordinance (Cap. 310) to give effect to a proposal in the Budget introduced by the Government for the 2024–2025 financial year to adjust the prescribed business registration fee payable on or after 1 April 2024 in relation to the registration of a business under the Ordinance.

Business Registration Ordinance

Resolution

(Under section 18(1) of the Business Registration Ordinance (Cap. 310))

Resolved that, with effect from 1 April 2024, the Business Registration Ordinance (Cap. 310) be amended as follows—

- (a) Schedule 1, Table, item 1(l), before the dash—

Add

“and before 1 April 2024”;

- (b) Schedule 1, Table, after item 1(l)—

Add

“(m) on or after 1 April 2024—

- | | |
|---|------------|
| (i) where no election is made
under section 6(5C) | \$ 2,200 |
| (ii) where an election is made
under section 6(5C) | \$ 5,720”. |

**Public Revenue Protection (Business Registration)
Order 2024**

(Made by the Chief Executive under section 2 of the Public Revenue Protection Ordinance (Cap. 120) after consultation with the Executive Council)

1. Commencement

This Order comes into force at the beginning of 1 April 2024.

2. Operation of Scheduled Resolution

The Resolution of the Legislative Council set out in the Schedule has the full force and effect of law so long as this Order remains in force.

Schedule

[s. 2]

Business Registration Ordinance

Resolution of the Legislative Council

Resolution made and passed by the Legislative Council under section 18(1) of the Business Registration Ordinance (Cap. 310).

Resolved that, with effect from 1 April 2024, the Business Registration Ordinance (Cap. 310) be amended as follows—

(a) Schedule 1, Table, item 1(l), before the dash—

Add

“and before 1 April 2024”;

(b) Schedule 1, Table, after item 1(l)—

Add

“(m) on or after 1 April 2024—

(i) where no election is made under section 6(5C) \$ 2,200

(ii) where an election is made under section 6(5C) \$ 5,720”.

Explanatory Note

The purpose of this Resolution is to amend item 1 of the Table in Schedule 1 to the Business Registration Ordinance (Cap. 310) to give effect to a proposal in the Budget introduced by the Government for the 2024–2025 financial year to adjust the prescribed business registration fee payable on or after 1 April 2024 in relation to the registration of a business under the Ordinance.

Chief Executive

2024

Business Registration Ordinance (Amendment of Schedule 2) Order 2024

(Made by the Financial Secretary under section 18(2) of the Business Registration Ordinance (Cap. 310))

1. Commencement

This Order comes into operation on 1 April 2024.

2. Business Registration Ordinance amended

The Business Registration Ordinance (Cap. 310) is amended as set out in section 3.

3. Schedule 2 amended

(1) Schedule 2, Table, item 2(a), before the dash—

Add

“and before 1 April 2024”.

(2) Schedule 2, Table, after item 2(a)—

Add

“(b) on or after 1 April 2024—

- (i) where no election is made under section 6(5C) \$ 80
- (ii) where an election is made under section 6(5C) \$ 208”.

(3) Schedule 2, Table, item 3(c), before the dash—

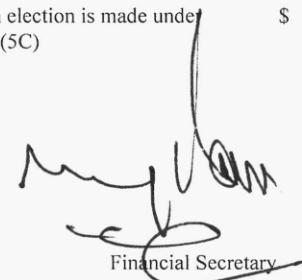
Add

“and before 1 April 2024”.

(4) Schedule 2, Table, after item 3(c)—

Add

- “(d) on or after 1 April 2024 and before 1 April 2025—
 - (i) where no election is made under section 6(5C) \$ 0
 - (ii) where an election is made under section 6(5C) \$ 150
- (e) on or after 1 April 2025 and before 1 April 2026—
 - (i) where no election is made under section 6(5C) \$ 0
 - (ii) where an election is made under section 6(5C) \$ 300
- (f) on or after 1 April 2026—
 - (i) where no election is made under section 6(5C) \$ 150
 - (ii) where an election is made under section 6(5C) \$ 450”.



Financial Secretary

4 March 2024

Explanatory Note

The purpose of this Order is to amend items 2 and 3 of the Table in Schedule 2 to the Business Registration Ordinance (Cap. 310) to give effect to certain proposals in the Budget introduced by the Government for the 2024–2025 financial year—

- (a) to adjust the prescribed branch registration fee payable on or after 1 April 2024 in relation to the registration of a branch of a business under the Ordinance; and
- (b) to reduce the levy payable on or after 1 April 2024 and before 1 April 2026 in relation to the registration of a business or a branch of a business under the Ordinance.

Implications of the Proposal

Financial Implications

The 2024-25 Budget proposal of increasing BR fees will increase government revenue by about \$295 million per annum.

Economic Implications

2. Whilst the proposal will increase the set-up cost or operating cost of businesses, the overall economic implication is expected to be limited. On an annual basis, the additional business registration fee for each new or renewal of business registration is \$200 (for one-year certificate) /\$173 (for three-year certificate), and the additional fee for each new or renewal of branch registration is \$7 (for one-year certificate) / \$6 (for three-year certificate) only, which will not disproportionately increase the set-up cost or operating cost of business. In tandem with the proposed levy waiver from 1 April 2024 to 31 March 2026, the financial burden on businesses in the first two years after implementation of the proposed fees should be insignificant. Overall speaking, the proposal is unlikely to discourage business operation or affect the business environment.