



## **GOVERNMENT BUDGET 2024-2025 LAW SOCIETY SUBMISSION**

1. The Law Society of Hong Kong makes the following submission in response to the Government's consultation on the Budget 2024-2025.
2. The economic outlook for Hong Kong in 2024 is not assuredly optimistic. Among other things, the continual geopolitical tensions and the slowdown in the Chinese economy have dented the investment market and dimmed the economy outlook for Hong Kong. Fiscal policy support is immensely important for the recovery of the economy.
3. We noticed the various policies unveiled by the Chief Executive in his 2023 Policy Address delivered on 25 October 2023.<sup>1</sup> We are in support of those policy initiatives. Those initiatives should help boost confidence for investors as well as consumers.
4. Apart from the above, the following equally deserve policy attention.
5. To begin with, it is important to continue to attract, and be capable of attracting, businesses and talents to Hong Kong. On this, we notice the Government has put out proposals for a new Capital Investment Entrant Scheme recently. This new Entrant Scheme would be overseen by not only the Immigration Department, but also the InvestHK, which is commissioned to attract and retain foreign direct investment important for the economic development of Hong Kong. The new Entrant Scheme seeks to attract more high-net-worth individuals to live in Hong Kong; and to go hand-in-hand with the family office strategy, to provide incentives to asset owners to set up family offices in Hong Kong. At the same time, more opportunities would be provided to professional service sectors in Hong Kong. We welcome this initiative and we ask to expedite the implementation of this new Entrant Scheme.

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<sup>1</sup> A summary highlight of these policy initiatives is set out in a [research report](#) prepared by the HKTDC dated 29 December 2023.

6. As for the family office strategy, the Government in March 2023 issued the Policy Statement on Developing Family Office Businesses in Hong Kong<sup>2</sup>. It sets out the Government's policy stance and measures on developing a vibrant ecosystem for global family offices and asset owners. Some of these measures have been implemented. We urge close attention to follow up and to update those policy objectives, including a review of the tax incentive scheme<sup>3</sup> to enhance the roles of Hong Kong as a family office hub and an international wealth management center.
7. Another fiscal focus is to continue to strengthen Hong Kong's position as a regional Intellectual Property ("IP") trading centre. This requires government cross-bureau collaborations with educational institutions, industry bodies, public and private enterprises to devise and implement holistic policies and strategies to build and advance a digital economy and innovation environment. We repeat our suggestions for programmes to educate and disseminate IP knowledge (creation, management and commercialisation) at universities, vocational training institutions, start-ups and SMEs in order to build a better ecosystem for innovators, creators, investors and practitioners. This will enhance demand for legal, financial, valuation, insurance and other services to achieve a better and more diversified economy for Hong Kong SAR.
8. Although the Government is having difficult times with its finance (as it has been reported that a budget deficit of more than HK\$100 billion<sup>4</sup> is expected for this fiscal year, with another deficit expected next year), and that the Government must be very prudent with its expenditure and must control its spending amid pressure on the public purse, there should not be any cutback in the budgeting for the Judiciary Administration; any possible suggestion or conception (however remote or unlikely) of the Government holding back its fiscal support for the Judiciary must resolutely be dispelled.
9. We ask the Government for firm fiscal support for the Judiciary Administration in order to help with (1) the continual judicial recruitment and talent retention (2) the expediting on the implementation of court technology for court users. On terms and conditions, it is of pivotal importance that the Judiciary must offer competitive remuneration and fringe benefits for Judges and Judicial Officers. We have on more than one occasions been saying that the Standing Committee on Judicial Salaries and Conditions of Service (the Judicial Committee) should

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<sup>2</sup> <https://www.info.gov.hk/gia/general/202303/24/P2023032300717.htm?fontSize=1>

<sup>3</sup> See the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Ordinance 2023 effective in May 2023

<sup>4</sup> See <https://www.fso.gov.hk/eng/blog/blog20231217.htm>

review the mechanism of determining the judicial pay adjustments or, preferably, engage an independent consultancy report (outside of the Judicial Committee) similar to that in 2003, to have an overhaul of the mechanism<sup>5</sup>.

10. As for court technology, we repeat our submission on the Policy Address 2023 that the Government should consider to commission and carry out in-depth researches on topics such as use of artificial intelligence, ChatGPT (as applied to the legal proceedings) as well as the possible use of virtual reality or augmented reality in the courts. We believe our neighbors and other jurisdictions are already committing resources on AI development for the Judiciary and legal profession<sup>6</sup>; Hong Kong should not lose out in this aspect. (And we invite the Government's attention to a position paper we have issued this month, entitled "The Impact of Artificial Intelligence on the Legal Profession"<sup>7</sup>. Studies similar to ours are mostly helpful to the formulation of the requisite policy).

The recent live broadcasting of hearings at the Court of Final Appeal<sup>8</sup> was a strong testament to deployment of technology for court process. The broadcasting was well-received and it boosts confidence in our legal system. We are keen to see more use of court technology for the profession and for the public, and for that, adequate resources need to be allocated. A mature and stable use of technology in Hong Kong courts no doubt enhances the global competitiveness of Hong Kong as a dispute resolution center<sup>9</sup>.

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<sup>5</sup> See paragraph 12 of the Law Society submission on The Chief Executive's Policy Address 2023 dated 28 September 2023.

<sup>6</sup> For information - the development of smart courts in China and application of AI in the PRC courts : [https://paper.people.com.cn/rmrhwb/html/2022-12/23/content\\_25955825.htm](https://paper.people.com.cn/rmrhwb/html/2022-12/23/content_25955825.htm) - 全业务网上办理 全流程依法公开 全方位智能服务 全国智慧法院信息系统建成（网上中国）- PRC Smart Court Information System – 23 December 2022  
<https://www.court.gov.cn/fabu-xiangqing-382461.html> The Supreme People's Court - The Opinions on Regulating and Strengthening the Applications of Artificial Intelligence in the Judicial Fields – 8 December 2022

<sup>7</sup> See [https://www.hklawsoc.org.hk/-/media/HKLS/Home/News/LSHK-Position-Paper\\_AI\\_EN.pdf?rev=994b381c215e4ec78dec22a784f89798](https://www.hklawsoc.org.hk/-/media/HKLS/Home/News/LSHK-Position-Paper_AI_EN.pdf?rev=994b381c215e4ec78dec22a784f89798)

<sup>8</sup> The first case was a broadcast of an appeal hearing of a challenge to the Legal Aid Department on 10 January 2024. See <https://www.scmp.com/news/hong-kong/law-and-crime/article/3247872/hong-kong-judiciary-begins-first-live-stream-court-hearing-part-test-run-plan-boost-trust-legal>

<sup>9</sup> See paragraphs 14 and 15 of the Law Society submission on The Chief Executive's Policy Address 2023, ditto.

11. In our view, fiscal support for the Judiciary Administration on all the above should be seen by the stakeholders and the public. The support should unambiguously be set out in the budget speech.

12. In addition and noticeably, there is a recent diversification of economic and investment opportunities to the Middle East, in consequence of which the following are highlighted for the attention of the Government, by way of passing remarks.

(a) Dispute Resolution

There is a great demand for alternative dispute venues in the Middle East Region. A clear policy should be formulated to (1) promote dispute resolution services of Hong Kong to the Region and (2) at the same time, to develop and to advance dispute resolution for Islamic Finance and Islamic Insurance, both of which are very specialized and both call for expertise.

(b) Intellectual Property

There is a drive to increase halal certification in Hong Kong, GBA and Belt and Road countries. This means that registration of trademarks, copyright and patents for halal food and related items will increase. These issues are specific and Government policies for addressing these specific issues must be developed before other countries or regions take or adopt such policies.

(c) Green Finance

Policies should be formulated to develop Islamic green bonds to better assimilate with Middle East countries.

(d) A Balanced Hong Kong Capital Market

Policies must be created to drive Islamic finance in Hong Kong. Wealth Management / Family Office Policies should be developed to attract family offices which require Islamic specific ecoculture. Those comments in paragraph 6 above apply *mutatis mutandis*, where relevant.

(e) Building a Local Talent Pool

Policies for building a talent pool to cater for the specific requirements of Islamic Finance, insurance, dispute resolution, wealth management and technological innovation is essential.

13. In conclusion, although in view of the tough macroeconomic environment and tight public finance situation of next year, the Government is to consolidate public expenditure and exercise more prudent fiscal control, we say that the Government should allocate adequate resources to “grow the pie” and invest for the future. In this submission, we have outlined a few policy initiatives on the above, each of which merits in-depth review and attention.

**The Law Society of Hong Kong**  
**30 January 2024**