

HKSAR Budget Summary 2021-22

(24 February 2021)



2021-22 HKSAR Budget

The 2021-22 HKSAR Budget was addressed earlier today by the Financial Secretary Mr. Paul Chan, the fiscal deficit will be \$101.6 billion and it is expected to record deficits for four consecutive years from 2022-23 to 2025-26.

The Budget focuses on stabilising the economy and relieving people's burden. Despite the fiscal deficit, the Budget did not reduce spending in areas related to people's livelihood, especially resources allocated to the three policy areas of (i) education, (ii) social welfare and (iii) healthcare. Instead, the Government will set an example by cutting expenditure through implementing an expenditure reduction programme and zero growth in the civil service establishment in order to reduce expenditure. With due consideration on the impact of the security market and the international competitiveness of Hong Kong, the Financial Secretary announced to raise the rate of Stamp Duty on Stock Transfers in order to increase revenue.

The specific measures in response to the base erosion and profit shifting (BEPS 2.0) hopefully can enhance the robustness of Hong Kong as an international financial and business centre through maintaining the simplicity, certainty and fairness of tax regime in Hong Kong, and minimising the compliance burden on affected corporations. On the other hand, the measures are expected to improve Hong Kong's business environment and enhancing our competitiveness, with a view to attracting multinational corporations to invest and operate in Hong Kong.

Confronting with this pandemic, we wish the vaccination programme could curbing the epidemic, so that people and businesses can be back on track, and safe travelling between Hong Kong and the Mainland as well as the rest of the world can be resumed as soon as possible.

Tax Highlights

Profits Tax

- Reducing profits tax for 2020-21, subject to a ceiling of \$10,000

Salaries Tax

- Reducing salaries tax and tax under personal assessment for 2020-21, subject to a ceiling of \$10,000

Stamp Duty

- Raising the rate of Stamp Duty on Stock Transfers from the current 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively

Others

- Reviewing the relevant tax arrangements in respect of family offices interested in establishing a presence in Hong Kong

Other Key Points

Save as aforesaid tax concessions, other key points mentioned in the budget speech are summarized below:



Rates

- Waiving rates for non-domestic properties for 2021-22, subject to a ceiling of \$5,000 per quarter in first two quarters and \$2,000 per quarter for remaining two quarters
- Waiving rates for domestic properties for 2021-22, subject to a ceiling of \$1,500 per quarter in first two quarters and \$1,000 per quarter for remaining two quarters



Relieve People's Burden

- Issuing electronic consumption vouchers in instalments with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above, so as to encourage and boost local consumption
- Providing extra allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance or Disability Allowance, equal to one half of a month of the standard rate, similar arrangements will apply to Working Family Allowance and Work Incentive Transport Subsidy
- Paying the examination fees for school candidates sitting for the 2022 Hong Kong Diploma of Secondary Education Examination



Support Enterprises and Employment

- Extending the application period of the Special 100% Guarantee Product to the end of this year; further increase the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to that for 18 months and raise the loan ceiling from \$5 million to \$6 million; extend the maximum repayment period from five years to eight years; and extend the maximum duration of principal moratorium from 12 months to 18 months
- Waiving the business registration fees for 2021-22



Fighting the Virus Together

- Earmarking over \$8.4 billion for the procurement and administration of COVID 19 vaccines to have the majority of the population vaccinated for free within 2021
- Seeking funding support from the Finance Committee of the Legislative Council to establish a vaccination indemnity fund with \$1 billion



Support Tourism

- Earmarking a total of \$934 million to enhance tourism resources
- Earmarking \$765 million to support the Hong Kong Tourism Board in reviving our tourism industry

Other Key Points



Digital Economy

- Allocating a total of \$375 million to the Hong Kong Trade Development Council for developing virtual platforms to enhance its capability to organise online activities and to proceed with digitalisation



Bond Market

- The Financial Secretary will lead a steering group to formulate a roadmap for promoting the diversified development of Hong Kong's bond market and reinforcing its functions
- Continuing to issue no less than \$24 billion of Silver Bond and no less than \$15 billion of iBond this year



Insurance and International Risk Management Centre

- Launching a two-year Pilot Insurance-linked Securities Grant Scheme to attract insurance enterprises or organisations to issue insurance-linked securities (ILS) in Hong Kong. The amount of grant for each issuance will be capped at \$12 million, depending on the maturity of the ILS



Asset and Wealth Management

- Planning to allow foreign investment funds to re-domicile to Hong Kong for registration as Open-ended Fund Company (OFC) or Limited Partnership Fund
- Providing subsidies to cover 70% of the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming 3 years, subject to a cap of \$1 million per OFC



Air Cargo Sector

- Submitting a funding application to the Legislative Council within this year to redevelop the Air Mail Centre at the Hong Kong International Airport, with a view to bringing the centre into operation by end 2027 the earliest on maximising the use of the centre's transit handling capacity in order to support the long-term development of the postal industry in the Guangdong-Hong Kong-Macao Greater Bay Area

Other Key Points

Salaries Tax	2020-21 / 2021-22 (Proposed)
<u>Standard tax rate</u> *1	15%
<u>Progressive tax rates</u> *1	First HK\$50,000 - 2% Next HK\$50,000 - 6% Next HK\$50,000 - 10% Next HK\$50,000 - 14% Remainder - 17%
<u>Personal allowances</u>	
- Single taxpayer	HK\$132,000
- Married couple	HK\$264,000
- Disabled	HK\$75,000
- First to ninth child (each)	HK\$120,000
- Additional for new born baby (each)	HK\$120,000
- Single parent	HK\$132,000
- Dependant parent/grandparent (each)	
Aged 55 to 59	
- Basic	HK\$25,000
- Additional (for dependant living with taxpayer)	HK\$25,000
Aged 60 or above	
- Basic	HK\$50,000
- Additional (for dependant living with taxpayer)	HK\$50,000
- Disabled dependent (each)	HK\$75,000
- Dependent brother/sister (each)	HK\$37,500
<u>Deductions</u>	
- Charitable donations	Up to 35% of assessable income
- Self education expenses	Up to HK\$100,000
- Home loan interest	Up to HK\$100,000 *2
- Elderly residential care expenses	Up to HK\$100,000
- Contributions to recognized retirement schemes	Up to HK\$18,000
- Voluntary health insurance qualifying premium (each insured person)	HK\$8,000
- Annuity and MPF voluntary contributions	HK\$60,000

*1 Salaries tax is charged on net chargeable income at progressive rates. The tax charged however is limited to tax at the standard tax rate on the person's assessable income less concessionary deductions.

*2 Deduction is granted to each taxpayer for 20 years of assessment, whether continuous or not.

Other Key Points

Profits Tax	2020-21 / 2021-22 (Proposed)
<u>Tax rate</u>	
Corporation	16.5%
Unincorporated business	15%
Royalties to non-residents (non-associate corporation)	
- Rate of deeming assessable profits	30% or 100%
- Effective tax rate	4.95 % or 16.5%
<u>Deduction</u>	
Charitable donations	Up to 35% of assessable profits
<u>Depreciation allowances</u>	
Allowances for plant and machinery	
- Initial allowance	60%
- Annual allowance	10%, 20% or 30%
Commercial building allowance	4%
Industrial building allowance	
- Initial allowance	20%
- Annual allowance	4%
Manufacturing plant and machinery, and computer hardware and software	100% immediate write-off
Building refurbishment	20% write-off for 5 years
Environment-friendly machinery and equipment	100% immediate write-off
Environment-friendly installations mainly ancillary to buildings	100% immediate write-off
Intellectual property expenditure	
- Patent rights, rights to any know-how	100% immediate write-off
- Copyrights, registered designs, registered trade marks	20% write-off for 5 years

Other Key Points

Property tax	2020-21 / 2021-22 (Proposed)	
Tax rate	15%	
- Based on Net Assessable Value		
Stamp duty		
<u>Stock transactions</u>	<u>2020-21/ 2021-22 (Proposed)</u>	
- Hong Kong stock	0.2% per transaction (2020-21) / 0.26% per transaction (2021-22) (proposed)	
<u>Residential property transactions (AVD)</u>	Any residential property acquired by a Hong Kong Permanent Resident individual who does not own any other residential property in Hong Kong at the time of acquisition	Other scenario (include acquiring more than 1 residential property under a single instrument ^{*3})
- Up to HK\$2,000,000	HK\$100	
- HK\$2,000,001 – HK\$3,000,000	1.50%	
- HK\$3,000,001 – HK\$4,000,000	2.25%	
- HK\$4,000,001 – HK\$6,000,000	3.00%	15%
- HK\$6,000,000 – HK\$20,000,000	3.75%	
- Above HK\$20,000,000	4.25%	
	Any residential property acquired by a Hong Kong Permanent Resident individual	Any residential property acquired by a non-Hong Kong Permanent Resident individual (including corporation)
<u>Buyer's Stamp duty (BSD)</u> Residential property transactions	Nil	15%
<u>Special stamp duty (SSD) (residential property transactions)</u>	<u>Transactions took place after 27 October 2012</u>	
Property held for 6 months or less	20%	
Property held for more than 6 months but for 12 months or less	15%	
Property held for more than 12 months but for 36 months or less	10%	
Property held for more than 36 months	Nil	

(Source: The 2021-22 Budget Summary)

The budget proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment

*3 By virtue of The Stamp Duty (Amendment) (No. 2) Ordinance 2018, unless specifically exempted or otherwise provided in the law, acquisition of more than 1 residential property under a single instrument executed on or after 12 April 2017 will be subject to ad valorem stamp duty ("AVD") at the rate under Part 1 of Scale 1 – a flat rate of 15%, even if the purchaser/transferee is a Hong Kong permanent resident who is acting on his/her own behalf and does not own any other residential property in Hong Kong at the time of acquisition.

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