

HKSAR Budget Summary 2022-23

(23 February 2022)



2022-23 HKSAR Budget

The 2022-23 HKSAR Budget was addressed earlier today by the Financial Secretary Mr. Paul Chan, the consolidated fiscal deficit will be \$56.3 billion. The Hong Kong's consolidated fiscal deficit for 2021-22 in last year's budget was reversed to a consolidated surplus of \$18.9 billion. The primary drivers are the unexpected increases in revenue from land sales and Profits Tax. Although consolidated fiscal deficit is expected for next year, the Government will start to achieve fiscal balance beginning from 2023-24.

In response to epidemic changes, the Government has devoted substantial resources to relieve the burden of businesses and individuals over the past years. The Budget continued to increase expenditure on implementing relief measures by 4%, 13% and 41%, especially in respect of (i) education, (ii) social welfare, and (iii) healthcare. It is expected that the increase of expenditure would boost local economic growth. Also, given that several major infrastructure projects will be carried out in parallel in the next few years, a sound and progressive fiscal policy could be achieved.

As in the past, while increasing investment in various measures, the Government will face the question of how to broaden the tax base. With the development of specific measures to address base erosion and profit shifting (BEPS 2.0), the Hong Kong tax regime should be able to minimize the compliance burden affecting businesses while maintaining the simplicity, clarity and fairness to enhance Hong Kong's role as an international financial and commercial center. On the other hand, Hong Kong has always had the advantage of a low tax burden. These measures are expected to improve Hong Kong's business environment and enhance our competitiveness, so as to attract multinational companies to continue investing and doing business in Hong Kong.

We wish the current wave of the epidemic could be suppressed very soon, people and businesses can be back on track as well as the resumption of normal traveller clearance between Hong Kong and Mainland and the rest of the world.

Tax Highlights

Profits Tax

- Reducing profits tax for 2021-22, subject to a ceiling of \$10,000

Salaries Tax

- Reducing salaries tax and tax under personal assessment for 2021-22, subject to a ceiling of \$10,000

Others

- Proposing to provide a tax deduction for domestic rental expenses starting from the year of assessment 2022-23 subject to a deduction ceiling of \$100,000 for a year of assessment
- Proposing to provide tax concessions for the eligible family investment management entities managed by single-family offices and will consult the sector on the detailed proposal as soon as possible. Aiming to submit legislative amendments to the LegCo within the current legislative session

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 2022-23, 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 2022-23, subject to a ceiling of \$1,500 per quarter in first two quarters and \$1,000 per quarter for remaining two quarters
- Proposing future rates concession for domestic properties, only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name
- Introducing a progressive rating system for domestic properties. For domestic properties with rateable value of \$550,000 or below, it is proposed that rates be charged at the present level of 5% of the rateable value. For domestic properties with rateable value over \$550,000, it is proposed that rates be charged at 5% of the rateable value on the first \$550,000 and at 8% of the rateable value on the next \$250,000, and then at 12% on rateable value exceeding \$800,000 in order to better reflect the "affordable users pay" principle



Relieve People's Burden

- Issuing electronic consumption vouchers in instalments with a total value of \$10,000 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



Support Enterprises

- Extending the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) for one year to the end of June next year. The Special 100% Loan Guarantee under the SFGS will also be further enhanced by increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 18 months to that for 27 months with the loan ceiling raised from \$6 million to \$9 million, and by extending the maximum repayment period from 8 years to 10 years
- Waiving the business registration fees for 2022-23



Fighting the Virus Together

- Earmarking additional funding of about \$22 billion for the Food and Health Bureau to strengthen testing work, procure rapid antigen test kits and relevant services, and provide additional support for the Hospital Authority
- Earmarking additional funding of \$6 billion for the Department of Health to procure more vaccines as booster doses for the general public
- Earmarking further injection of \$12 billion into the Anti-epidemic Fund for the construction of various anti-epidemic related facilities

Other Key Points



Promote Life and Health Scientific Research

- Earmarking \$10 billion to provide more comprehensive support to further promote the development of life and health technology in Hong Kong in the long run, including hardware, research talent, clinical trials and data application, with the aim of enabling institutions, including universities, to enhance their capacity and capability in this area, as well as strengthening the industrial chain.



Strengthen the Intellectual Property Regime

- Allocating a total of about \$85 million in the next three financial years to the Intellectual Property Department (IPD) for enhancing Hong Kong's capacity to conduct substantive examination in processing "original grant patent" applications



Bond Market

- Continuing to issue no less than \$35 billion of Silver Bond and no less than \$15 billion of iBond this year



Financial Technology

- Allocating a funding of \$10 million for launching a new round of the Fintech Proof-of-Concept Subsidy Scheme this year



Attract Investment from Mainland and Overseas

- Providing an additional recurrent provision of around \$90 million in phases starting from the next financial year to strengthen InvestHK's work and our investment promotion network in the Mainland and overseas
- Minimising the risk of double taxation borne by foreign enterprises doing business in Hong Kong through signing Comprehensive Avoidance of Double Taxation Agreements (CDTAs). 45 CDTAs have been signed at present while 14 tax jurisdictions are in negotiation

Other Key Points

Salaries Tax	2021-22 / 2022-23 (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 dependent living with taxpayer)	HK\$25,000
Aged 60 or above	
- Basic	HK\$50,000
- Additional (for dependent 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
- Domestic rental expenses	HK\$100,000 (2022-23 (Proposed))

*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	2021-22 / 2022-23 (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	100% immediate write-off
- Patent rights, rights to any know-how	20% write-off for 5 years
- Copyrights, registered designs, registered trade marks	

Other Key Points

Property tax	2021-22 / 2022-23 (Proposed)	
Tax rate - Based on Net Assessable Value	15%	
Stamp duty	2021-22/ 2022-23 (Proposed)	
<u>Stock transactions</u> - Hong Kong stock	0.26% per transaction	
<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%	
<u>Buyer's Stamp duty (BSD)</u> Residential property transactions	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)
	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 2022-23 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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