

# 2021/22 HONG KONG BUDGET HIGHLIGHTS



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- ▶ Reduce profits tax, salaries tax and tax under personal assessment for 2020/21 by 100%, capped at \$10,000
- ▶ Waive rates of domestic properties for 2021/22, capped at \$1,500 per quarter in the first two quarters and \$1,000 per quarter for the remaining two quarters
- ▶ Waive rates of non-domestic properties for 2021/22, capped at \$5,000 per quarter in the first two quarters and \$2,000 per quarter for the remaining two quarters
- ▶ Waive business registration fees for 2021/22
- ▶ Increase rate of each band for the first registration tax for private cars (including electric private cars) by 15% and the vehicle licence fee by 30%
- ▶ Raise rate of stamp duty on stock transfers to 0.13% of the consideration or value of each purchase and each sale
- ▶ Grant a subsidy of \$1,000 to each residential electricity account
- ▶ Waive 75% of water and sewage charges of non-domestic households for eight months, subject to a monthly cap of \$20,000 and \$12,500 respectively

The Financial Secretary, Mr Paul Chan, delivers his fifth Budget Speech today.

As expected, Mr Chan forecasts a record high deficit for 2020/21. Estimated government revenue is \$29 billion lower than the original estimate mainly due to the lower-than-expected revenue from land premium caused by deferment of the disposal timetable of a high-value commercial site in the year. Estimated government expenditure, on the other hand, is \$89.3 billion higher than the original estimate, thus resulting in a deficit of \$257.6 billion for 2020/21.

The year ahead continues to be challenging and difficult, and a deficit of \$101.6 billion is envisaged.

Highlights of the measures to support enterprises, relieve people's hardship, revive the economy and stimulate the economy as well as tax policy are summarised as follows:

## Overcoming the epidemic

### Support enterprises

- Extend the application period of 100% guarantee low-interest loan for enterprises to the end of December 2021, raise loan ceiling to \$6 million, extend repayment period and duration of principal moratorium.
- Continue to grant 75% rental/fee concession for eligible Government properties/short-term tenancies and waivers for six months starting from April 2021.
- Grant 100% concession for eligible Government properties/short-term tenancies closed at the Government's request.

### Relieve people's hardship

- Provide maximum loan of \$80,000 for the unemployed. Interest rate fixed at 1% per annum with maximum repayment period of five years. Offer reimbursement for interest paid after loans are repaid in full as scheduled.
- Provide an extra half-month allowance of standard CSSA payment, old age allowance, old age living allowance or disability allowance.
- Earmark \$1 billion to subsidise drainage repair works in over 3,000 old buildings.

### Revive the economy

- Issue \$5,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above to facilitate and stimulate local consumption.
- Allocate \$375 million to Hong Kong Trade Development Council to enhance its capability to organise online activities and to proceed with digitalisation.
- Earmark \$765 million to support Hong Kong Tourism Board in reviving the tourism industry.

## Stimulating the economy

### Financial services

- Issue no less than \$24 billion of Silver Bond and no less than \$15 billion of iBond this year. Lower the eligible age for Silver Bond subscription from 65 to 60.
- Issue green bonds totalling \$175.5 billion within the next five years and plan to issue retail green bonds.

- Roll out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services.
- Encourage real estate investment trust (REIT) listing in Hong Kong by subsidising 70% of the relevant expenses paid to local professional service providers subject to a cap of \$8 million per REIT.
- Launch a Pilot Insurance-linked Securities Grant Scheme to subsidise issuance costs.
- Create new legal framework to allow foreign investment funds to re-domicile to Hong Kong for registration as open-ended fund companies (OFCs) or limited partnership funds (LPFs) with legislative proposal to be tabled in the second quarter of this year.
- Encourage OFCs setup in or re-domiciliation to Hong Kong by subsidising 70% of the relevant expenses paid to local professional service providers subject to a cap of \$1 million per OFC.
- Attract family office business by undertaking to review relevant tax arrangements.

### Innovation and technology

- Inject \$9.5 billion into the Innovation and Technology Fund by two yearly instalments.
- Commence progressively the operation of the first batch of about 20 research and development laboratories under the 'InnoHK Research Clusters' in the first quarter of this year.
- Consider Hong Kong Monetary Authority's Fintech Supervisory Sandbox to reduce time for launching innovative financial products in the market.

### Air Cargo Sector

- Explore measures to facilitate trans-shipment through Hong Kong, so as to maintain Hong Kong's competitive edge as an international air cargo hub.

## Tax policy

- Keep profits tax and salaries tax rates unchanged for the time being but hint adjustments at appropriate time.
- Confirm Hong Kong will actively implement the OECD's BEPS 2.0 proposals which are targeted at large multinational companies and undertake to minimise the impact on local small and medium-sized enterprises (SMEs) where possible.

## Our comments

- While we understand the difficulties faced by the Government, SMEs and middle-class taxpayers may be disappointed at the proposed Budget which hands out less favourable short-term relief measures.
- We would also be glad to see the Government's active consideration of our suggestions on various tax reliefs that would benefit the middle-class such as deductions for rental payments, and for SMEs, tax loss carried-back (please refer to our [2021-22 Budget Proposals](#)).
- As regards tax policy development, taxpayers will welcome more transparency on the Government's forward-looking work plans on how Hong Kong is going to implement BEPS 2.0 and broaden Hong Kong's tax base.

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Profits tax rates	2020/21	2021/22
<b>Tax rate</b>		
Corporations	16.5%*	No change
Unincorporated businesses	15%*	No change

\* First \$2,000,000 assessable profits of eligible taxpayers chargeable at half of the tax rate

Salaries tax rates, deductions and allowances	2020/21	2021/22
<b>Standard tax rate</b>	15%	No change
<b>Progressive tax rates</b>	First \$50,000 – 2%	
	Next \$50,000 – 6%	
	Next \$50,000 – 10%	
	Next \$50,000 – 14%	
	Remainder – 17%	
<b>Personal allowances**</b>		
Basic	\$132,000	
Married	\$264,000	
Single parent	\$132,000	
Disabled	\$75,000	
First to ninth child (year of birth)	\$240,000 each	
First to ninth child (other years)	\$120,000 each	
Dependent parent / grandparent		
Aged 55 to 59 - Basic	\$25,000	
- Additional, living with the taxpayer	\$25,000	
Aged 60 or above - Basic	\$50,000	
- Additional, living with the taxpayer	\$50,000	
Disabled dependent	\$75,000	
Dependent brother / sister	\$37,500	
<b>Deductions</b>		
Approved charitable donations	Up to 35% of assessable income	
Self-education expenses	Up to \$100,000	
Home loan interest (up to 20 years)	Up to \$100,000	
Elderly residential care expenses	Up to \$100,000	
Mandatory contributions to recognised retirement schemes	Up to \$18,000	
Qualifying Voluntary Health Insurance Scheme policy premiums	Up to \$8,000 per insured person	
Qualifying annuity premiums and MPF voluntary contributions	Up to \$60,000	

\*\* Personal allowances are only applicable to progressive tax rates calculation

One-off measures	2020/21	2021/22
Types of tax	Salaries tax, tax under personal assessment and profits tax	Salaries tax, tax under personal assessment and profits tax
Tax reduction	100% of tax for 2019/20, capped at \$20,000	100% of tax for 2020/21, capped at \$10,000

Property tax	2020/21	2021/22
Tax rate	15%	No change

Business registration fees	2020/21	2021/22
<b>Fee</b>		
Main business (one year certificate)	Waived	Waived
Branch business (one year certificate)	Waived	Waived
<b>Levy</b>		
Main business (one year certificate)	\$250	No change
Branch business (one year certificate)	\$250	No change

Rates	2020/21	2021/22
<b>Percentage charge</b>	5% on rateable value	No change
<b>One-off waiver</b>		
Number of quarters	Four quarters	Four quarters
Ceiling - non-domestic properties	\$5,000 (Q1 & Q2), \$1,500 (Q3 & Q4) per rateable property	\$5,000 (Q1 & Q2), \$2,000 (Q3 & Q4) per rateable property
- domestic properties	\$1,500/quarter/rateable property	\$1,500 (Q1 & Q2), \$1,000 (Q3 & Q4) per rateable property

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on Wednesday, 24 February 2021. The Budget proposal will be subject to review and modification by the Legislative Council prior to the enactment of the legislation.