



Press Release

Date	19 February 2020	For immediate release
Subject	BDO in Hong Kong - 2020-21 Budget Proposals	

BDO in Hong Kong 2020-21 Budget Proposals

The Financial Secretary, Mr Paul Chan, will present the 2020-21 Budget on 26 February 2020. BDO in Hong Kong submitted our proposal to the upcoming Budget ([click here to view](#)) to the Financial Secretary on 11 February 2020. A summary of our proposals is as follows:

Super tax reduction

Coronavirus outbreak deals another blow to the Hong Kong economy, which is already on the downward trend as a result of the prolonged social unrest, China-US trade war and global economic slowdown. It is therefore of utmost importance for the Hong Kong SAR Government to provide a simple, immediate and direct relief to the community amid all the adversities. In this connection, we propose to introduce a one-off super tax reduction for Profits tax, Salaries tax and tax under Personal Assessment for the year of assessment 2019-20 by 100%, subject to a ceiling of HK\$60,000. We believe more than 80% of the individual taxpayers will be exempted from Salaries Tax and SMEs will also receive immediate tax relief of the same amount under this proposal.

Livelihood

1. Increase basic/married person's allowances for Salaries Tax and Personal Assessment to HK\$153,000 and HK\$306,000 respectively, widen the first three bands for progressive rates from HK\$50,000 each to HK\$55,000 and recommend 0% rate for the first band to save administrative costs.
2. Allow deduction on rent paid on private housing up to HK\$100,000 per annum for 20 years.
3. Allow deduction on expenses to maintain parents not residing with the taxpayers (eg rent/mortgage payments and expenses to hire domestic helpers etc) up to HK\$100,000.
4. Allow deduction on education expenses of children attending private schools by reference to the subsidy currently provided by the Government to the aided schools and public schools.
5. Allow deduction on costs of employing domestic helpers up to the minimum yearly wage (eg around HK\$56,000 for the year of assessment 2019-20) for each household.
6. Allow deduction on tuition fees for health and sports related courses up to HK\$10,000.

Enterprises

1. Reduce profits tax rate amid the global trend of tax rates cut to enhance Hong Kong's competitiveness in the region.
2. Enhance tax certainty by shortening the statutory time-bar period from 6 to 4 years, and the same timeframe for the Inland Revenue Department to adjust tax losses and finalising the tax loss status within 4 years.
3. Introduce group tax relief/allow tax losses to be carried backward to lower taxpayers' tax burden and enhance the competitiveness of Hong Kong's tax system.
4. Relax the conditions on Research and Development (R&D) expenditure deduction by allowing deductions on all outsourced R&D activities or costs recharged under a cost sharing arrangement as well as by accepting designation of MNC groups' R&D entities in Hong Kong as designated local research institutes for tax purposes.
5. Promote green industries by amending section 15(1)(c) of the Inland Revenue Ordinance to exclude Government's subsidies granted to green industries from taxable receipts and by granting super tax deduction (similar to that for R&D expenditures) on capital expenditure incurred on environmental friendly machinery and equipment.

Review Hong Kong's tax base and system

We recommend the Tax Policy Unit to consider the following areas that may help to increase Hong Kong's tax revenue or to enhance our competitiveness in attracting investments:

1. Consider digital tax to increase tax revenue.
2. Introduce single-rate luxury goods tax.
3. Evaluate territorial basis of taxation given the changing international taxation landscape.

Conclusion

In view of local and global uncertainties and challenges in the coming year, BDO sincerely hopes that the Financial Secretary will consider incorporating the aforementioned proposals in the 2020-21 Budget to improve people's livelihoods and to enhance Hong Kong's competitiveness.

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Note to editors

About BDO Limited

BDO's global organisation extends across 167 countries and territories, with more than 88,000 professionals working out of over 1,600 offices - and they're all working towards one goal: to provide our clients with exceptional service. BDO was established in Hong Kong in 1981 and is committed to facilitating the growth of businesses by advising the people behind them. BDO in Hong Kong provides an extensive range of professional services including assurance services, business services & outsourcing, risk advisory services, specialist advisory services and tax services. For more details, visit www.bdo.com.hk.

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