



TAX SERVICES

2021/22 HONG KONG BUDGET SUMMARY

HIGHLIGHTS

Electronic Consumption Vouchers

- Issue electronic consumption vouchers in instalments with a total value of HK\$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above

Profits Tax

- Provide a one-off reduction of 100% of profits tax for 2020/21, subject to a ceiling of HK\$10,000

Salaries Tax

- Provide a one-off reduction of 100% of salaries tax and tax under personal assessment for 2020/21, subject to a ceiling of HK\$10,000

Stamp Duty

- Raise 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

Other Levies

- Waive rates for domestic properties for all four quarters of 2021/22, subject to a ceiling of **HK\$1,500 per quarter** in the first two quarters and a ceiling of **HK\$1,000 per quarter** in the remaining two quarters for each rateable residential property
- Waive rates for non-domestic properties for four quarters of 2021/22, subject to a ceiling of **HK\$5,000 per quarter** in the first two quarters and a ceiling of **HK\$2,000 per quarter** in the remaining two quarters for each rateable non-domestic property
- Waive the business registration fees for 2021/22
- Provide an allowance to eligible social security recipients, equal to one half of a month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance and Individual-based Work Incentive Transport Subsidy

The Financial Secretary, the Honourable Paul M. P. Chan, delivered the 2021/22 budget speech of the Government at the Legislative Council on 24 February 2021 with focus on "stabilising the economy and relieving people's burden".

Estimates for 2021/22

The Financial Secretary estimates that the total Government revenue to be HK\$591.1 billion and the overall expenditure to be HK\$727.8 billion including recurrent expenditure of HK\$517.6 billion for 2021/22. The Financial Secretary forecasts a deficit of HK\$101.6 billion in the Consolidated Account in the coming year. The fiscal reserves are estimated to be HK\$801.1 billion by the end of March 2022.

Taxes

Local tax reliefs

A summary of the major tax relief measures proposed by the Financial Secretary after taking into account the financial position and economic performance of Hong Kong is set out in the table on the left.

The Financial Secretary considers it is not the appropriate time to revise rates of profits tax and salaries tax or to introduce new taxes.

Other potential tax-related developments

The Government is seeking to:

- provide for half-rate profits tax concessions to eligible insurance businesses including marine insurance and specialty insurance
- review tax arrangements for family office businesses interested in establishing a presence in Hong Kong
- strive to secure the passage of the bill within the current session for the tax concession for carried interest issued by private equity funds operating in Hong Kong to apply starting from 2020/21
- propose increasing the rate of each tax band for the first registration tax (FRT) for private cars (including electronic private cars, e-PCs) by 15% and the vehicle licence fee by 30% which have been gazetted for taking effect on 24 February 2021

- outline its direction of the response measures to base erosion and profit shifting (BEPS 2.0):
 - actively implement the BEPS 2.0 proposals according to international consensus
 - minimise the impact on local SMEs where possible
 - minimise the compliance burden on affected corporations
 - keep up our efforts in improving Hong Kong's business environment and enhancing our competitiveness
- review the case for introducing a progressive element to the rating system and that for providing rates concession to owner-occupied properties on a regular basis
- consider shifting the primary liability for rates payment from the occupier to the owner of a property

Profits Tax (No change)		Proposed 2021/22	2020/21
Standard Rate (Note)	For corporations		
	<ul style="list-style-type: none"> HK\$0 - HK\$2 million of profits > HK\$2 million of profits 	8.25% 16.5%	8.25% 16.5%
	For persons other than corporations (Unincorporated business)		
	<ul style="list-style-type: none"> HK\$0 - HK\$2 million of profits > HK\$2 million of profits 	7.5% 15%	7.5% 15%
Note: For two or more connected entities, only one of them may elect the two-tiered profits tax rates.			

Property Tax (No change)	Proposed 2021/22	2020/21
Standard Rate	15%	15%

Salaries Tax (No change)		Proposed 2021/22	2020/21		
Standard Rate	On income after deduction of allowable outgoings and charitable donations but before personal allowances	15%	15%		
Progressive Rates	On net chargeable income (i.e. net income after deduction of allowable outgoings, charitable donations and personal allowances)				
		2021/22	2020/21		
		HK\$	HK\$		
	First	50,000	50,000	2%	2%
	Next	50,000	50,000	6%	6%
	Next	50,000	50,000	10%	10%
	Next	50,000	50,000	14%	14%
	Remainder			17%	17%

Salaries Tax – continued		Proposed 2021/22 HK\$	2020/21 HK\$
Allowances (No change)			
Basic Allowance		132,000	132,000
Married Person's Allowance		264,000	264,000
Single Parent Allowance	For divorced/ separated parent responsible for the sole or predominant care of his/her child(ren)	132,000	132,000
Personal Disability Allowance		75,000	75,000
Child Allowance	First to ninth child (each)	120,000	120,000
	Additional allowance (for each child in the year of birth)	120,000	120,000
Dependent Parent and Dependent Grandparent Allowance	≥ 60 years old (or eligible to claim an allowance under the Government's Disability Allowance Scheme)		
- The parent must be an ordinarily resident in Hong Kong	Basic allowance	50,000	50,000
- Dependent Parent Allowance and Dependent Grandparent Allowance cannot be granted in the same tax year in respect of the same individual	Additional allowance (residing with taxpayer continuously throughout the year)	50,000	50,000
	55 – 59 years old		
	Basic allowance	25,000	25,000
	Additional allowance (residing with taxpayer continuously throughout the year)	25,000	25,000
Dependent Brother or Sister Allowance	Each dependent	37,500	37,500
Disabled Dependant Allowance	Each dependent	75,000	75,000
Deductions (No change)			
Expenses of Self-Education	Maximum deduction	100,000	100,000
Home Loan Interest	Maximum deduction (Property in Hong Kong and used as principal place of residence, can be claimed for 20 years, whether continuous or not)	100,000	100,000
Mandatory Contributions to Recognised Retirement Schemes	Maximum deduction	18,000	18,000
Elderly Residential Care Expenses	Maximum deduction	100,000	100,000
Approved Charitable Donations	Maximum deduction (% of assessable income net of allowable expenses and depreciation allowances)	35%	35%

Salaries Tax – continued		Proposed 2021/22 HK\$	2020/21 HK\$
Qualifying Premiums Paid under Voluntary Health Insurance Scheme Policy	Maximum deduction (for each insured person)	8,000	8,000
Qualifying Annuity Premiums and Tax Deductible Mandatory Provident Fund Voluntary Contributions	Maximum deduction	60,000	60,000

The information in this leaflet is based on the 2021/22 Budget Speech delivered by the Financial Secretary on 24 February 2021. Amendments after publication of this leaflet may lead to further changes.

Should you wish to discuss any Budget related matters, please contact us.

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