


TAX SERVICES

2020/21 HONG KONG BUDGET SUMMARY

HIGHLIGHTS
Cash Payout

- Disburse a one-off grant of HK\$10,000 to each Hong Kong permanent resident aged 18 or above

Profits Tax

- Provide a one-off reduction of 100% of profits tax for 2019/20, subject to a ceiling of HK\$20,000

Salaries Tax

- Provide a one-off reduction of 100% of salaries tax and tax under personal assessment for 2019/20, subject to a ceiling of HK\$20,000

Other Levies

- Waive rates for all four quarters of 2020/21, subject to a ceiling of **HK\$1,500 per quarter** for each rateable residential property
- Waive rates for non-domestic properties for four quarters of 2020/21, subject to a ceiling of **HK\$5,000 per quarter** in the first two quarters and a ceiling of **HK\$1,500 per quarter** in the remaining two quarters for each rateable non-domestic property
- Waive the business registration fees for 2020/21
- Waive the registration fees for all annual returns (except for late delivery) charged by the Companies Registry for two years
- Provide an extra allowance to eligible social security recipients, equal to one 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 Work Incentive Transport Subsidy
- Pay one month's rent for lower income tenants living in public rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society

The Financial Secretary, the Honourable Paul M. P. Chan, delivered the 2020/21 budget speech of the Government at the Legislative Council on 26 February 2020 with focus on "supporting enterprises, safeguarding jobs, stimulating the economy and relieving people's burden".

Estimates for 2020/21

The Financial Secretary estimates that the total Government revenue to be HK\$572.5 billion and the overall expenditure to be HK\$731.1 billion including recurrent expenditure of HK\$486.6 billion for 2020/21. The Financial Secretary forecasts a deficit of \$139.1 billion in the Consolidated Account in the coming year. The fiscal reserves are estimated to be HK\$994 billion by the end of March 2021.

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 highlights table on the left.

Other potential tax-related developments

The Government is seeking to:

- attract more funds to Hong Kong by introducing new fund structures, including the preparation of new legislation on the establishment of a limited partnership regime that meets the operational needs of funds
- plan to provide tax concession for carried interest issued by private equity funds operating in Hong Kong subject to the fulfilment of certain conditions
- provide tax concessions for the ship leasing business, including offering a profits tax exemption to qualifying ship lessors and a half-rate profits tax concession to qualifying ship leasing managers and profits tax will be halved for eligible insurance businesses including marine insurance

- explore other tax measures to attract more global shipping business operators and commercial principals to set up business in Hong Kong
- maintain the growth and vibrancy of our economy consider by seeking new revenue sources or revising tax rates; the one-off relief measures may have to be progressively reduced
- continue to keep a close watch on the developments of the imposition of a global minimum tax rate by the Organisation for Economic Co-operation and Development

Profits Tax (No change)		Proposed 2020/21	2019/20
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%	8.25%
	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%	7.5%
		15%	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 2020/21	2019/20
Standard Rate	15%	15%

Salaries Tax (No change)		Proposed 2020/21	2019/20
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)		
		2020/21	2019/20
		HK\$	HK\$
	First	50,000	50,000
	Next	50,000	50,000
	Next	50,000	50,000
	Next	50,000	50,000
	Remainder	17%	17%

Salaries Tax – continued		Proposed 2020/21 HK\$	2019/20 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 - The parent must be an ordinarily resident in Hong Kong - Dependent Parent Allowance and Dependent Grandparent Allowance cannot be granted in the same tax year in respect of the same individual	≥ 60 years old (or eligible to claim an allowance under the Government's Disability Allowance Scheme)		
	Basic allowance	50,000	50,000
	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 2020/21 HK\$	2019/20 HK\$
Deductions (No change) - continued			
Qualifying Voluntary Health Insurance Scheme Policy Premiums	Maximum deduction (each insured person)	8,000	8,000
Annuity Premiums and Mandatory Provident Fund Voluntary Contributions	Maximum deduction	60,000	60,000

The information in this leaflet is based on the 2020/21 Budget Speech delivered by the Financial Secretary on 26 February 2020. 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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