

SUMMARY OF HONG KONG 2021-22 BUDGET 24 February 2021

A. ECONOMIC OUTLOOKS FOR 2021



- Forecast GDP growth in real terms at 3.5% to 5.5%
- Forecast headline inflation is 1.6% and underlying inflation is 1.0%.

Source: *The 2021-22 Budget* (<https://www.budget.gov.hk/2021/eng/io.html>)



B. MAJOR PROPOSED MEASURES

Tax Concessions

Support Enterprise and Safeguard Jobs

Profits Tax

- Reduce profits tax for the Year of Assessment (“YOA”) 2020/21 by 100%, subject to a ceiling of HK\$10,000.

Rates

- Waive rates for non-domestic properties for FOUR quarters of the YOA 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.

Business Registration Fees

- Waive the business registration fees for the YOA 2021/22.

Relieve People’s Burden

Salaries Tax

- Reduce salaries tax and tax under personal assessment for the YOA 2020/21 by 100%, subject to a ceiling of HK\$10,000.

Rates

- Waive rates for residential properties for FOUR quarters of the YOA 2020/21, subject to a ceiling of HK\$1,500 per quarter for the first two quarters and a ceiling of HK\$1,000 per quarter for the remaining two quarters for each rateable property.

Issue Consumption Voucher

- 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.



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Others

For Enterprise

- Extend the application period of the Special 100% Guarantee Product regarding the low-interest loan or interest subsidies under the SME Financing Guarantee Scheme to the end of 2021.
- Further increase the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to that for 18 months and raise the loan ceiling from 5 million to 6 million. Extend the maximum repayment period from 5 years to 8 years and extend the maximum duration of principal moratorium from 12 months to 18 months.
- Further to launch the Pre-approved Principal Payment Holiday Scheme.
- Continue to waive 75% of water and sewage charges payable by non-domestic households for 8 months commencing from April 2021, subject to a monthly cap of HK\$20,000 and HK\$12,500 respectively per household.
- Continue to grant 75% or fee concession for 6 months commencing from April 2021 for the eligible tenants of government properties and eligible short-term tenancies and waivers under the Lands Department.

For People

- Grant a subsidy of HK\$1,000 to each residential electricity account.
- Provide an allowance to eligible social security recipients, equal to one half 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.
- Pay the examination fees for school candidates sitting for the 2022 Hong Kong Diploma of Secondary Education Examination.
- Proposed to relax working hours requirements under the Working Family Allowance Scheme, the basic working hour requirement of not fewer than 144 hours per month for non-single parent households will be reduced by half for one year.
- Suggest to set-up a Special 100% Loan Guarantee for Individuals Scheme as a supplementary measure so as to provide an extra financing option for the unemployed. The HKSAR will offer a guarantee for loans provided under the Scheme, the maximum loan amount per applicant is set at 6 times of his/her average monthly incoming during employment, capped at HK\$80,000. The principal will be moratorium for the first 12 months. Thereafter, the principal and interest can be repaid over a period of up to 5 years with an interest rate fixed at 1 per cent per year. Applicants who have repaid loans in full as scheduled will be offered full reimbursement for the interest paid. Freelancers who provide proof of loss of income may also apply for the loan. The HKSAR will provide a total guarantee commitment of \$15 billion. The application period will last for six months.
- Earmark HK\$1 billion to provide subsidies for owners of more than 3,000 old building with relatively low resale values to carry out drainage repair or enhancement works.



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Support Employment

- Launch the 4th tranche of the Love Upgrading Special Scheme in July 2021 lasting for 6 months until the end of 2021 which will benefit 20,000 trainees. The ERB will continue providing more training options under the Scheme and more online courses for trainees to engage in distance learning during the epidemic.
- HKSAR plan to expand the scope of Continuing Education Fund to include online course to provide learners with more diversified methods of continuing learning.

Reviving the Economy after the Epidemic

Digital Economy

- Allocated additional funding of HK\$1 billion for the Distance Business Programme in order to support the enterprise adopting information technology solutions and cover the expenses for providing the related training to employees.
- Allocate HK\$375 million to the Hong Kong Trade Development Council ("TDC") in 3 years commencing from 2021/22 in order to develop virtual platforms enhancing its capacity to organize online activities and to proceed with digitalization.
- By mid-2022, unless there are legal or operational constraints, all government forms and licence applications can be submitted electronically. E-payment options including Faster Payment System will be available for making payments regarding most of the government bills and license commencing from mid-2022.
- The Hong Kong Monetary Authority ("HKMA") is working with the office of the Government Chief Information Officer to develop version of "iAM Smart" digital authentication platform, it can be used to authenticate the identity of enterprise through an electronic channel.

Explore Markets

- Inject HK\$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales, and substantially extend in phases its geographical coverage from 20 to 37 economies to includes to all those with which Hong Kong has entered into Investment Promotion and Protection Agreements.

Support Tourism

- Further earmark a total of HK\$934 million to enhance tourism resources in which HK\$169 million will be used to continue to take forward local culture, heritage and creative tourism projects.
- Earmark HK\$765 million to support the Hong Kong Tourism Board in reviving the tourism industry.



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Stimulating the Economy

Financial Services

Bond Connect Development

- Target to expand Bond Connect to cover both Southbound and Northbound Trading. The HKMA and the People's Bank of China have set up a working group to drive the initiative of Southbound Trading of Bond Connect and target to launch it within 2021.

Retail Bond Market

- The HKSAR plans to issue no less than HK\$24 billion of Silver Bond and no less than HK\$15 billion of iBond in 2021.
- Proposed to increase the borrowing limit of the Government Bond Programme from HK\$200 billion to HK\$300 billion to allow enough room for bond issuances.
- The eligible age for subscribing Silver Bonds will be reduced from the aged 65 to the aged 60.

Insurance and International Risk Management Centre

- *Undertaking a chain of legislative work to provide half-rate profits tax concessions to eligible insurance business including marine insurance and specialty insurance.*
- *Proposed to launch a two-year Pilot Insurance-linked Securities Grant Scheme to attract insurance enterprise to issue insurance-linked securities ("ILS") in Hong Kong. The amount of grant for each issuance will be capped at HK\$12 million depending on the maturity of ILS. Further announcement will be provided by Insurance Authority.*

Asset and Wealth Management

- The HKSAR will provide subsidies to cover 70% of the expensed paid to local professional services providers for setting up an Open-ended Fund Company ("OFC") in or re-domiciled to Hong Kong in the coming 3 years subject to a ceiling of HK\$1 million per OFC.
- Strive to secure the LegCo's passage of the amendment bill to provide tax concessions for carried interest issued by the private equity funds operating in Hong Kong within the current session so as to apply the tax concession starting from 2020/21.



Innovation and Technology

Innovation and Technology Infrastructure

- The HKSAR will continue to support the development of 5G networks and applications; release more 5G spectrum in different frequency bands; facilitate the setting up of radio base stations by operators at suitable government venues and public facilities; assist in the relocation of the Tai Po satellite earth stations; and provide land at Chung Hom Kok Teleport for the development of infrastructure to connect with external telecommunications facilities.

Financial Technology

- The Hong Kong Science and Technology Parks ("HKSTPC") and Cyberport will collaborate with the HKMA to attract more financial, technology or research institutes to set up laboratories in Hong Kong focusing on the areas such as regulatory technology and cyber security.
- The HKMA is considering enhancing its Fintech Supervisory Sandbox by providing "through-train" vetting and funding arrangements for those promising Fintech solutions to reduce the time for the launch of innovative financial products in the market.

Air Cargo Sector

- The HKSAR will submit a funding application to the LegCo within 2021 to redevelop the Air Mail Centre at the Hong Kong International Airport (HKIA) with a view to bringing the centre into operation by the ended 2027 the earliest.

Cultural and Creative Industries

- Inject an additional HK\$1 billion into the CreateSmart Initiative in 2021/22 for continuously developing the creative industries.
- Plan to seek funding approval for the renovation of Tsuen Wan Public Library, the facility upgrading of Tai Po Civic Centre and the renovation and improvement of Sai Wan HO Civic Centre.

Infrastructure Investment and Construction Industry

Train Talent

- Earmarked HK\$6 million for provision of systematic training to the professional skills of mid-tier managers in the Government in the next 3 years so as to enhance their professional skills ensuring the public resources can be used more effectively.

Enhance Effectiveness

- The HKSAR promotes the Modular Integrated Construction (MiC) method and the Constructions Innovation and Technology Fund has granted over HK\$75 million to the construction industry to support their adoption of the MiC method and the Buildings Department has approved 31 pre-accepted MiC system to facilitate their adoption by the private building developers.



Optimize Land Use

Land Supply

- The YOA 2022/21 Land Sale Programme comprises a total of 15 residential sites and three commercial sites, capable of providing about 6 000 residential units and about 480 000 square meters of commercial floor area respectively. Together with railway property development projects and private development and redevelopment projects and the Urban Renewal Authority's projects, the potential land supply for the whole year is expected to have a capacity of providing about 16,500 units.

Housing Supply

- the total public housing production in the five-year period from YOA 2020/21 is about 100=1,400 units, comprising about 70,000 public rental housing and Green Form Subsidised Home Ownership Scheme units and about 30,000 other subsidised sale units.
- On private housing, it is estimated that the completion of private residential unit will average over 18,000 units annually in the 5 years from 2021, an increase of about 5% over the annual average of the past five years.

Green City

Promote New Energy Transportation

- The HKSAR promotes "One-for-One Replacement" Scheme provides the owners who buy a new electric private cars ("e-PC") and scrap their eligible fuel-propelled private car with a higher first registration tax concession, subject to a ceiling of HK\$250,000.
- The HK\$2 billion electric vehicle-charging at Home Subsidy Scheme was launched in 2020, it is expected that about 60,000 parking spaces in existing private residential buildings will be provided with electric vehicle-charging infrastructure under the scheme in 3 years.
- The Environment Bureau will announce the Hong Kong's first roadmap next month on the popularisation of electric vehicles setting out long-term policy objectives and plans on the use of electric vehicles and their associated supporting facilities. The key measures include ceasing the new registration of fuel-propelled private cars in 2035 or earlier, expanding the electric vehicles charging network and promoting its marketisation, training of electric vehicles technical and maintenance practitioners, and formulating a Producer Responsibility Scheme for retired electric vehicles batteries.

Improve Air Quality

- The HKSAR implemented an ex-gratia payment scheme of HK\$7.1 billion to phase out about 40,000 Euro IV diesel commercial vehicles the end-2027 in order to further improve air quality.

Relieve Traffic Congestion

- Proposed increasing the rate of each tax band for the first registration tax for private cars including electric vehicles by 15% and the vehicle licence fee by 30% which have been gazetted for taking effect on 24 February 2021.
- The Transport Department will continue the studies on "Congestion Charging" and the Electronic Road Pricing Pilot Scheme in Central with the aim of optimising the use of road space and relieving traffic congestion.



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Decarbonise and Reduce Waste

- Set aside an extra HK\$1 billion for more than 80 projects to install additional small-scale renewable energy system at government buildings and infrastructure.
- Set aside HK\$150 million to conduct energy audits and install energy-saving appliances for Non-Government Organizations subvented by the Social Welfare Department free of charge.
- The HKSAR will inject an additional funding of HK\$1 billion to the Recycle Fund and extend the application period to 2027 in order to render support to the trade.

Quality Living

Improve Country parks

- Earmark HK\$500 million to enhance facilities in country parks

Upgrade Recreational Facilities

- Earmark HK\$55 million to proceed the second phase of the enhancement programme for 10 popular hiking trails in country parks.
- Earmark HK\$318 million to implement a five-year plan for upgrading over 70 football pitches.

Strengthen Healthcare System

- Provide additional recurrent funding of around HK\$147 million to enhance mental health services
- The HKSAR will continue to work with the universities to upgrade an increase healthcare-related teaching facilities.

Caring and Inclusion

- Provide about 8,800 residential care places and about 2,800 subsidised day care services places for elderly in the coming few years.
- Inject HK\$1.1 billion to Lotteries Fund to ensure the development projects in respect of much needed social welfare services premises can be implemented as scheduled.

Public Finance

Increase Revenue

- Introduce a bill to raise the Stamp Duty on Stock Transfer from 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively.



C. MAJOR TAX RATES FOR THE YEARS 2020/21 AND 2021/22

1. Salaries Tax

i. Personal tax allowances and deductions:

	2020/21	2021/22
	HK\$	HK\$
Basic allowances :		
Single person's allowance	132,000	132,000
Married person's allowance	264,000	264,000
Additional allowances :		
Child – 1 st to 9 th child (each)		
- year of birth	240,000	240,000
- other years	120,000	120,000
Dependent parent / grandparent:		
a. Aged 55 to 59		
- Not residing with taxpayer	25,000	25,000
- Residing with taxpayer for the whole year	50,000	50,000
b. Aged 60 or above		
- Not residing with taxpayer	50,000	50,000
- Residing with taxpayer for the whole year	100,000	100,000
Dependent brother / sister ¹	37,500	37,500
Single parent	132,000	132,000
Disabled dependent	75,000	75,000
Personal disability	75,000	75,000
Additional deductions :		
Self-education expenses ²	100,000	100,000
Home loan interest ³	100,000	100,000
Elderly residential care expenses	100,000	100,000
Contributions to retirement schemes	18,000	18,000
Voluntary contribution to MPF scheme and qualifying annuity premiums	60,000	60,000
Qualifying premiums paid under the Voluntary Health Insurance Scheme	8,000 /insured person	8,000/insured person
Approved charitable donations ⁴	35%	35%
Notes:		
1. For whom no child allowance is being claimed.		
2. The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.		
3. The entitlement period for tax deduction extends to 20 years since YOA 2017/18.		
4. The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowance.		

ii. Standard salaries tax rates:

	<u>2020/21 and 2021/22</u>
Standard tax rates	15%

iii. Progressive salaries tax rates:

<u>Net Chargeable Income</u>		<u>2020/21 and 2021/22</u>
First	HK\$50,000	2%
Next	HK\$50,000	6%
Next	HK\$50,000	10%
Next	HK\$50,000	14%
Remainder		17%

2. Profits Tax

Assessable Profits	Tax rates for 2020/21 and 2021/22 (Note)	
	Unincorporated Business	Corporation
First HK\$2,000,000	7.5%	8.25%
On the remainder	15%	16.5%

Note:
 All entities with profits chargeable to Profits Tax in Hong Kong would qualify for the two-tiered profits tax rates. However, if, at the end of the basis period of the entity for the relevant year of assessment, the entity has one or more connected entities, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. The others would not qualify for the two-tiered profits tax rates.

3. Property Tax

<u>Taxpayer</u>	<u>2020/21 and 2021/22</u>
Property Owner	15%



Stamp Duty

i. Shares transactions:

Particular	2020/21 and 2021/22
Contract Note for sale or purchase of any Hong Kong stock	0.13% of the amount of the consideration or of its value on every sold note and every bought note (#)
Transfer operating as a voluntary disposition inter vivos	\$5 + 0.2% of the value of the stock
Transfer of any other kind	\$5
	# subject to the enactment of the relevant legislation

ii. Leases:

Leasing period	2020/21 and 2021/22
Not defined or is uncertain	0.25%
Specified in the lease as not exceeding 1 year	0.25%
Exceeding 1 year but not exceeding 3 years	0.5%
Exceeding 3 years	1%
Key money, construction fee etc. Mentioned in the lease	4.25% of the consideration if rent is also payable under the lease. Otherwise, same duty as for a sale of immovable property.

iii. Immovable Property transactions:

Scale 1

- Part 1 (applies to instruments of residential property) : A flat rate of 15% of the consideration or value of the property (whichever is higher)
- Part 2 (applies to instruments of non-residential property and certain instrument of residential property executed on or after 23 February 2013 but before 5 November 2016)

Sales Consideration	Rates at Scale 1 (Part 2)
Up to HK\$2,000,000	1.5%
HK\$2,000,001 to HK\$2,176,470	HK\$30,000 + 20% of excess over HK\$2M
HK\$2,176,471 to HK\$3,000,000	3%
HK\$3,000,001 to HK\$3,290,330	HK\$90,000 + 20% of excess over HK\$3M
HK\$3,290,331 to HK\$4,000,000	4.5%
HK\$4,000,001 to HK\$4,428,580	HK\$180,000 + 20% of excess over HK\$4M
HK\$4,428,581 to HK\$6,000,000	6%
HK\$6,000,001 to HK\$6,720,000	HK\$360,000 + 20% of excess over HK\$6M
HK\$6,720,001 to HK\$20,000,000	7.5%
HK\$20,000,001 to HK\$21,739,130	HK\$1,500,000 + 20% of excess over HK\$20M
Exceeding HK\$21,739,130	8.5%

Scale 2

Sales Consideration	Rates at Scale 2
Up to HK\$2,000,000	HK\$100
HK\$2,000,001 to HK\$2,351,760	HK\$100 + 10% of excess over HK\$2M
HK\$2,351,761 to HK\$3,000,000	1.5%
HK\$3,000,001 to HK\$3,290,320	HK\$45,000 + 10% of excess over HK\$3M
HK\$3,290,321 to HK\$4,000,000	2.25%
HK\$4,000,001 to HK\$4,428,570	HK\$90,000 + 10% of excess over HK\$4M
HK\$4,428,571 to HK\$6,000,000	3%
HK\$6,000,001 to HK\$6,720,000	HK\$180,000 + 10% of excess over HK\$6M
HK\$6,720,001 to HK\$20,000,000	3.75%
HK\$20,000,001 to HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20M
Exceeding HK\$21,739,120	4.25%



Note:

1. Starting from 5 November 2016, a flat rate (AVD rate) of 15% applies to residential property transactions, this new measures will continue to adopt the exemptions provided under the existing doubled ad valorem stamp duty (DSD) regime, which include:
 - a) allowing buyers to pay AVD at the basic rates (i.e. AVD rates at Scale 2) if they are Hong Kong permanent residents (HKPRs) and do not own any other residential property in Hong Kong at the time of acquisition of the residential property; and
 - b) setting a 12-month time frame for HKPR-buyers having acquired a new residential property to dispose of their original property.
2. Unless specifically exempted or otherwise provided, a single instrument executed on or after 12 April 2017 for acquisition or transfer of more than one residential property is subject to AVD at the rate under Part 1 of Scale 1.

With effect from 20 November 2010, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months (the property was acquired on or after 20 November 2010 and before 27 October 2012) or 36 months (the property was acquired on or after 27 October 2012), will be subject to a Special Stamp Duty (SSD). SSD is calculated by reference to the stated consideration or the market value of the property (whichever is higher), at the following rates for different holding periods of the property by the seller or transferor before disposal:-

Holding period	The property was acquired on or after 20 November 2010 and before 27 October 2012	The property was acquired on or after 27 October 2012
6 months or less	15%	20%
More than 6 months but for 12 months or less	10%	15%
More than 12 months but for 24 months or less	5%	10%
More than 24 months for 36 months or less	-	10%

In addition to SSD, a Buyer's Stamp Duty ("BSD") on residential properties acquired by any person (including a company incorporated) except a Hong Kong Permanent Resident is effected from 27 October 2012. BSD is to be charged at a flat rate of 15% on all residential properties, on top of the existing stamp duty and the special stamp duty, if applicable.

4. Estate Duty

The Government had abolished the Estate Duty with effect from 11 February 2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005.

D. FURTHER INFORMATION

The above information is mainly extracted from the website of the "The Hong Kong 2021-22 Budget". Please visit <https://www.budget.gov.hk/2021/eng/speech.html> or contact our Tax Service Department (email: tax@atrixbiz.com) for further details.

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