



2019/20 Hong Kong Budget Summary



Summary

Mr. Paul Chan Mo-po, the Financial Secretary of the Hong Kong SAR Government presented the 2019-20 Hong Kong Budget (the third budget) in the Legislative Council on 27 February 2018 with the following major proposed measures:

- Reduce profits tax for the Year of Assessment (“YOA”) 2018/19 by 75%, subject to a ceiling of HK\$20,000
- Reduce salaries tax and tax under personal assessment for the YOA 2018/19 by 75%, subject to a ceiling of HK\$20,000
- Waive the business registration fees for 2019/20
- Provide an extra allowance to 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 Low-income Working Family Allowance and Work Incentive Transport Subsidy;
- Provide each student in need a one-off grant of \$2,500 to support learning;
- Pay the examination fees for candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination; and
- Provide, on a one-off basis, an additional \$1,000 worth of vouchers to the elderly eligible for the Elderly Health Care Voucher Scheme. The accumulation limit of vouchers will also be raised from \$5,000 to \$8,000 to allow users greater flexibility. The Food and Health Bureau is reviewing the Scheme to ensure that it can better serve the needs of the elderly. The findings will be announced upon completion of the review.



A) Economic Outlooks 2019

2019/20 Total Government Estimated Revenue – \$626.1B

- \$159.6B (Profits Tax); \$76B (Stamp Duties); \$143B (Land Premium); \$66.6B (Salaries Tax); \$47.9B (Investment Income) and \$133B (Other Revenue)

2019/20 Total Government Estimated Expenditure – \$607.8B

- \$124B (Education); \$97.2B (Social Welfare); \$79.1B (Infrastructure); \$88.6B (Health); \$56.8B (Security); \$33.5B (Environment and Food); \$38.5B (Economic) and \$90.1B (Others including community and external affairs)

Economy Review and Forecast		
	<u>2018 Performance</u>	<u>2019 Forecast</u>
GDP Growth	3%	2% - 3%
Headline Inflation	2.4%	2.5%
Underlying Inflation	2.6%	2.5%



B) Major Proposed Measures

Profits Tax

- Reduce profits tax for the Year of Assessment ("YOA") 2018/19 by 75%, subject to a ceiling of HK\$20,000

Salaries Tax

- Reduce salaries tax and tax under personal assessment for the YOA 2018/19 by 75%, subject to a ceiling of HK\$20,000

Rates

- Waive rates for the 4 quarters of the YOA 2019/20, subject to a ceiling of HK\$1,500 per quarter, for each ratable property.

Business Registration Fees

- Waive the business registration fees (Levy exclusive) or 2019/20.



B) Major Proposed Measures (Con't)

Others

- Provide an extra allowance to social security recipients, equal to two months of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to Low-income Working Family Allowance and Work Incentive Transport Subsidy;
- Provide each student in need a one-off grant of \$2,500 to support learning;
- Pay the examination fees for candidates sitting for the 2019 Hong Kong Diploma of Secondary Education Examination, involving an expenditure of about \$180 million.
- Provide, on a one-off basis, an additional \$1,000 worth of vouchers to the elderly eligible for the Elderly Health Care Voucher Scheme. The accumulation limit of vouchers will also be raised from \$5,000 to \$8,000 to allow users greater flexibility. The Food and Health Bureau is reviewing the Scheme to ensure that it can better serve the needs of the elderly. The findings will be announced upon completion of the review.
- To bring the total number of Comprehensive Avoidance of Double Taxation Agreements to 50 in the next few years.



Innovation and Technology (I&T)

- Earmark \$5.5 billion for the development of Cyberport 5 in order to attract more quality technology companies and start-ups to set up their offices in Cyberport and provide a pathway for young people to pursue a career in I&T.
- Proposed to allocate an additional \$2 billion for the Hong Kong Science and Technology Parks Corporation to build dedicated facilities required by the advanced manufacturing sector in industrial estates to facilitate more manufacturers to set up operations in Hong Kong.



Financial Services Industry

Green Finance

- Inaugural issuance of government green bonds and will encourage the relevant sectors to incorporate green elements into corporate governance and operation in a more effective manner.

Financial Technologies

- The Hong Kong Monetary Authority ("HKMA") will shortly issue virtual banking licences. Banks will also implement the Open Application Programming Interface functions in phases. These will bring more innovative banking services to the public. The Insurance Authority also approved the first authorisation of virtual insurers last December, marking a new chapter for insurance technology development in Hong Kong.
- On the regulatory front, the Securities and Futures Commission (SFC) announced a new regulatory approach for virtual assets in November 2018 with a view to exploring ways for encouraging market innovation while protecting investors. Moreover, the HKMA and the SFC are making use of the Global Financial Innovation Network to share with other regulators the experience and knowledge in relation to the supervision of Fintech applications.



Infrastructure, Development and Resources

International Transportation Centre

- Offer 50% profits tax concession to eligible insurance businesses including the marine insurance industry.

Creative Industries

- To inject another \$1 billion into the Film Development Fund in 2019-20 to help the local film industry thrive further.

Land Resources

- Set aside \$2 billion to support non-government organizations in constructing transitional housing.
- Set aside about \$22 billion to take forward the first batch of projects under the "single site, multiple use" initiative, which will include redevelopment of Tuen Mun Clinic, development of a proposed ambulance depot near Sheung Wan Fire Station, and consolidation of several government sites in Tsuen Wan town centre.

Welfare Facilities

- Allocate \$20 billion for the purchase of 60 properties for accommodating more than 130 welfare facilities, including day child care centres, neighbourhood elderly centres, on-site pre-school rehabilitation services, etc.



To Community

Healthcare

- Provide additional recurrent funding of over \$700 million for the Hospital Authority (“HA”) to introduce the following measures:
 - i. increasing the rate of allowance for on-call medical officers, the rate of Special Honorarium Scheme allowance and the salary of ward supporting staff;
 - ii. increasing the number of Advanced Practice Nurse posts to enhance evening ward services;
 - iii. increasing the number of allied health professional posts to improve promotion prospects; and
 - iv. allocating additional resources to continue implementing the Special Retired and Rehire Scheme.
- To allocate about \$1.2 billion to establish the Hong Kong Genome Institute and take forward the Hong Kong Genome Project, under which 40 000 to 50 000 whole genome sequencing will be performed in the next six years.

Elderly Services

- To provide an additional one-off \$1,000 worth of Elderly Health Vouchers to benefit elderly persons.



To Community (Con't)

Child and Youth Services

- To allocate an additional funding of about \$156 million from 2019-20 onwards to increase the level of subsidy for services provided by child care centres to alleviate parents' financial burden; improve the manning ratio of qualified child care workers in day and residential child care centres and enhance training to improve service quality
- To implement the measure of "two school social workers for each school" in more than 460 secondary schools in Hong Kong from the 2019/20 school year, and increase supervisory manpower accordingly for enhancing teenagers' mental health and stress resilience.

Social Enterprises

- To provide an additional funding of \$150 million for the ongoing operation of the Self-Reliance Through District Partnership Programme.



C) Major Tax Rates 2019/20

Remarks: 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.

	2018/19	2019/20
<u>Profits Tax Rates (Two-tiered Rates)</u>		
First \$2,000,000 (Assessable Profits)		
- Unincorporated Business	7.5%	7.5%
- Corporation	8.25%	8.25%
On the remainder		
- Unincorporated Business	15%	15%
- Corporation	16.5%	16.5%
<u>Progressive Salaries Tax Rates</u>		
Net Chargeable Income:		
First HK\$50,000;	2%	2%
Next HK\$50,000;	6%	6%
Next HK\$50,000;	10%	10%
Next HK\$50,000;	14%	14%
Remainder	17%	17%
Standard Salaries Tax Rate	15%	15%



C) Major Tax Rates 2019/20 (Con't)

Personal Tax Allowance and Deductions

	<u>2018/19</u>	<u>2019/20</u>
Additional allowance:		
Child		
- Basic	120,000	120,000
- Additional (in the year of birth)	120,000	120,000
Dependent parent / grandparent		
a. Aged 55 to 59		
- Basic	25,000	25,000
- Additional	25,000	25,000
b. Aged 60 or above		
- Basic	50,000	50,000
- Additional	50,000	50,000
Personal disability	75,000	75,000
Additional deductions:		
Elderly residential care expenses	100,000	100,000
Qualifying Voluntary Health Insurance Scheme policy premiums	-	Up to \$8,000 per insured person
Annuity premiums and MPF voluntary contributions	-	Up to \$60,000

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The above information is mainly extracted from the website of the “The Hong Kong 2019-20 Budget”. Please visit <https://www.budget.gov.hk/2018/eng/speech.html> or contact our Tax Service Department (email: tax@atrixbiz.com) for further details.

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