

## SUMMARY OF HONG KONG 2022-23 BUDGET 23 February 2022

### A. ECONOMIC OUTLOOKS FOR 2022



- Forecast GDP growth in real terms at 2% to 3.5%
- Forecast headline inflation is 2.1% and underlying inflation is 2%.

Source: The 2022-23 Budget ( <https://www.budget.gov.hk/2022/eng/io.html> )



## B. MAJOR PROPOSED MEASURES

### Tax Concessions

#### Support Enterprise

##### Profits Tax

- Reduce profits tax for the Year of Assessment (“YOA”) 2021/22 by 100%, subject to a ceiling of HK\$10,000.

##### Rates

- Waive rates for non-domestic properties for FOUR quarters of the YOA 2022/23, 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 2022/23.

##### Others

- Continue to waive 75% of water and sewage charges payable by non-domestic households for 8 months until 30 November 2022 subject to a monthly cap of HK\$20,000 and HK\$12,500 respectively per household.
- Extend the waiver of existing 34 groups of government fees and charges for 12 months starting from October 2022. Sectors will be benefit from this measure includes but not limit to aviation, maritime, logistics, retail, catering, agriculture and fisheries, construction, tourism and entertainment.
- 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.
- Extend the application period of all guarantee product under the SME Financing Guarantee Scheme (“SFGS”) to the end of June 2023.
- The Special 100% Loan Guarantee under the SFGS will also be further increased the maximum loan amount per enterprise from the total amount of employee ways and rents for 18 month to that for 27 months and raise the loan ceiling from HK\$6 million to HK\$9 million and by extending the maximum repayment period from 8 years to 10 years.
- Requested Hong Kong Monetary Authority (“HKMA”) to extend the Pre-approved Principal Payment Holiday Scheme via the Banking Sector SME Lending Coordination Mechanism for six months to the end of October 2022.
- The HKMA and the banking sector will offer enterprises the option of making partial repayment of principal over a longer period of time. This arrangement will also apply to the loans granted under the SFGS.
- The Hong Kong Export Credit Insurance Corporation (“ECIC”) plans to launch the Export Credit Guarantee Programme on a pilot basis in March 2022 so as to help small and medium-sized exporters secure export financing from banks more easily.
- The ECIC will introduce the “Flexible Indemnity Ratio” arrangement in the second half in 2022 to enhance insurance coverage for exporters in order to encourage exporters to take larger orders from overseas buyers.



### Rental Enforcement Moratorium for Tenants of Specific Sectors through Legislation

- Prohibit landlords from terminating the tenancy of or not providing services to tenants of specified sectors for failing to settle rents on schedule, or taking relevant legal actions against them.
- Valid for three months, and be extended for another three months if necessary, with the legislation automatically lapsing after six months
- Banks will exercise flexibility if the repayment ability of any landlord is affected owing to reduction in his rental income

### **Relieve People's Hardship**

#### Salaries Tax

- Reduce salaries tax and tax under personal assessment for the YOA 2021/22 by 100%, subject to a ceiling of HK\$10,000.

#### Rates

- Waive rates for residential properties for FOUR quarters of the YOA 2022/23, 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.

#### Others

- 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.
- Pay the examination fees for school candidates sitting for the 2023 Hong Kong Diploma of Secondary Education Examination.
- Lower the threshold for the Public Transport Fare Subsidy Scheme from HK\$400 to HK\$200 from May 2022 to October 2022.
- Proposed to provide a tax deduction for domestic rental expenses beginning from the year of assessment 2022/23 in order to ease the burden of renting a private property on taxpayers of salaries tax and taxpayers under personal assessment provided that the eligible taxpayers are not owners of domestic property subject to a deduction cap of HK\$100,000 per a year of assessment.
- Extend the 100% Loan Guarantee Scheme for Individuals for one year until the end of April 2023. The maximum loan amount per applicant will increase from 6 times to 9 times of his/her average monthly incoming during employment, capped at HK\$100,000. The maximum repayment period under the scheme will be extended to 10 years while the maximum duration of principal moratorium will be extended to 18 months.
- The Quality Education Fund reserves HK\$2 billion to launch a three-year programme beginning from the school year of 2022 to reinforce support for e-learning. The subsidies will be provided to schools to buy mobile computer devices and portable Wi-Fi devices for loan to needy student.



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### ***Issue Consumption Voucher***

- Issue electronic consumption vouchers in instalments with a total value of HK\$10,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above.

### ***Job Creation***

- HKSAR earmarked totaling funding of HK\$13.2 billion under the Anti-epidemic Fund (“AEF”) to create time-limited jobs in the public and private sector so as to ease the unemployment condition due to the epidemic and the anti-epidemic measures.

### ***Fighting the Virus Together***

- Provide additional funding of about HK\$22 billion to strengthen testing work and provides additional support for the Hospital Authority (“HA”).
- Provide additional funding of HK\$6 billion to procure more vaccines.
- Provide additional funding of about HK\$7 billion to procure anti-epidemic items and services and implement anti-epidemic measures.
- Provide additional funding of HK\$500 million to enhance environmental hygiene services
- Inject HK\$12 million for the construction of various anti-epidemic related facilities.
- Earmarked HK\$20 billion for other potential anti-epidemic needs.

## **Enhancing Economic Resilience and Enriching Industrial Development.**

### ***Innovation and Technology (“I&T”) Development***

- Double the amount of subsidy to HK\$16 million to help universities realize their Research and Development outcome. The increased amount shall be provide to start-ups of universities with private investment on a matching basis to one to one. Each start-up may receive a yearly subsidy of up to HK\$1.5 million for a maximum of three years.
- Earmark HK\$10 billion to provide more comprehensive support to further promote the development of life and health technology in Hong Kong.
- Double the amount of subsidy to HK\$440 million to promote and conduct R&D activities to nurture local talent and to attract more local and overseas I&T talent.
- Reserved HK\$600 million to conduct a comprehensive e-government audit to promote further digitalization in government operations.



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## **Financial Services**

- Proposed to issue no less than HK\$15 billion of inflation-linked retail bonds (i.e. iBond) and no less than HK\$35 billion of Silver Bond and no less than HK\$10 billion of retail green bonds in next financial years.
- Proposed to provide tax concession for the eligible family investment management entities managed by single-family offices.
- Increase funding of HK\$10 billion allocate to the Hong Kong Growth Portfolio under the Future Fung of which HK\$5 million for setting-up the Strategic Tech Fund and the remaining HK\$5 million will be used to set up Greater Bay Area (“GBA”) Investment Fund focusing on investment opportunities in the GBA.
- Exam the revision of the listing requirements to meet the fundraising needs of technology enterprise.
- Prepare to allow stocks traded via the Southbound Trading of Stock Connect to be denominated in RMN.
- To explore enhancement measures for the Cross-boundary Wealth Management Connect Scheme in the Guangdong – Hong Kong – Macao Greater Bay Area.
- Continue to issue green bonds totaling about US\$4.5 billion or equivalent.
- Going to conduct a study on the implementation of a pilot scheme on infrastructure financing securitization and is expected to offer infrastructure financing securitization products with a total value of US\$450 million.
- Allocate a funding of HK\$10 million for launching a new round of the Fintech Proof-of-Concept Subsidy Scheme.

## **Arts and Culture**

- Allocate HK\$42 million to organize the first Hong Kong Performing Arts Market which is designed for performing arts industry.
- Allocate HK\$30 million to implement a Arts Technology Funding Pilot Scheme and inject HK\$10 million into the Arts Capacity Development Funding Scheme for the development of arts technology.

## **Tourism**

- Earmark HK\$1.26 billion to support and develop the tourism industry purpose to provide incentives to develop and launch tourism products with cultural and heritage elements, to sponsor training of tourism practitioners and to support the work of the Hong Kong Tourism Board.

## **Aviation and Maritime**

- Proposed to develop sea-air cargo transshipment between the Hong Kong International Airport and the rest of the GBA.
- The Hong Kong Maritime and Port Board proposed to provide 50% profits tax concession to attract more maritime enterprise to establish a presence in Hong Kong.

## **Agriculture and Fisheries**

- Proposed to inject HK\$1 billion to the pilot schemes to further encourage the development of the agricultural and fisheries industry to adopt new technologies.



## ***Investment Promotion***

- To organize a high-level investment summit inviting representative of Mainland and international financial institution to attend the summit learning more about the unique advantages and investment environment of Hong Kong.

## **Building Capacity**

### ***Northern Metropolis***

Reserve HK\$100 billion from the cumulative return of the Future Fund to set up a dedicated fund under the Capital Works Reserve Fund so as to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis.

### ***Talents***

#### **Financial Services**

- Planned to launch the Pilot Green and Sustainable Finance Capacity Building Support Scheme and implement the Pilot Scheme on Training Subsidy for FinTech Practitioners for training of professionals.

#### **Innovation and Technology**

- Continue providing young people with internship and training opportunities through various schemes in order to provide incentives or subsidies for graduates to pursue a career in I&T. Consideration on rolling out more relevant measures to facilitate the entry of talent into Hong Kong.

#### **Healthcare**

- Intend to increase recurrent allocation up to HK\$4 million as needed for enhancing training for medical professionals.
- Provide 500 more designated places to provide subsidies for students to take self-financing undergraduate programmes on healthcare.
- Earmark 10 billion for the completion of works to upgrade and increase healthcare teaching facilities of universities which will have the capacity of coping with about 900 additional healthcare training places.

#### **Arts and Culture**

- Allocate HK\$37 million to provide professional training for the conservators.
- Inject HK\$100 million into the Cantonese Opera Development Fund to enhance the professional standards of the practitioners and to pursue continuous training.

#### **Construction Industry**

- Allocate HK\$1 billion to the Construction Industry Council for supporting manpower training.

#### **Encourage Continuing Education**

- Increase the subsidy ceiling of the Continuing Education Fund to HK\$25,000 and remove the upper age limit.



## Building Livable City

### *Land and Housing Supply*

- 13 residential sites will be comprised under the 2022/23 Land Sale Programme together with railway property development, private development and redevelopment projects as well as the Urban Renewal Authority (URA)'s projects, the potential land supply for the whole year is expected to have a capacity of providing about 18,000 units.
- 4 commercial sites will be provide about 300,000 square meters of commercial floor areas.
- Approximately 103 hectares of land shall be available in the coming 5 years for production of over 57,000 units of private housing.
- Identified 350 hectares of land for the provision of about 330,000 public housing unit in the coming 10 years.
- The completion of the private residential units will average over 19,000 units annually in 5 years from 2022 onwards. The projected first-hand private residential unit supply for the next 3 to 4 years is 98,000 units.
- More than 17,000 transitional housing units shall be provided from the identified sufficient land. Besides, more than 4,200 units and 11,000 units are expected for completion in 2022 and 2023 respectively.
- Introduce more concessionary measures to encourage the adoption of Modular Integrated Construction in order to accelerate housing supply.

### *Building a Green City*

#### Green Tech Fund

- Inject HK\$200 million into Green Tech Fund to further promote decarbonization and enhance environmental protection in Hong Kong.

#### Charging Facilities for Electric Vehicles

- Inject HK\$1.5 billion to extend the EV-charging at Home Subsidy Scheme to promote the installation of EV charging-enabling infrastructure in car parks of the existing private residential buildings.

#### Enhance the Capability of the Low-lying Areas to Withstand Threats

- Seek funding approval of about HK\$8.4 billion in 2022 for carrying out drainage improvement works in various districts to enhance the flood control capability.

### *Quality Living*

#### Community Arts Scheme

- Allocate HK\$20 million per year to regularize the Community Arts Scheme.

#### Heritage Conservation

- Proposed to earmark HK\$1 billion for the Built Heritage Conservation Fund.



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## ***Caring and Inclusion***

- An additional expenditure over HK\$1.9 billion will be involved to continually strengthen community and residential care services as well as social work services to support the elderly, person with disabilities and children.

## **Public Finance**

### **Increasing Revenue**

- It is not the appropriate time to revise the profits tax and salaries tax rates given that the business and individuals are under considerable financial pressures with the outbreak of fifth wave of the epidemic.
- The introduction of global minimum tax rate in 2023 by Organisation for Economic Co-operation and Development may help rising revenue from profits tax.

### **Rating System**

- Proposed to introduce a progressive rating system for domestic properties (excluding public rental housing) to reflect the “affordable users pay” principle. The proposed progressive rating system for domestic properties will be introduced in the 2<sup>nd</sup> phase in 2024/25.
- Proposed to grant the future rate concessions for domestic properties only to those eligible owners who are natural persons for one domestic property under their name. The proposal for rate concession for domestic properties will be rolled out in the 1<sup>st</sup> phase in 2023/24.

### **New International Tax Standards**

- Planned to submit a legislative proposal to the Legislative Council in the second half of 2022 to implement the global minimum tax rate and other relevant requirements based on the international consensus.
- Consider to introduce a domestic minimum top-up tax to the large multinational enterprise starting from the year of assessment 2024/25 ensuring that their effective tax rates met the global minimum effective tax rate of 15% in order to safeguard the taxing right of Hong Kong.





## C. MAJOR TAX RATES FOR THE YEARS 2021/22 AND 2022/23

### 1. Salaries Tax

#### i. Personal tax allowances and deductions:

	2021/22	2022/23
	HK\$	HK\$
<b>Basic allowances :</b>		
Single person's allowance	132,000	132,000
Married person's allowance	264,000	264,000
<b>Additional allowances :</b>		
Child – 1 <sup>st</sup> to 9 <sup>th</sup> child (each)		
- year of birth	240,000	240,000
- other years	120,000	120,000
Dependent parent / grandparent allowance:		
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 allowance (for whom no child allowance is claimed)	37,500	37,500
Single parent allowance	132,000	132,000
Disabled dependant allowance <sup>1</sup>	75,000	75,000
Personal disability allowance <sup>1</sup>	75,000	75,000
<b>Additional deductions :</b>		
Self-education expenses <sup>2</sup>	100,000	100,000
Home loan interest <sup>3</sup>	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
Domestic rent deduction <sup>4</sup>	-	100,000
Approved charitable donations <sup>5</sup>	35%	35%
Notes:		
1. In addition to any allowances already granted for the disable dependant/person)		
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 2022/23 Budget proposed a tax deduction for domestic rental expenses from the YOA2022/23 subject to the enactment of the relevant legislation. Persons who are liable to salaries tax or tax charged under personal assessment who do not own any domestic property is eligible to claim deduction for rent paid subject to a yearly ceiling of HK\$100,000.		
5. 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>2021/22 and 2022/23</u>
Standard tax rates	15%

**iii. Progressive salaries tax rates:**

<u>Net Chargeable Income</u>		<u>2021/22 and 2022/23</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**

<b>Assessable Profits</b>	<b>Tax rates for 2021/22 and 2022/23 (Note)</b>	
	<b>Unincorporated Business</b>	<b>Corporation</b>
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	2021/22 and 2022/23
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 + 0.26% of the value of the stock
Transfer of any other kind	\$5

### ii. Leases:

Leasing period	2021/22 and 2022/23
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 before 26 November 2020 and certain instrument of residential property executed on or after 23 February 2013 but before 5 November 2016). Also applies to any instrument executed on or after 26 November 2020 for the sale and purchase or transfer of non-residential property.

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:**

- 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:
  - 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
  - setting a 12-month time frame for HKPR-buyers having acquired a new residential property to dispose of their original property.
- 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 2022-23 Budget". Please visit <https://www.budget.gov.hk/2022/eng/speech.html> or contact our Tax Service Department (email: [tax@atrixbiz.com](mailto:tax@atrixbiz.com)) for further details.

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