

2019/20 HONG KONG BUDGET EXECUTIVE SUMMARY

1. Profits Tax

Persons carrying on business in Hong Kong are liable to profits tax on profits arising in or derived from Hong Kong.

Profits tax rate remains unchanged for 2019/20 : Corporations - 16.5%
Unincorporated businesses - 15%

Two-tiered profits tax rates regime has been implemented since 2018/19 which provides a 50% profits tax rate reduction, i.e. 8.25% and 7.5 % for corporations and unincorporated business for the first HKD2 million of assessable profits.

Major areas in respect of the profits tax are set out below :

(a) Capital allowances

- (i) Depreciation allowance rates for plant and machinery remain unchanged at :

Initial allowance : 60% of qualifying expenditure in the year the expenditure is incurred
Annual allowance : 10%, 20% or 30% on the written down value brought forward depending on the category to which the asset belongs

- (ii) Industrial building allowances also remain unchanged at :

Initial allowance : 20% of qualifying expenditure
Annual allowance : 4% of qualifying expenditure

- (iii) Commercial building allowance on qualifying expenditure remains at 4% per annum

(b) Tax reduction

An one-off reduction of 75% of profits tax for 2018/19, subject to a ceiling of HKD20,000.

(c) Others

- (i) A 100% deduction for capital expenditure incurred on environmentally friendly machinery and equipment.
- (ii) A 100% deduction for capital expenditure on computer hardware and software and purchase of patent rights or know-how.
- (iii) An enhanced deduction of 300% for the first HKD2 million of qualifying research and development expenditure and 200% for the remainder.

(c) **Others (Continued)**

- (iv) Deductions for donations - the ceiling for tax deductible charitable donations remains at 35% of assessable profits.

2. Salaries Tax

Salaries tax charged for 2018/19 and 2019/20 is the lower of :

- net assessable income less charitable donations and allowable deductions at the standard rate of 15%; or
- net assessable income less charitable donations and allowable deductions and personal allowances, charged at the following progressive rates.

Progressive rates			
Net chargeable income			
2018/19	Tax rate	2019/20	Tax rate
First HKD50,000	2%	First HKD50,000	2%
Next HKD50,000	6%	Next HKD50,000	6%
Next HKD50,000	10%	Next HKD50,000	10%
Next HKD50,000	14%	Next HKD50,000	14%
Remainder	17%	Remainder	17%

Major areas in respect of the salaries tax are set out below :

(a) Personal allowances

Personal allowances for 2018/19 and 2019/20 are :

	2018/19	2019/20
	HKD	HKD
Personal allowance :		
Basic	132,000	132,000
Married	264,000	264,000
Single parent allowance	132,000	132,000
Disabled	75,000	75,000
Child allowances :		
1st to 9th (each) basic and additional allowance		
Year of birth	240,000	240,000
Other years	120,000	120,000
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	50,000	50,000
Additional	50,000	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	25,000	25,000
Additional	25,000	25,000
Dependent brother/sister allowance	37,500	37,500
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	75,000	75,000

(b) Tax reduction

An one-off reduction of 75% of 2018/19 salaries tax and tax under personal assessment, subject to a ceiling of HKD20,000.

(c) Other deductions

(i) Home mortgage

Home mortgage interest payments are deductible against income subject to Salaries Tax.

A deduction for home mortgage interest payments up to maximum of HKD100,000 per year for one property for 20 years.

(ii) Caring for the elderly

The maximum deduction for elderly residential care expenses incurred in maintaining dependent parents/grandparents in residential care is HKD100,000.

(iii) Contributions to retirement schemes

The maximum deduction for the mandatory annual contributions made by employees to recognised retirement schemes and Mandatory Provident Fund schemes is HKD18,000.

A new deduction is introduced for the annuity premiums paid and voluntary contributions to the Mandatory Provident Fund which is capped at HKD60,000 (subject to the enactment).

(iv) Self-education expenses

The maximum deduction is HKD100,000 for self-education expenses where the training courses are run by approved institutions.

(v) Charitable donations

A deduction of up to a maximum of 35% assessable income is available for approved charitable donations.

(vi) Qualifying Voluntary Health Insurance Scheme

A tax deduction of HKD8,000 per insured person for the premiums paid under Qualifying Voluntary Health Insurance Scheme.

3. *Property tax*

The standard rate remains at 15% for 2019/20.

4. Rates

Rates on properties remain at 5% of the rateable value throughout the territory. Rates for all four quarters will be waived in 2019/20, subject to a ceiling of HKD1,500 per quarter for each rateable property.

5. Stamp duty

(a) Property transactions

There are no changes on the Stamp Duty rates and banding on property transactions for 2019/20.

(i) Stamp Duty rates and banding on non-residential property transactions which are summarised below :

Property consideration		
HKD	HKD	HKD
Exceeds	Does not exceed	
	2,000,000	1.5%
2,000,000	2,176,470	30,000 + 20% of excess over 2,000,000
2,176,470	3,000,000	3.0%
3,000,000	3,290,330	90,000 + 20% of excess over 3,000,000
3,290,330	4,000,000	4.5%
4,000,000	4,428,580	180,000 + 20% of excess over 4,000,000
4,428,580	6,000,000	6%
6,000,000	6,720,000	360,000 + 20% of excess over 6,000,000
6,720,000	20,000,000	7.5%
20,000,000	21,739,130	1,500,000 + 20% of excess over 20,000,000
21,739,130		8.5%

(ii) A flat rate of 15% ad valorem Stamp Duty applies to all residential property purchases, except for Hong Kong permanent residents on the purchase of their only residential property which is subject to the following rates :

Property consideration		
HKD	HKD	HKD
Exceeds	Does not exceed	
	2,000,000	100
2,000,000	2,351,760	100 + 10% of excess over 2,000,000
2,351,760	3,000,000	1.5%
3,000,000	3,290,320	45,000 + 10% of excess over 3,000,000
3,290,320	4,000,000	2.25%
4,000,000	4,428,570	90,000 + 10% of excess over 4,000,000
4,428,570	6,000,000	3%
6,000,000	6,720,000	180,000 + 10% of excess over 6,000,000
6,720,000	20,000,000	3.75%
20,000,000	21,739,120	750,000 + 10% of excess over 20,000,000
21,739,120		4.25%

(iii) Special stamp duty

Special stamp duty [“SSD”] on transactions for residential properties is imposed on the sale prices or market value of the property, whichever is higher, as at the date of sale.

The SSD is imposed, depending on when the property is brought and sold, at the following rates :

- 6 months or less	20%
- more than 6 months but not exceeding 12 months	15%
- more than 12 months but not exceeding 36 months	10%

The SSD is in addition to the ad valorem rates of stamp duty already imposed. Both the seller and the buyer will be jointly and severally liable for paying the SSD.

A further Buyer’s Stamp Duty [“BSD”] at 15% is payable on the purchase of residential property by a company or non Hong Kong permanent residents.

(b) Sales and purchases of Hong Kong stock

No changes were announced to the rate of stamp duty payable in respect of transfers of Hong Kong stock. This remains at an aggregate *ad valorem* rate of 0.2% of the actual consideration or the value of the stock as at transfer date, whichever is higher.

6. Others

- Waiving business registration fees for 2019/20.
- Providing an extra one month allowance to recipients of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Low-income Working Family Allowance and Work Incentive Transport Subsidy.
- Providing an one-off grant of HKD2,500 to each student in need and pay examination fees for candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination.
- Providing a one-off additional HKD1,000 vouchers to the elderly eligible for the Elderly Health Care Voucher Scheme.
- Regularising the Technology Voucher Programme and doubling the funding ceiling from HKD200,000 to HKD400,000.