

## **2020/21 HONG KONG BUDGET EXECUTIVE SUMMARY**

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### **1. Key relief measures**

#### **(i) Stimulate the economy and smoothen livelihoods**

- HKD10,000 cash payout to Hong Kong permanent resident aged above 18.
- Reduction of 100% of 2019/20 salaries tax and tax under personal assessment, subject to a ceiling of HKD20,000.
- Providing an extra 1 month allowance to recipients of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to Work Incentive Transport Subsidy.
- Paying 1 month's rent for lower income tenants living in public rental units.
- Paying examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination.

#### **(ii) Support enterprises**

- Reduction of 100% of 2019/20 profits tax, subject to a ceiling of HKD20,000.
- Introducing a concessionary low-interest loan with 100% government guarantee for enterprises. Maximum loan of HKD2 million with repayment period up to 3 years. Moratorium on principal repayment for first 6 months.
- Waiving business registration fees for 2020/21.
- Waiving registration fees for company annual returns for 2 years.
- Subsidising 75% of electricity charges for each electricity account holder for 4 months in 2020/21 with a monthly cap of HKD5,000.
- Waiving 75% of water and sewage charges for 4 months in 2020/21 with a monthly cap of HKD20,000 and HK\$12,500 respectively.



### 3. *Salaries Tax*

Salaries tax charged for 2019/20 and 2020/21 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 |          |                 |          |
| 2019/20               | Tax rate | 2020/21         | 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 2019/20 and 2020/21 are :

|  | 2019/20 | 2020/21 |
|--|---------|---------|
|  | 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  |

### 3. *Salaries Tax (Continued)*

#### (b) **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.

##### (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.

### 4. *Property tax*

The standard rate remains at 15% for 2020/21.

## 5. Rates

Rates on properties remain at 5% of the rateable value throughout the territory.

Rates of domestic properties for all 4 quarters of 2020/21 will be waived, subject to a ceiling of HKD1,500 per quarter.

Rates for non-domestic properties for 2020/21 will be waived, subject to a ceiling of HKD5,000 per quarter in the first 2 quarters and HKD1,500 per quarter for remaining 2 quarters.

## 6. Stamp duty

### (a) Property transactions

There are no changes on the Stamp Duty rates and banding on property transactions for 2020/21.

- (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%                                      |

## 6. Stamp duty (Continued)

### (a) Property transactions (Continued)

- (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.