

## **2021/22 HONG KONG BUDGET EXECUTIVE SUMMARY**

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### **1. Key measures**

#### **(i) Support enterprises**

- Reduction of 100% of 2020/21 profits tax, subject to a ceiling of HKD10,000.
- Waiving the business registration fees for 2021/22.
- Waiving rates for non-domestic properties for 2021/22, subject to a ceiling of HKD5,000 per quarter in the first 2 quarters and HKD2,000 per quarter in the remaining 2 quarters.
- Waiving 75% of water and sewage charges payable by non-domestic households for 8 months starting from April 2021, subject to a ceiling of HKD20,000 and HKD12,500 respectively per household.
- Extending the application period of 100% guarantee low-interest loan for enterprises to end of 2021. Raising loan ceiling to HKD6 million, extending the maximum repayment period to 8 years and maximum duration of principal moratorium to 18 months.

#### **(ii) Relieve people's hardship and stimulate the economy**

- Reduction of 100% of 2020/21 salaries tax and tax under personal assessment, subject to a ceiling of HKD10,000.
- Waiving rates of residential properties for 2021/22, subject to a ceiling of HKD1,500 per quarter in the first 2 quarters and HKD1,000 per quarter in the remaining 2 quarters.
- Granting each residential electricity account a subsidy of HKD1,000.
- Providing an extra half-month Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance and Individual-based Work Incentive Transport Subsidy.
- Paying examination fees for school candidates sitting for the 2022 Hong Kong Diploma of Secondary Education Examination.
- Introducing a concessionary low-interest loan with 100% government guarantee for individuals, with maximum loan amount of 6 times the average monthly income during employment, subject to a ceiling of HKD80,000 and repayment period up to 5 years. Moratorium on principal repayment for the first 12 months.
- Issuing HKD5,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above to facilitate and stimulate local consumption.

## 2. 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 2021/22 :

	<u>Corporations</u>	<u>Unincorporated business</u>
➤ Standard tax rate	16.5%	15%
➤ Two-tiered profits tax rates regime		
- First HKD2 million of assessable profits	8.25%	7.5%
- Remaining balance	16.5%	15%

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) Other deductions

- (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 remaining balance.

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

### 3. Salaries Tax

Salaries tax charged for 2020/21 and 2021/22 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, allowable deductions and personal allowances, charged at the following progressive rates :

	2020/21		2021/22
	Tax rate		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%
Remaining balance	17%	Remaining balance	17%

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

#### (a) Personal allowances

Personal allowances for 2020/21 and 2021/22 are :

	2020/21	2021/22
	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) **Deductions**

- (i) The maximum deduction of HKD100,000 for home loan interest payments.
- (ii) The maximum deduction of HKD100,000 for elderly residential care expenses incurred in maintaining dependent parents/grandparents in residential care.
- (iii) The maximum deduction of HKD18,000 for the mandatory annual contributions made by employees to recognised retirement schemes and Mandatory Provident Fund schemes.

The maximum deduction of HKD60,000 for the qualifying annuity premiums paid and voluntary contributions to the Mandatory Provident Fund.

- (iv) The maximum deduction of HKD100,000 for self-education expenses.
- (v) Deduction of up to a maximum of 35% assessable income is available for approved charitable donations.
- (vi) 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 2021/22.

### 5. *Rates*

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

## 6. Stamp duty

### (a) Property transactions

Stamp Duty rates and banding on property transactions for 2021/22 :

- (i) Stamp Duty rates and banding on non-residential property transactions transferred before 26 November 2020 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.

For transfer of non-residential properties on or after 26 November 2020(\*) and transfer of residential property acquired by Hong Kong permanent residents who do not own other residential properties in Hong Kong and in other specified circumstances, 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%

(\*) subject to the enactment of the relevant amendment bill by the Legislative Council

**6. Stamp duty (Continued)**

**(a) Property transactions (Continued)**

(iii) Special stamp duty

Special stamp duty on disposal for residential properties is imposed on the sale prices or market value of the property, whichever is higher, as at the date of sale.

Holding period	Tax rate
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%

(iv) Buyer's stamp duty

A Buyer's Stamp Duty at 15% is payable on the purchase of residential property by a company (including Hong Kong and foreign companies) or non Hong Kong permanent residents.

**(b) Transactions of Hong Kong stock**

Increase the rate of ad valorem stamp duty from 0.2% to 0.26% of the consideration or the value of each transaction of Hong Kong stock as at transfer date, whichever is higher.