

2022/23 HONG KONG BUDGET EXECUTIVE SUMMARY

1. Key measures

(i) Supporting enterprises

- Reduce 100% of 2021/22 profits tax, subject to a ceiling of HKD10,000.
- Waive the business registration fees for 2022/23.
- Waive rates for non-domestic properties for 2022/23, subject to a ceiling of HKD5,000 per quarter in the first 2 quarters and HKD2,000 per quarter in the remaining 2 quarters.
- Waive 75% of water and sewage charges payable by non-domestic households for 8 months, subject to a ceiling of HKD20,000 and HKD12,500 respectively per household.
- Extend the application period of 100% guarantee low-interest loan for enterprises to end of June 2023, increase the maximum amount to 27 months of employee wages and rents with the loan ceiling raised to HKD 9 million, extend the maximum repayment period to 10 years and offer the option of making partial repayment of principal over a longer period of time.

(ii) Relieving people's hardship

- Reduce 100% of 2021/22 salaries tax and tax under personal assessment, subject to a ceiling of HKD10,000.
- Waive rates for residential properties for 2022/23, subject to a ceiling of HKD1,500 per quarter in the first 2 quarters and HKD1,000 per quarter in the remaining 2 quarters.
- Grant each eligible residential electricity account a subsidy of HKD1,000.
- Provide an extra half month of the standard Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Working Family Allowance.
- Pay examination fees for school candidates sitting for the 2023 Hong Kong Diploma of Secondary Education Examination.
- Lower the threshold for Public Transport Fare Subsidiary Scheme from HKD400 to HKD200 from May to October 2022 and provide a subsidiary amounting to one-third of commuters' actual monthly public transport expenses in excess of HKD200, capped at HKD500 per month.

1. Key measures (Continued)

(ii) Relieving people's hardship (Continued)

- Raise the subsidy ceiling of the Continuing Education Fund to HKD25,000 and remove the upper age limit.
- Extend the application period of 100% personal loan guarantee for individuals to end of April 2023, raise the maximum loan amount to 9 times of the applicant's average monthly income during employment, raise the ceiling to HKD100,000 and extend the maximum repayment period to 10 years and moratorium on principal repayment to 18 months.
- Issue HKD10,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above.

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 2022/23# :

	<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%

Concessionary regimes are available for certain specified industries in business activities

* Only one entity within a group can benefit from the two-tiered rates

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

(a) Capital allowances

Depreciation allowance rates for plant and machinery

- Initial allowance 60% of qualifying expenditure
- Annual allowance 10%, 20% or 30% on the written down value brought forward

Industrial building allowances

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

Commercial building allowance 4% of qualifying expenditure

Building refurbishment 20% deduction for 5 years

(b) Other deductions

Expenditure on environmentally friendly machinery and equipment 100% deduction

Expenditure on computer hardware and software 100% deduction

Enhanced deduction for qualifying research and development expenditure 300% for the first HKD2 million
200% for the remaining balance

Deductions for charitable donations 35% of assessable profits

(c) Proposed measures

- To provide tax concessions for the eligible family investment management entities managed by single-family office.
- To provide a 50% tax concessions for the attract eligible maritime enterprises to establish a presence in Hong Kong (including ship registration, ship finance and management maritime insurance and legal and arbitration services).

3. *Salaries Tax*

Salaries tax charged 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 :

	Tax rate	2021/22 and <u>2022/23</u> HKD
First HKD50,000	2%	1,000
Next HKD50,000	6%	3,000
Next HKD50,000	10%	5,000
Next HKD50,000	14%	7,000
Remaining balance	17%	

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

(a) **Personal allowances**

	2021/22 and <u>2022/23</u> HKD
Personal allowance :	
Basic	132,000
Married	264,000
Single parent allowance	132,000
Disabled	75,000
Child allowances :	
1st to 9th (each) basic and additional allowance	
Year of birth	240,000
Other years	120,000
Dependent parent/grandparent allowance (aged 60 or above)	
Basic	50,000
Additional	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)	
Basic	25,000
Additional	25,000
Dependent brother/sister allowance	37,500
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	75,000

3. *Salaries Tax (Continued)*

(b) **Deductions**

	<u>Maximum limit</u>
Home loan interest	HKD100,000
Elderly residential care expenses	HKD100,000
Mandatory annual contributions to recognised retirement schemes	HKD18,000
Qualifying annuity premiums paid and voluntary contributions to the Mandatory Provident Fund	HKD60,000
Self-education expenses	HKD100,000
Approved charitable donations	35% of assessable income
Qualifying Voluntary Health Insurance Scheme policy premiums	HKD8,000 per insured person

(c) **Proposed measure**

Introduce a new tax deduction for eligible domestic rental expenses from 2022/23 for taxpayers liable to salaries tax or tax charged under personal assessment who do not own any domestic property, subject to a ceiling of HKD100,000.

4. *Property tax*

The standard rate remains at 15%.

5. *Rates*

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

Propose to revise the rating system by :

- granting rates concession on a more targeted manner starting in 2023/24; and
- introducing a progressive rating system for domestic properties starting in 2024/25.

6. Stamp duty

(a) Property transactions

Stamp Duty rates and banding on property transactions :

- (i) A flat rate of 15% ad valorem Stamp Duty applies to all residential property purchases.
- (ii) For the sale and purchase or transfer of non-residential properties on or after 26 November 2020 and 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 :

<u>Property consideration</u>		<u>Stamp duty</u>
<u>Exceeds</u>	<u>Does not exceed</u>	
HKD	HKD	HKD
	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 on disposal of residential properties is imposed on the sale consideration or market value of the property, whichever is higher, as at the date of sale.

<u>Holding period</u>	<u>Tax rate</u>
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) Sales and purchase of Hong Kong stock

0.26% of the consideration or the market value of each transaction of Hong Kong stock as at the transfer date, whichever is higher.