



國富浩華（香港）會計師事務所有限公司  
Crowe (HK) CPA Limited

# Hong Kong 2021/22 Budget

## Key Measures



Audit / Tax / Advisory

## A. Government Revenue Budget

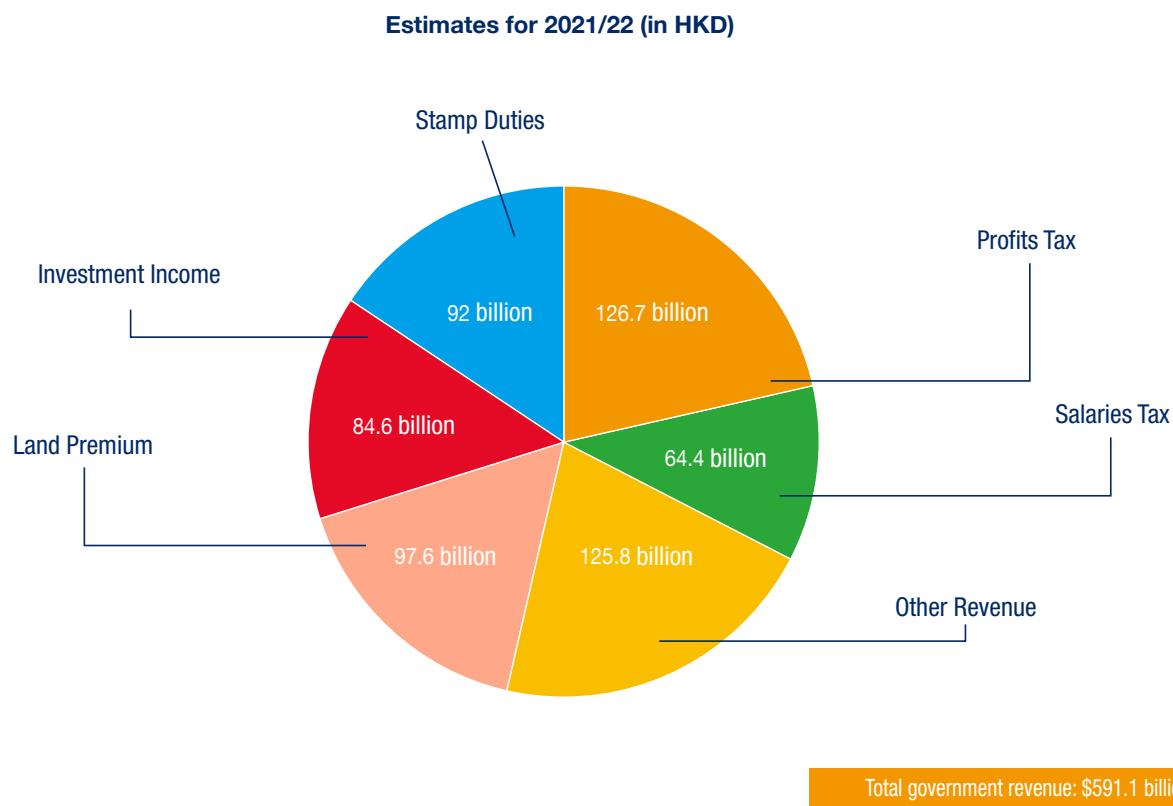
### Revised Estimates for 2020/21

In the past year, the Government had increased government expenditures substantially to combat the epidemic and roll out relief measures, which resulted in its fiscal reserves dropping sharply in the recent two years from the equivalent of 23 months of government expenditures to 13 months. Hong Kong recorded a fiscal deficit for two consecutive years. The estimated fiscal deficit for 2020/21 is HK\$257.6 billion.

In view of the Government's counter-cyclical fiscal measures and its continued increase in recurrent expenditures, the estimated fiscal deficit for 2021/22 is HK\$101.6 billion, equivalent to 3.6% of GDP.

The Government expects that from 2022/23 to 2025/26, there will be a deficit for four consecutive years, mainly due to the faster growth of government expenditures (especially recurrent expenditures) than the income growth.

Starting from 2021/22, the Government will bring back the Future Fund's investment return and the Housing Reserve, and issue additional green bonds. These arrangements will help maintain the fiscal reserves at a robust level.



Source: 2021/22 Budget Highlights, HKSAR Government

## B. Key Relief Measures Proposed

### B1. One-off Measures for Enterprises

- Reduce profits tax for 2020/21 by 100%, subject to a HK\$10,000 ceiling for each business
- Waive rates for non-domestic properties for 2021/22, subject to a ceiling of HK\$5,000 per quarter in the first two quarters and HK\$2,000 per quarter for the remaining two quarters for each rateable non-domestic property
- Waive business registration fees for 2021/22
- Continue to waive 75% of water and sewage charges payable by non-domestic households for eight months starting from April 2021, subject to a monthly cap of HK\$20,000 and HK\$12,500 respectively per household
- Continue to grant the 75% rental or fee concession currently applicable to eligible tenants of government properties and eligible short-term tenancies and waivers for 6 months (tenants who have to close their properties at the request of the Government can receive 100% waiver)
- Launch the 90% Guarantee Product and the one-year Special 100% Guarantee Product under the SME Financing Guarantee Scheme, which provides enterprises with low-interest loans or interest subsidies, as well as a principal moratorium during which only interest payments have to be made; extend the application period to the end of 2021; further increase the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to that for 18 months and raise the loan ceiling from HK\$5 million to HK\$6 million; extend the maximum repayment period from 5 years to 8 years; and extend the maximum duration of the principal moratorium from 12 months to 18 months

### B2. One-off Measures for Individuals

- Issue HK\$5,000 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
- Set up a Special 100% Loan Guarantee for Individuals Scheme to provide an extra financing option for the unemployed, under which the Government will offer a guarantee for loans provided. The maximum loan amount per applicant is set at six times of his/her average

monthly income during employment, subject to a ceiling of HK\$80,000. There will be a principal moratorium for the first 12 months. Afterwards, the principal and interest can be repaid over a period of up to five years with an interest rate fixed at 1% per annum. Applicants who have repaid loans in full as scheduled will be offered full reimbursement for the interest paid. Freelancers can apply for the loan if they can prove that they have lost their income. The Government will provide a total guarantee commitment of HK\$15 billion. The application period will last for six months

- Reduce salaries tax and tax under personal assessment for 2020/21 by 100%, subject to a ceiling of HK\$10,000 per case
  - For salaries tax, the ceiling is applied to each individual taxpayer; but for married couples jointly assessed, the ceiling is applied to each married couple (i.e. capped at HK\$10,000 in total)
  - For personal assessment, the ceiling is applied to each single taxpayer or married person who elects for personal assessment separately from his/her spouse. If a taxpayer elects for personal assessment jointly with his/her spouse, the tax reduction is capped at HK\$10,000 for the married couple
  - The proposed tax reduction is not applicable to property tax. Individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment
- Waive rates for domestic properties for four quarters of 2021/22, subject to a HK\$1,500 ceiling per quarter in the first two quarters and a HK\$1,000 ceiling per quarter in the remaining two quarters for each rateable property
- Provide a subsidy of HK\$1,000 to each residential electricity account
- Provide extra one half of a month allowance of standard CSSA payment, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance and Individual-based Work Incentive Transport Subsidy
- Pay examination fees for candidates sitting for the 2022 HKDSE Examination
- Reserve HK\$1 billion to provide subsidies for owners of more than 3,000 old buildings with relatively low rateable values to carry out drainage repair or enhancement works

## B. Key Relief Measures Proposed (Cont'd)

### Adjustment to Stamp Duty Rate

The rate of Stamp Duty on Stock Transfers will be raised from the current 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively.

### Tax Concessions

In the 2018/19 budget, the Government increased various allowances and raised deduction ceilings; widened and increased the number of the tax bands; and adjusted marginal tax rate for salaries tax. There has not been any new adjustment for two consecutive years.

## C. Salaries Tax Marginal Bands for the Year 2021/22 (No Adjustment)

2020/21 and 2021/22	
Tax Band Net chargeable income (HK\$)	Marginal Tax Rate (%)
First \$50,000	2
Next \$50,000	6
Next \$50,000	10
Next \$50,000	14
Remainder	17
Standard Rate (%)	
	15

Note: Salaries Tax payable is calculated at progressive rates on a taxpayer's net chargeable income or at standard rate on his/her net income (before deduction of the allowances), whichever is lower.

## D. Personal Allowances and Deductions for the Year 2021/22 (No Adjustment)

2020/21 and 2021/22	
	HK\$
<b>Personal allowances:</b>	
Single	132,000
Married	264,000
<b>Other allowances:</b>	
Child (1 <sup>st</sup> to 9 <sup>th</sup> child):	
Year of birth	240,000
Other years	120,000
Dependent parent/grandparent:	
a. Aged 55 to 59	
Basic	25,000
Additional	25,000
b. Aged 60 or above	
Basic	50,000
Additional	50,000
Single parent	132,000
Disabled (new allowance)	75,000
Disabled dependent	75,000
Dependent brother/sister	37,500
<b>Additional deductions:</b>	
Self-education expenses	100,000
Home loan interest (Number of years of deduction)	100,000 (20 years of assessment)
Elderly residential care expenses	100,000
Contributions to recognised retirement schemes	18,000
Approved charitable donations	35% of income after allowable expenses and depreciation allowances
Voluntary health insurance	8,000
Annuity premiums and MPF voluntary contributions	60,000

## E. Other Key Measures

- Increase the rate of each tax band for the first registration tax for private cars (including electric-private cars) by 15% and the vehicle licence fee by 30% with immediate effect. The first registration tax has not been adjusted for ten years, and the vehicle licence fee has not even been adjusted for 30 years. The above adjustments are aimed at alleviating the increase in the number of private cars and the increasing traffic congestion. They are also aimed at improving air quality
- The Government's goal is to achieve carbon neutrality by 2050. The Government has formulated a strategy to promote the use of electric vehicles, and plans to stop new registration of conventional fuel-propelled private cars by 2035. Other measures include expanding the electric vehicle charging network and training electric vehicle technology and maintenance personnel
- Issue no less than HK\$24 billion of Silver Bond and no less than HK\$15 billion of iBond this year; propose to increase the borrowing limit of the government bond program from HK\$200 billion to HK\$300 billion so that there is enough room for debt issuance; lower the eligible age for Silver Bond subscription from 65 to 60
- Issue green bonds totalling HK\$175.5 billion within the next 5 years, and plan to issue retail green bonds
- Provide subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong
- Review tax arrangements relevant to family office business
- Strive for the launch of Southbound Trading of Bond Connect within this year
- Enhance the domestic Central Moneymarkets Unit
- Digital economy measures
- Launch the Distance Business Programme to provide funding support for enterprises to adopt information technology solutions and cover the expenses for providing relevant training to their employees
- Allocate a total of HK\$375 million to the Hong Kong Trade Development Council in three years starting from 2021/22 for developing virtual platforms to enhance its capability to organise online activities and to proceed with digitalization
- Allocate HK\$100 million to support the development of an online dispute resolution and deal making platform by a non-governmental organization
- During the consultation period, the Government received many proposals to introduce new taxes. However, due to the current focus of the society on fighting the epidemic and reviving the economy, the Government believes that it is not the right time to introduce new taxes

## F. International Tax Co-operation

The Organisation for Economic Co-operation and Development (OECD) is drawing up new proposals to address base erosion and profit shifting (BEPS 2.0), which include the introduction of a global minimum tax rate and a digital tax. Hong Kong will actively implement the BEPS 2.0 proposals. Once the OECD has finalised the proposal, the Advisory Panel will put forth its recommendations on the specific response measures in its report to the Financial Secretary.

As most of the rules under BEPS 2.0 are only applicable to large multinational corporations, the Government will minimise the impact on local small and medium enterprises where possible when drawing up the response measures and strive to maintain the simplicity, certainty and fairness of Hong Kong's tax regime, which are the key advantages of Hong Kong. While safeguarding Hong Kong's taxing rights, the Government will at the same time minimise the compliance burden on the affected corporations.

## G. Comments

Despite the huge fiscal deficit, the Government's budget does not cut expenditures that affect people's livelihood, especially in relation to education, social welfare and health.

Although the Government introduces measures with "reduced sugar and sweetness" this year, it has also put forward new proposals, including the introduction of the Special 100% Loan Guarantee for Individuals Scheme. Expected to have limited impacts on the Government's resources, the Scheme can help the unemployed who are in genuine need. Compared with a universal cash payout scheme that benefits even the rich, resources can be applied more precisely to help the people in need.

As "Small water droplets can gather and form an ocean", a slight increase in stamp duty will be very helpful to boost the Government's revenue. At the same time, it will not have any major impact on the stock market that has not been cooled by the pandemic.

**Contact us**

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