



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

Hong Kong 2019-20 Budget

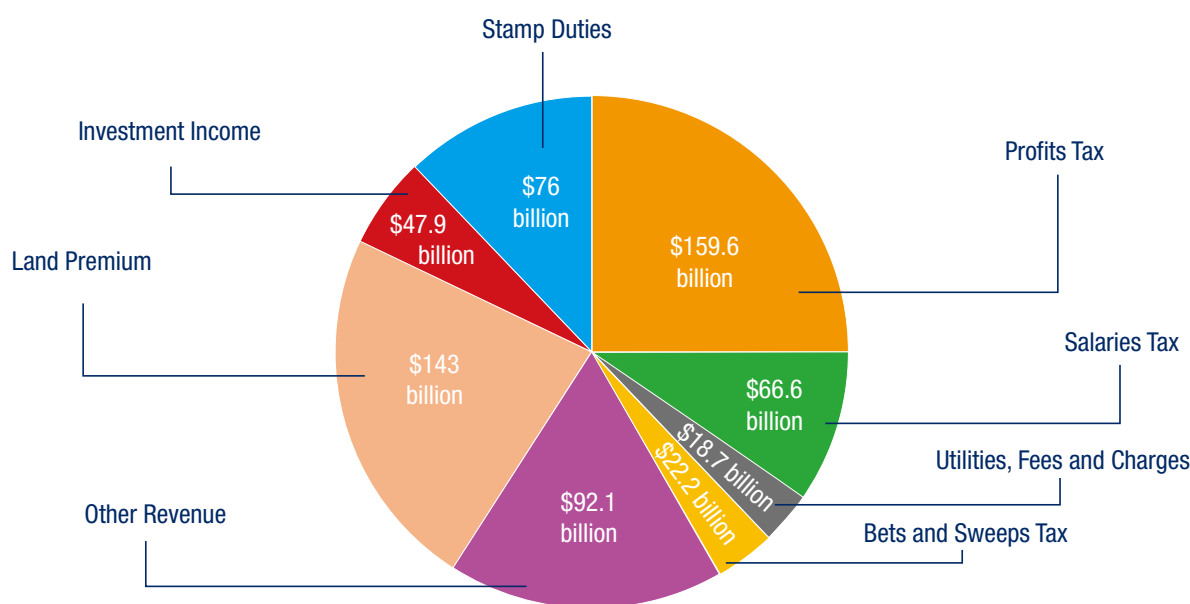
Key Measures



Audit / Tax / Advisory

A. 2019-20 Government Revenue Budget (in HKD)

The government estimates that the revenue for the year 2019/20 will mainly come from land premium and profits tax. The total revenue is estimated to be HK\$626.1 billion, while the total expenditure is estimated to be HK\$607.8 billion. The headline inflation rate and the underlying inflation rate are predicted to be 2.5%.



Total government revenue: \$626.1 billion

Source: 2019-20 Budget Highlights, HKSAR Government

B. Diversified Economy

1. Financial Services Industry

- Issue the first batch of government green bonds to promote the development of green finance in Hong Kong and diversification of related products.
- In order to provide more fund structure choices and attract private equity funds to set up and operate in Hong Kong, consider establishing a limited partnership regime and introducing tax arrangement.
- Continue to promote mutual recognition of funds with other jurisdictions so as to broaden the distribution network of local fund products.
- Allow for the formation of special purpose vehicle companies specifically for issuing insurance-linked securities to facilitate issuance of insurance-linked securities.
- Continue to enhance corporate treasury centre (“CTC”) related tax concession measures to strengthen the competitiveness of Hong Kong as a hub for regional headquarters.
- Hong Kong Monetary Authority (“HKMA”) will shortly issue virtual banking licences.
- Establish the Academy of Finance in mid-2019 to nurture financial leadership and encourage applied research in cross-sectoral areas.
- Inject a HK\$400 million seed capital for the Financial Reporting Council and enable it to waive levy in the first two years under the new regulatory regime.

2. Tourism

- Allocate HK\$353 million to continue the implementation of the Development Blueprint for Hong Kong's Tourism Industry.

3. Innovation and Technology ("I&T")

- Reserve HK\$5.5 billion for the development of Cyberport 5 to accommodate more technology companies and start-ups.
- Assist universities to enhance or refurbish campus facilities, in particular those for R&D.
- Inject capital and provide research funding to the Research Endowment Fund of the Research Grants Council under the University Grants Committee.
- Establish innovative clusters focusing on "A.I. and robotic technologies" and "healthcare technologies".
- Inject HK\$2 billion into the Innovation and Technology Fund ("ITF") for launching a Re-industrialisation Funding Scheme to subsidise manufacturers on a matching basis to help them set up smart production lines in Hong Kong.
- Expand the Corporate Venture Fund of the Science Park.
- Support R&D work and the realisation of R&D results by universities, key laboratories and engineering research centres.
- Increase the annual funding ceiling for each university under the Technology Start-up Support Scheme for Universities.
- Increase the monthly allowance for researchers under the Researcher Programme to attract local graduates to join the I&T sector.
- Extend the funding period under the Researcher Programme and the Postdoctoral Hub Programme.

4. Creative Industries

- Inject capital into the Film Development Fund.
- Start the works for the Sham Shui Po Design and Fashion Project.

5. Professional Services

- Support the development of an online international dispute resolution platform by NGOs.

6. Construction Industry

- Promote the digitisation of works supervision system to enhance the standard of and efficiency in public works monitoring.

7. International Transportation Centre

- Consider introducing tax and related measures to attract ship finance companies to develop ship leasing businesses in Hong Kong.
- Provide a 50% profits tax concession to marine insurance business and the underwriting of specialty risks (such as political risks and war risks).

C. Key Relief Measures Proposed

1. Tax Concessions

Last year, the government has increased various allowances and deduction ceilings, broadened and added tax bands and adjusted marginal tax rate in budget. No additional adjustment is proposed this year.

2. One-off Measures

- One-off reduction of salaries tax, tax under personal assessment and profits tax for the year of assessment 2018/19 by 75%, subject to a ceiling of HK\$20,000 per case.

For salaries tax, the ceiling of the tax reduction is applied to each individual taxpayer; if for couples jointly assessed, the ceiling is applied to each couple (i.e. capped at HK\$20,000 in total).

For personal assessment, the ceiling of the tax reduction 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\$20,000 for the couple.

For profits tax, the ceiling of the tax reduction is applied to each business.

The tax reduction above is not applicable to property tax. If an individual who derives rental income is eligible for personal assessment, he/she may be able to enjoy such reduction under personal assessment.

- Waive rates for four quarters of 2019/20, subject to a ceiling of HK\$1,500 per quarter for each rateable property.
- Waive business registration fees for the year 2019/20.
- The recipients of Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance will be provided with an extra one-month allowance.
- Provide to each student in need a one-off grant of HK\$2,500 to support learning.
- Pay the examination fees for school candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination.
- Provide an additional HK\$1,000 worth of vouchers to the elderly eligible for the Elderly Health Care Voucher Scheme on a one-off basis. The accumulation limit of vouchers will also be raised from HK\$5,000 to HK\$8,000 to allow users greater flexibility.

D. Salaries Tax Marginal Bands for the Year 2019/20 (No Adjustment)

2018/19 and 2019/20	
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.

E. Personal Allowances and Deductions for the Year 2019/20 (No Adjustment)

2018/19 and 2019/20	
	HK\$
Personal allowances:	
Single	132,000
Married	264,000
Other allowances:	
Child (1st to 9th 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	75,000
Disabled dependent	75,000
Dependent brother/sister	37,500
Additional deductions:	
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

F. Other Support Measures for Enterprises

- Regularising the Technology Voucher Programme and rolling out enhancement measures, including doubling the funding ceiling for each enterprise from HK\$200,000 to HK\$400,000.
- Injecting another HK\$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (“BUD Fund”) this year.
- Extending the geographical scope of BUD Fund from the Mainland to include all economies which have entered into a Free Trade Agreement with Hong Kong.
- Increasing the funding ceiling per enterprise under the BUD Fund to HK\$3 million.
- Extending the application period of the special concessionary measures under the SME Financing Guarantee Scheme and the enhancement measures to 30 June 2020.

G. Comments

In view of considerable uncertainties in the global economic outlook for 2019, the Government has been more prudent in utilizing fiscal surplus to introduce relief measures. In particular, the one-off relief measures proposed are relatively fewer when compared to last year. However, the Government continues to provide generous support for the development of innovation and technology, and enhances Hong Kong’s competitiveness as an international transportation centre, financial hub and regional treasury headquarters. To foster the development of Hong Kong as a diversified economy, the Government should continue to implement tax measures strategically. The Financial Secretary’s proposal to transfer the tax policy unit from the Financial Services and the Treasury Bureau to directly under the Financial Secretary’s Office would facilitate policy research to boost economic growth.





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