

Tax Briefing: Hong Kong Budget 2022/23

On 23 February 2022, Mr. Paul Chan, Financial Secretary, delivered his sixth budget speech. He forecasts economic growth of 2% to 3.5% in 2022. This year's Budget will continue to adopt an expansionary fiscal policy with initiative mainly focusing on four areas:- (a) supporting an all-out effort to win the fight against the epidemic; (b) relieving the hardship of Hong Kong people and SMEs; (c) rendering support to the struggling economy and fostering post-epidemic economic revival; and (d) investing for the future by planning ahead for the medium- and long term development of our economy . We highlight some of the measures as follows:-

Profits Tax

- Reducing Profits Tax by 100% for 2021/22, subject to a ceiling of HKD10,000.

Salaries Tax

- Reducing Salaries Tax and tax under personal assessment for 2021/22, subject to a ceiling of HKD10,000.
- Providing tax deduction for domestic rental expenses starting from the year of assessment 2022/23, subject to a deduction ceiling of \$100,000.

Business Registration Fee

- Waiving business registration fees for 2022/23.

New International Tax Standard – Base Erosion and Profit Shifting (BEPS2.0)

- Propose to implement the global minimum tax rate on MNEs in accordance with the international consensus.
- Consider introducing a domestic minimum top-up tax with regard to the MNEs starting from the year of assessment 2024-25 to ensure that their effective tax rates reach the global minimum effective tax rate of 15 per cent so as to safeguard Hong Kong's taxing rights.

Rates

- Waiving rates for non-domestic properties for four quarters of 2022/23, subject to a ceiling of HKD5,000 per quarter in the first two quarters and a ceiling of HKD2,000 per quarter in the remaining two quarters.
- Waiving rates for domestic properties for four quarters of 2022/23, subject to a ceiling of HKD1,500 per quarter in the first two quarters and a ceiling of HKD1,000 per quarter in the remaining two quarters.
- Introducing a progressive rating system for domestic properties : it is proposed that rates be charged at five per cent of the rateable value on the first \$550,000 and at eight per cent of the rateable value on the next \$250,000, and then at 12 per cent on rateable value exceeding \$800,000.

Now, for tomorrow

100% Personal Loan Guarantee Scheme

- Extending the scheme for one year until the end of April 2023.
- Loan ceiling will increase from HKD80,000 to HKD100,000.
- Interest rate fixed at 1% per annum. Maximum repayment period will be extended from 6 years to 10 years.
- Maximum duration of principal moratorium will be extended from 12 months to 18 months.

Financial Services

- Issuing no less than HKD10 billion of retail green bonds.
- Issuing no less than HKD15 billion of inflation-linked retail bonds (iBond) and no less than HKD35 billion of Silver Bond.
- Set up a \$5 billion GBA Investment Fund to focus on investment opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”).
- Issuing green bonds totalling about US\$4.5 billion or equivalent and enhancing the Green and Sustainable Finance Grant Scheme.
- Implementing a pilot scheme on infrastructure financing securitisation to offer infrastructure financing securitisation products with a total value of US\$450 million.
- Providing tax concessions for eligible family investment management entities managed by single-family offices, effective in the year of assessment 2022/23.

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Supporting Enterprises

- Introducing Rental Enforcement Moratorium for tenants of specific sectors.
- Extending the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) for one year to the end of June 2023.
- Increasing the maximum loan amount to 27 months of employee wages and rents with loan ceiling raised to \$9 million and extending the maximum repayment period to 10 years.

Other Relief Measures

- Issuing electronic consumption vouchers in instalments with a total value of HKD10,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above.
- Granting each eligible residential electricity account a subsidy of HKD1,000.
- Waiving 75% of water and sewage charges payable by non-domestic households for 8 months until 30 November 2022, subject to a monthly ceiling of HKD20,000 and HKD12,500 respectively.
- Extending the waivers/concessions of the existing 34 groups (such as aviation, maritime, logistics, retail, catering, agriculture and fisheries, construction, tourism and entertainment) of government fees and charges for 12 months starting from October 2022.
- Proactively expanding Hong Kong's Comprehensive Avoidance of Double Taxation Agreements (“CDTA”) network.
- Providing half-tax concession to attract more maritime enterprises to establish a presence in Hong Kong.



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