

Tax Briefing: Hong Kong Budget 2021/22

On 24 February 2021, Mr. Paul Chan, Financial Secretary, delivered his fifth budget speech. He forecasts economic growth of 3.5% to 5.5% in 2021. This year's Budget focuses on stabilising the economy and relieving people's burden. It aims to alleviate the hardship and pressure caused by the economic downturn and the epidemic through the introduction of counter-cyclical measures costing over \$120 billion; and seeks to create a leverage effect to benefit our people, workers as well as enterprises. We highlight some of the measures as follows:-

Profits Tax

- Reducing Profits Tax by 100% for 2020/21, subject to a ceiling of HKD10,000.

Salaries Tax

- Reducing Salaries Tax and tax under personal assessment for 2020/21, subject to a ceiling of HKD10,000.

Rates

- Waiving rates for non-domestic properties for four quarters of 2021/22, 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 2021/22, 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.

Business Registration Fee

- Waiving business registration fees for 2021/22.

Special 100% Loan Guarantee for Individual Scheme

- Providing an extra financing option for the unemployed.
- Loan ceiling at HKD80,000. Application period of 6 months.
- Interest rate fixed at 1% per annum. Maximum repayment period of 5 years.
- Principal moratorium for the first 12 months. Offering reimbursement for interest paid after loans are repaid in full as scheduled.

International Tax Co-operation – Base Erosion and Profit Shifting (BEPS2.0)

- Actively implementing the BEPS2.0 proposals according to international consensus.
- Minimising the impact under BEPS2.0 on local SMEs where possible.
- Minimising the compliance burden on affected companies under BEPS2.0 while safeguarding Hong Kong's taxing rights.
- Keeping efforts in improving Hong Kong's business environment and enhancing Hong Kong's competitiveness, with a view to attracting multinational corporations to invest and operate in Hong Kong.

Now, for tomorrow

Other Relief Measures

- Issuing electronic consumption vouchers in instalments with a total value of HKD5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above.
- Waiving 75% of water and sewage charges payable by non-domestic households for 8 months starting from April 2021, subject to a monthly ceiling of HKD20,000 and HKD12,500 respectively.
- Reducing rental and fees by 75% for eligible tenants of government properties and eligible short-term tenancies and waivers under the Lands Department for six months starting from April 2021 (100% concession for those closed at the Government's request).
- Granting each residential electricity account a subsidy of HKD1,000.
- Providing an extra half month allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance, Disability Allowance, 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.
- Extending application period of 100% guarantee low-interest loan for enterprises to the end of 2021, raising loan ceiling to HKD6 million, extending repayment period and duration of principal moratorium.

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Financial Services Industry

- Further issuance of green bonds totalling HKD175.5 billion within the next five years and planning to issue retail green bonds.
- Rolling out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services.
- Issuing no less than HKD24 billion of Silver Bond and no less than HKD15 billion of iBond.
- Lowering the eligible age for subscribing Silver Bond from 65 to 60.
- Providing subsidy for Real Estate Investment Trusts (REITs) to list in Hong Kong.
- Launching a two-year Pilot Insurance-linked Securities Grant Scheme to subsidise issuance costs.
- Providing subsidy for Open-ended Fund Company (OFC) to set up in or re-domicile to Hong Kong.
- Reviewing tax arrangement relevant to family office business.

First Registration Tax and Vehicle Licence Fee

- Increasing 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 the aim of relieving traffic congestion.

Stamp Duty on Stock Transfers

- Raising the rate of Stamp Duty on Stock Transfers from the current 0.1% to 0.13% of the consideration or value of each transaction payable by sellers and buyers respectively, to increase revenue.



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