

## **Guide on year 2019-20 proposed Hong Kong's Financial Budget**

The information contained in this letter is intended to provide readers with an overview of the significant tax changes. We do not accept any liabilities for any actions taken as a result of reading the contents without consulting us.

Anthony Kam & Associates Limited  
Certified Public Accountants  
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### **Introduction**

On 27 February 2019, the Financial Secretary, the Hon Paul MP Chan delivered his 2019-20 Budget Speech. The details of the budget are summarized as follows:

### **Economic prospects for 2019-20**

- **Consolidated budget surplus \$16.8B in 2019-20 (2018-19: surplus \$58.7B).**
- GDP growth 2 ~3% in 2019-20 (2018-19: 3.0%).
- Underlying inflation 2.5% in 2019-20 (2018-19: 2.6%).
- Government expenditure \$607.8B in 2019-20 (2018-19: \$537.8B).

### **Tax relief and enterprises support**

- Reduce salaries tax, tax under personal assessment and profits tax for 2018-19 by 75%, subject to a ceiling of \$20,000.
- Waive rates for 4 quarters of 2019-20 subject to a ceiling of \$1,500 per quarter. Waive the business registration fees for 2019-20.
- Provide an extra 1 month allowance to recipients to CSSA, Old Age Allowance, Old Age Living Allowance or Disability Allowance; similar arrangements will apply to Working Family Allowance and Work Incentive Transport Subsidy.
- Provide a one-off additional \$1,000 Elderly Health Care Vouchers, and increase the accumulation limit of vouchers to \$8,000. Provide a one-off grant of \$2,500 to each student in need. Pay the examination fee for school candidates sitting for 2020 Hong Kong DSE Examination.
- Regularise the Technology Voucher Programme and double the funding ceiling for enterprises to \$400,000. Inject \$1B into the Dedicated Fund for enterprises.

## 1. Profits tax (changes are printed in bold)

	Corporate	Unincorporate
After first \$2M profit	16.5%	15%
First \$2M profit	<b>8.25%</b>	<b>7.5%</b>

## 2. Salaries tax (changes are printed in bold)

	<b>Proposed 2019-20</b> (\$)	Present 2018-19 (\$)
<b>Standard rate</b>		15%
<b>Progressive rates</b>		
First \$50,000		2%
Next \$50,000		6%
Next \$50,000		10%
Next \$50,000		14%
Remainder		17%

### Allowances

Basic		132,000
Married		264,000
Single parent		132,000
Disabled		75,000
1-9 child year of birth		240,000
other years		120,000
Dependent parent/grandparent		
Basic (aged 60 or above)		50,000
Additional for residing with taxpayer		50,000
Basic (aged 55-59)		25,000
Additional for residing with taxpayer		25,000
Dependent brother/sister		37,500
Disabled dependent		75,000

### Deduction ceiling:

Self-education expenses		100,000
Home loan interest (20 years)		100,000
Charitable donations (% of income)		35%
Elderly residential care expenses		100,000
Contributions to recognized retirement schemes		18,000
Voluntary health insurance scheme	<b>8,000</b>	-
Annuity Premiums and MPF Voluntary Contribution	<b>60,000</b>	-

## 3. Property tax (no changes)

Property tax		15%
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## 4. Stamp duty

Consideration (\$)	Scale 1*	Scale 2*
2M <	1.50%	\$100
2M to 3M	3.00%	1.50%
3M to 4M	4.50%	2.25%
4M to 6M	6.00%	3.00%
6M to 20M	7.50%	3.75%
> 20M	8.50%	4.25%

\*subject to marginal relief

### Non-residential properties - on sale or transfer

- Ad valorem stamp duty (AVD) - Scale 1 applies.

### Residential properties - on sale or transfer

#### A AVD

- Scale 2 applies to a permanent resident (HKPR) who does not own any residential property in Hong Kong at the time of acquisition.
- 15% in all other circumstances.

#### B Buyer's stamp duty (BSD)

Non-HKPR buyer 15%

#### C Special stamp duty (SSD)

Property holding period

< 6 months	20%
> 6 months < 12 months	15%
> 12 months < 36 months	10%

### On lease of immovable property

Term	Yearly average rent
Not defined or < 1 year	0.25%
1-3 years	0.5%
> 3years	1%
Key money, construction fee etc. mentioned in the lease (if rent is payable)	4.25%

### On transfer of stock

Value on every sold and bought note (0.2% combined) 0.1%

## 5. Rates

Rental value of a property 5%

## 6. Duty on tobacco and alcoholic beverages

For each 1000 cigarettes	\$1906
Cigars	\$2,455/kg
Liquor with an alcoholic strength of more than 30% by volume	100%

## 7. First registration tax (FRT) on private cars (PCs)

Tax bands (\$)	
First 150,000	40%
Next 150,000	75%
Next 200,000	100%
Remainder	115%

- Up to 31 March 2021, electric private cars (e-PCs) and electric commercial vehicles, electric motor cycles and electric motor tricycles their FRT will be waived up to \$97,500 and in full respectively.
- Up to 31 March 2021, PC owners who arrange to scrap and deregister their old PC and then first register a new e-PC enjoy a FRT concession up to \$250,000.

## 1. Land and Housing

- Public housing supply in the next 5 years is about 100,400 units.
- Private housing supply for the next 3-4 years is about 93,000 units. Annual production in the next 5 years is about 18,800 units. 2019-20 supply is about 15,500 units.
- Commercial/hotel sites land sale in 2019-20 is capable of providing 814,600m<sup>2</sup> floor area.
- Set aside \$2B to support NGOs in constructing transitional housing. Set aside \$22B for the first batch of government projects under the “single site, multiple use” initiative.

## 2. Diversified Economy

**Financial Services Industry** - Provide a \$400M seed capital for the Financial Reporting Council.

**Tourism** - Allocate \$353M for Hong Kong’s Tourism Industry.

### **Innovation and Technology**

- Set aside \$5.5B for the development of Cyberport 5. Set aside \$16B for universities to refurbish campus facilities. Launch the \$2B Re-industrialisation Funding Scheme.
- Expand the Corporate Venture Fund of the Science Park to \$200M.
- Allocate \$800M to support R&D work by universities, laboratories and research centres.
- Double the annual funding ceiling for each university under the Start-Up Support Scheme to \$8M.

**Creative Industries** - Inject \$1B into the Film Development Fund.

**Professional Services** - Allocate \$150M to develop an online international dispute resolution platform by NGOs.

**Construction Industry** - Earmark \$40M for the Centre of Excellence for Major Project Leaders.

## 3. A liveable city

**Healthcare** - Earmark \$10B as a Public Healthcare Stabilisation Fund. Earmark \$5B to upgrade and acquire medical equipment. Provide \$400M to expand the scope of the Drug Formulary. Provide additional \$700M for the Hospital Authority to retain talents. Allocate \$1.2B to establish the Hong Kong Genome Institute.

**Arts and Culture** – Provide \$176M for hosting large-scale world-class arts programmes; allocate \$20M to support the digital conversion of film copies; provide additional recurrent funding of \$54M to support the operation of art groups.

**Sports** – Inject \$250M into the Hong Kong athletes Fund; allocate \$100M to support the operation of 60 national sports associations.

**Building the City** – Earmark \$6B for the enhancement of waterfront; allocate \$600M to refurbish 240 public toilets; set up a \$200M Urban Forestry Support Fund.

**Environmental protection** – Allocate \$120M to extend the public charging network of electric vehicles; provide \$1B for government departments to install renewable energy facilities.

**Smart City** – Earmark \$300M to develop a geospatial data sharing platform and 3D digital maps.

## 4. A Caring Society

- Allocate \$20B to purchase 60 properties for providing over 130 welfare facilities; allocate \$200M to Lotteries Fund to provide Wi-Fi service to welfare facilities.
- Allocate \$1.36B to provide 500 residential care places and 300 subsidised day care places; allocate \$290M funding to strengthen rehabilitation services.
- Allocate \$1.3B to enhance services to toddlers, children and youths; inject \$150M into the Enhancing Self-Reliance Through District Partnership Programme.

## 5. Nurture Talent

- Allocate \$500M to implement the IT Innovation Lab; allocate \$200M to expand the Apprenticeship Scheme for the construction industry.