

Guide on year 2020-21 proposed Hong Kong's Financial Budget

Economic prospects for 2020-21

- **Consolidated budget deficit \$139.1B in 2020-21 (revised 2019-20: deficit \$37.8B).**
- GDP growth -1.5 ~-0.5% in 2020-21 (2019-20: -1.2%).
- Underlying Composite Consumer Price Index 2.5% in 2020-21 (2019-20: 3.0%).
- Almost \$120B of deficit in 2020-21 financial year related to cash payout scheme and other one-off relief measures, which will not incur long term financial commitments. From 2021-22 to 2024-25, estimated deficits range between \$7.4B and 17B.

Tax relief and enterprises support

- \$10,000 cash payout to Hong Kong permanent residents aged 18 or above.
- Introduce a concessionary low interest loan with 100% Government guarantee for enterprises, which will be open for application for 6 months. Maximum loan of \$2M with repayment period up to 3 years. Moratorium on principal repayment for first 6 months.
- Reduce profits tax for 2019-20 by 100%, subject to a \$20,000 ceiling. Reduce salaries tax and tax under personal assessment for 2019-20 by 100%, subject to a ceiling of \$20,000.
- Waive business registration fees for 2020-21. Waive registration fees for company annual returns for 2 years.
- Waive rates for 2020-21. Domestic properties, subject to a ceiling of \$1,500 per quarter, for 4 quarters. Non domestic properties, subject to a ceiling of \$5,000 and \$1,500 respectively, for the first 2 quarters and the remaining 2 quarters.
- Extra 1 month allowance of standard CSSA payment, Old Age Allowance, Old age living Allowance or Disability Allowance. Pay 1 month's rent for lower income tenants living in public rental units. Pay fees for 2021 HKDSE examination.
- Electricity charges for non residential account to subsidize 75% of charges for 4 extra months, subject to a monthly cap of \$5,000. Water and sewage charges for non domestic households to waive 75% of charges for 4 extra months, subject to a monthly cap of \$20,000 and \$12,500 respectively.
- Local recycling enterprises to provide \$100M rental subsidy for 6 months. Rental for Government properties covered by short term and temporary waivers to allow for 50% reduction for 6 months. Hire charges for civic centres under Leisure and Cultural Services Department to allow for 50% reduction for 6 months. Fees and rent for cruise lines and cruise terminal tenants to allow for reduction for 6 months.

1. Profits tax (no changes)

	Corporate	Unincorporate
First \$2M profit	8.25%	7.5%
Thereafter	16.5%	15%

2. Salaries tax (no changes)

	Proposed 2020-21 (\$)	Present 2019-20 (\$)
Standard rate		15%

Progressive rates

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
1-9 child	120,000
For each child born during the year	120,000
Dependent brother or sister	37,500
Dependent parent and grandparent	
Basic >55 aged <60	25,000
Additional for residing with taxpayer	25,000
Basic aged > 60	50,000
Additional for residing with taxpayer	50,000
Single parent	132,000
Disabled dependent	75,000
Personal disability	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	8,000
Annuity Premiums and MPF Voluntary Contribution	60,000

3. Property tax (no changes)

Property tax	15%
--------------	-----

4. Stamp duty (no changes)

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%

- (i) 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.
- (ii) 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. Support employees

Additional annual funding of \$30M to enhance Labour Department employment programmes. Provide 2.5B to the Employees Retraining Board. Increase the maximum monthly allowance of trainees to \$5,800. Construction Industry Council to allocate \$200M for training allowances for workers, and subsidizing SME contractors and registered subcontractors with a ceiling of \$20K each.

2. Healthcare

Establishment of a \$10B public healthcare stabilization fund. Earmark about \$500B for the two 10-year Hospital Development Plans, providing over 15,000 additional beds and more than 90 operating theatres. Provide recurrent funding of \$75B to the Hospital Authority (HA) in 2020-21. Allocate \$180M to universities to enhance facilities and strengthen professional healthcare training. Provide an additional \$3.6B to HA to retain talents in the 5-year period starting from 2021-22. Allocate about \$600M to subsidize the setting up of interim “District Health Centre (DHC) Express”.

3. Financial services

Lower minimum entry age of the HKMC Annuity Plan to 60. Launch a \$1B pilot scheme for fixed rate mortgages. Issue inflation linked retail bonds and Silver Bonds totaling not less than \$13B. Issue green bonds totaling \$66B in next 5 years. Waive stamp duty on stock transfers paid by the Exchange Traded Fund (ETF) market makers when creating and redeeming EFT units in Hong Kong.

4. Innovation and technology, tourism and trade

Earmark \$3B to take forward Phase 2 of the Science Park Expansion Programme. Increase the grant ceiling under the Technology Voucher Programme to \$600K and to raise the Government’s funding ratio to 75%. Inject \$345M for a pilot subsidy scheme to encourage the logistics industry to enhance productivity through the application of technology. Additional funding of over \$700M for the Hong Kong Tourism Board to step up external promotion after the epidemic. Additional funding of \$150M for the Hong Kong Trade Development Council to assist Hong Kong enterprises in exploring business opportunities.

5. Professional services, cultural industries and nurture talent

Earmark about \$450M to strengthen the Hong Kong community’s understanding of the concept of the rule of law and its implementation. Additional \$900M to the Art Development Matching Grants Scheme to further promote sponsorship of culture and arts. Earmark \$40M to subsidize short term internships for undergraduates and postgraduates.

6. Environmental protection

Launch a \$2B pilot scheme to subsidize the installation of charging enabling infrastructure in car parks of private residential buildings. Earmark \$80M to launch a pilot scheme for electric public light buses. Earmark \$350M to launch a pilot scheme for electric ferries. Launch a scheme in the second half of this year to phase out about 40,000 Euro IV diesel commercial vehicles. \$7.1B earmarked for ex-gratia payment to vehicle owners concerned. Earmarked \$300M to encourage Hong Kong owned factories to adopt cleaner production technologies. Set up \$200M to support R&D and application of decarbonization and green technologies. Earmark \$300M per year to implement waste paper collection and recycling services.

7. Smart city and caring society

Earmark \$1B to subsidize R&D on vehicle related IT. Allocate \$100M to develop an integrated digital platform. Earmark \$60M to establish the first Geospatial Lab. Allocate over \$300M recurrent funding to home care service and community care service. \$75M recurrent funding to subsidize elderly service units. \$46M recurrent funding to subsidize Social Welfare Department.

8. Land and housing

In 2020-21 to provide 15,700 units, another 6 commercial sites to provide floor areas of 830,000sqm. Public housing estimated production from 2019-20 to 2023-2024 is about 100,400 units, comprising 74,400 public rental housing/Green Form Subsidized Home Ownership units and 26,000 subsidized sale units. Private housing estimated annual production from 2020 to 2024 is about 19,600 units.