

Guide on year 2021-22 proposed Hong Kong's Financial Budget

Economic prospects for 2021-22

- **Consolidated budget deficit in 2021-22: -\$101.6B (2020-21: deficit -\$257.6B).**
- GDP growth in 2021-22: 3.5 ~5.5% (2020-21: -6.1%).
- Underlying inflation in 2021-22: 1.0% (2020-21-20: 1.3%).
- 2022-23 to 2025-26 financial years: Deficit for 4 consecutive years is expected, mainly due to rises in government expenditure outpacing increases in government revenue, especially recurrent expenditure.

Tax relief and Support Enterprises

- Extend the application period of 100% guarantee low-interest loan for enterprises to the end of this year, raise loan ceiling to \$6M.
- Reduce profits tax for 2020-21 by 100%, subject to a \$10,000 ceiling
- Provide rates concession for non-domestic properties in 2021-22, subject to a ceiling of \$5,000 per quarter in first 2 quarters and \$2,000 per quarter in the remaining 2 quarters. Waive business registration fees for 2021-22.
- Waive 75% of water and sewage charges of non-domestic households for 8 months, subject to a monthly ceiling of \$20,000 and \$12,500 respectively.
- Grant 75% rental/fee concession for eligible Government properties/short-term tenancies and waivers for 6 months (100% concession for those closed at the Government's request). Allocate \$6.6B to create 30,000 time-limited jobs.
- 100% loan guarantee for the unemployed. Loan ceiling at \$80,000, interest rate at 1% per annum, maximum repayment period of 5 years. Principal moratorium for the first 12 months.
- Reduce salary tax for 2020-21 by 100%, subject to a \$10,000 ceiling. Provide rates concession for domestic properties in 2021-22, subject to a ceiling of \$1,500 per quarter in the first 2 quarters and \$1,000 per quarter in the remaining 2 quarters.
- Grant a subsidy of \$1,000 to each residential electricity account. Provide an extra 1/2 month allowance of standard CSSA payment and other allowances. Pay examination fees for school candidates sitting for 2022 HKDSE Examination.
- Issue \$5,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival age 18 or above.

Tax Revenue

1. Profits tax (no changes)

	Corporate	Unincorporate
Two tiered rates		
First \$2M profit*	8.25%	7.5%
Remainder	16.5%	15%

2. Salaries tax (no changes)

Standard rate	15%
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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 aged > 60**	50,000
>55 aged <60	25,000
Additional for residing with taxpayer aged > 60**	50,000
>55 aged <60	25,000
Single parent	132,000
Personal disability	75,000
Dependent disability	75,000

Deductions limits

Expenses of self-education	100,000
Elderly residential care expenses	100,000
Home loan interest (20 years)	100,000
Mandatory contributions to retirement schemes	18,000
Voluntary health insurance scheme	8,000
Annuity premiums and MPF voluntary contribution	60,000
Charitable donations (% of income)	35%

3. Property tax (no changes)

Property tax	15%
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4. Rates (no changes)

Rental value of a property	5%
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*except those with a connected entity which is nominated to be chargeable at the two-tiered rates.

**or is eligible to claim disability allowance.

5. Stamp duty

On sale or transfer of immovable property in Hong Kong

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

Non-residential

Scale 2 applies.

Residential

Scale 2 applies to a permanent resident (PR) who does not own any residential property in Hong Kong at the time of acquisition.

Scale 1 applies to other PR (Double Stamp Duty (DSD)).

15% applies to others (Buyer's Stamp Duty (BSD)).

Special Stamp Duty (SSD)

Property holding period (property acquired after 27 October 2012)

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

On lease of immovable property in Hong Kong

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

	Proposed 2021-22	Present 2020-21
Value on every sold and bought note (0.26% combined (proposed))	0.13%	0.1%

6. First registration tax on private cars (PCs)

Tax bands (\$)	Proposed 2021-22	Present 2020-21
First 150,000	46%	40%
Next 150,000	86%	75%
Next 200,000	115%	100%
Remainder	132%	115%
(a) Electric private cars (e-PCs) concession up to \$97,500. Electric commercial vehicles, electric motor cycles and electric motor tricycles concession in full.		
(b) First register a new e-PC who arrange scrap and deregister their old PC enjoys a concession up to \$287,500 (proposed) (present: \$250,000).		
(c) Vehicle license fee increased by 30% (proposed) .		

7. Duty on tobacco and alcoholic beverages (no changes)

For each 1,000 cigarettes	\$1,906
Cigars	\$2,455/kg
Liquor with an alcoholic strength of more than 30% by volume	100%

Government proposed expenditure

1. Facing the Challenge

Government Expenditure and Repair Works – Zero growth in the civil service establishment in 2021-22. Trim government recurrent expenditure by 1% in 2022-23; about \$3.9B savings is expected. Earmark \$1B to subsidize drainage repair works in over 3,000 old buildings.

Support Trade and Tourism – Inject \$1.5B into the Dedicated Fund on Branding, Upgrading and Domestic Sales, increase funding ceiling per enterprise to \$6M and extend its geographical coverage in phases. Allocate \$375M to Hong Kong Trade Development Council. Earmark \$169M to continue to take forward local cultural, heritage and creation tourism projects. Earmark \$765M to support Hong Kong Tourism Board in reviving the tourism industry.

2. Stimulating the Economy

Financial Services – Issue no less than \$24B of Silver Bond and no less than \$15B of iBond this year. Lower the eligible age for Silver Bond subscription from 65 to 60. Issue green bonds totaling \$175.5B within the next 5 years.

Innovation and Technology – Earmark over \$200M to roll out “Knowing More About IT” Programme. Inject \$9.5B into the Innovation and Technology Fund by two yearly instalments.

Cultural and Creative Industries – Inject an additional \$1B into the CreateSmart Initiative.

3. Building a Livable City

Green City – Earmark \$1B to install small-scale renewable energy systems at government buildings and infrastructure. Earmark \$150M to conduct energy audits and install energy-saving appliances. Inject \$1B into Recycling Fund.

Quality Living – Earmark \$500M to enhance facilities in country parks. Earmark \$55M to enhance hiking trails. Earmark \$300M for upgrading football pitches.

Healthcare System – Allocate \$147M to enhance mental health services. Commence operation of 2 District Health Centres in the coming 2 years. Provide 8,800 residential care places and 2,800 subsidize day care service places. Increase the number of places for on-site pre-school rehabilitation services to 10,000. Inject \$1.1B into Lotteries Fund for social welfare development projects.

4. Housing Supply

Land Supply – Potential land supply of 2021-22 expected to provide 16,500 units. Another 3 commercial sites estimated to provide floor area of about 480,000 sqm. New development area projects expected to provide over 860 hectares of brownfield sites which can be redeveloped for housing and other land use. Examine the rezoning 5 commercial sites for residential use which are expected to provide 5,800 units.

Public Housing – Estimated production in the 5 year period from 2020-21 is 101,400 units.

Private Housing – Estimated average annual production in the 5 year period from 2021 is more than 18,000 units.