

2022/23 HONG KONG BUDGET HIGHLIGHTS



The Financial Secretary, Mr Paul Chan, delivers the 2022/23 Budget Speech today.

Mr Chan forecasts an estimated surplus of \$18.9 billion for 2021/22. Fiscal reserves are expected to be \$946.7 billion by the end of March 2022 (equivalent to 16 months of government expenditure). Estimated government revenue is \$91.8 billion higher than the original estimate mainly due to more revenues from land premium and profits tax. Estimated government expenditure, on the other hand, is \$28.8 billion less than the original estimate, mainly because of lower than expected operating expenditure.

Estimated deficit for 2022/23 is \$56.3 billion, due to the expenses for one-off relief measures and anti-epidemic measures.

This year's budget continues to adopt an expansionary fiscal policy with initiatives mainly to relieve people's hardship, support enterprises and enhance economic resilience and enrich industrial development.

Highlights of the key measures as well as tax policy are summarised as follows:

HIGHLIGHTS

- ▶ Reduce profits tax, salaries tax and tax under personal assessment for 2021/22 by 100%, capped at \$10,000
- ▶ Provide rates concession for domestic properties for 2022/23, capped at \$1,500 per quarter in the first two quarters and \$1,000 per quarter for the remaining two quarters
- ▶ Provide rates concession for non-domestic properties for 2022/23, capped at \$5,000 per quarter in the first two quarters and \$2,000 per quarter for the remaining two quarters
- ▶ Waive business registration fees for 2022/23
- ▶ Grant a subsidy of \$1,000 to each eligible residential electricity account
- ▶ Waive 75% of water and sewage charges of non-domestic households for eight months, subject to a monthly cap of \$20,000 and \$12,500 respectively

Relieve people's hardship

- Issue \$10,000 electronic consumption vouchers to each eligible Hong Kong permanent resident and new arrival aged 18 or above.
- Introduce tax deduction for domestic rental expenses for taxpayers liable to salaries tax and tax under personal assessment, subject to a deduction ceiling of \$100,000 per year of assessment from 2022/23. The deduction will not apply to a taxpayer who is the owner of the domestic property or an associate of the landlord of the rented property (eg, spouse, parent, child, brother/sister or partner of the taxpayer, or a corporation controlled by the taxpayer) or where the taxpayer receives a rent refund from the employer.
- Provide an extra half-month allowance of standard CSSA payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to Working Family Allowance.
- Extend the 100% Personal Loan Guarantee Scheme for one year until the end of April 2023 and the ceiling will be increased from \$80,000 to \$100,000. The maximum repayment period will be extended to ten years.

Support enterprises

- Introduce Rental Enforcement Moratorium for tenants of specific sectors through legislation.
- Further extend the application period of 100% guarantee low-interest loan for enterprises to the end of June 2023, raise loan ceiling to \$9 million, extend repayment period and duration of principal moratorium.
- Extend the waivers/concessions of the existing 34 groups of government fees and charges for 12 months.
- Continue to grant the 75% rental/fee concession to eligible tenants of government premises/short-term tenancies and waivers for six months (100% concession for those closed at the Government's request).

Enhance economic resilience and enrich industrial development

- Provide tax concessions for the eligible family investment management entities managed by single-family offices with effect from 2022/23.
- Provide half-tax concession to attract more maritime enterprises to establish a presence in Hong Kong.

- Issue no less than \$15 billion of inflation-linked retail bonds, no less than \$35 billion of Silver Bond and no less than \$10 billion of retail green bonds in the next financial year.
- Set up a 'Digital Economy Development Committee' to accelerate the progress of digital economy.
- Allow stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB and roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions to increase the liquidity of RMB-denominated stocks.
- Continue to proactively expand Hong Kong's Comprehensive Avoidance of Double Taxation Agreements (CDTAs) network. At present, Hong Kong has signed 45 CDTAs and is in negotiations with 14 tax jurisdictions, with a view to minimising the risk of double taxation borne by foreign enterprises doing business in Hong Kong.

Rates concession and rating system

- Propose to limit future rates concession for domestic properties to one domestic property for each eligible owner who is a natural person starting from 2023/24.
- Introduce from 2024/25 progressive rating system for domestic properties. For domestic properties with annual rateable value of \$550,000 or below, it is proposed that rates will continue to be charged at the present level of 5% of the rateable value. For domestic properties with rateable value over \$550,000, it is proposed that rates be charged at 5% of the rateable value on the first \$550,000 and at 8% of the rateable value on the next \$250,000, and then at 12% on rateable value exceeding \$800,000.

New international tax standards

- Plan to submit a legislative proposal to the LegCo in the second half of this year to implement the global minimum tax rate and other relevant requirements in accordance with the Organisation for Economic Co-operation and Development (OECD) BEPS 2.0 framework targeting multinational enterprises (MNEs) with consolidated group revenue exceeding Euro 750 million.
- Consider introducing a domestic minimum top-up tax with regard to the aforesaid 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.
- Reaffirm the Government's stand to preserve the advantages of Hong Kong's tax regime in terms of its simplicity, certainty and transparency, maintain the territorial source principle of taxation as well as minimise the compliance burden on MNEs when implementing BEPS 2.0.

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Profits tax rates	2021/22	2022/23
Tax rate		
Corporations	16.5%*	No change
Unincorporated businesses	15%*	No change

* First \$2,000,000 assessable profits of eligible taxpayers chargeable at half of the tax rate

Salaries tax rates, deductions and allowances	2021/22	2022/23
Standard tax rate	15%	
Progressive tax rates	First \$50,000 – 2%	
	Next \$50,000 – 6%	
	Next \$50,000 – 10%	
	Next \$50,000 – 14%	
	Remainder – 17%	
Personal allowances**		
Basic	\$132,000	
Married	\$264,000	
Single parent	\$132,000	
Disabled	\$75,000	
First to ninth child (year of birth)	\$240,000 each	
First to ninth child (other years)	\$120,000 each	
Dependent parent/grandparent		
Aged 55 to 59	- Basic	\$25,000
	- Additional, living with the taxpayer	\$25,000
Aged 60 or above	- Basic	\$50,000
	- Additional, living with the taxpayer	\$50,000
Disabled dependent	\$75,000	
Dependent brother / sister	\$37,500	
Deductions		
Approved charitable donations	Up to 35% of assessable income	
Self-education expenses	Up to \$100,000	
Home loan interest (up to 20 years)	Up to \$100,000	
Elderly residential care expenses	Up to \$100,000	
Mandatory contributions to recognised retirement schemes	Up to \$18,000	
Qualifying Voluntary Health Insurance Scheme policy premiums	Up to \$8,000 per insured person	
Qualifying annuity premiums and MPF voluntary contributions	Up to \$60,000	
Domestic rent deduction	\$0	Up to \$100,000

** Personal allowances are only applicable to progressive tax rates calculation

One-off measures	2021/22	2022/23
Types of tax	Salaries tax, tax under personal assessment and profits tax	Salaries tax, tax under personal assessment and profits tax
Tax reduction	100% of tax for 2020/21, capped at \$10,000	100% of tax for 2021/22, capped at \$10,000

Property tax	2021/22	2022/23
Tax rate	15%	No change

Business registration fees	2021/22	2022/23
Fee		
Main business (one year certificate)	Waived	Waived
Branch business (one year certificate)	Waived	Waived
Levy		
Main business (one year certificate)	\$250	No change
Branch business (one year certificate)	\$250	No change

Rates	2021/22	2022/23
Percentage charge	5% on rateable value	No change
One-off waiver		
Number of quarters	Four quarters	Four quarters
Ceiling - non-domestic properties	\$5,000 (Q1 & Q2), \$2,000 (Q3 & Q4) per rateable property	\$5,000 (Q1 & Q2), \$2,000 (Q3 & Q4) per rateable property
- domestic properties	\$1,500 (Q1 & Q2), \$1,000 (Q3 & Q4) per rateable property	\$1,500 (Q1 & Q2), \$1,000 (Q3 & Q4) per rateable property

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on Wednesday, 23 February 2022. The Budget proposal will be subject to review and modification by the Legislative Council prior to the enactment of the legislation.