



***SNAPSHOTS OF
HONG KONG
BUDGET 2019/2020***

The Finance Secretary Mr. Paul Chan delivered his budget speech on 27 February 2019 against the backdrop of a significant fall in Hong Kong's fiscal surplus in 2018. Amidst uncertainties, such as the US-China trade disputes, slowdown of China economy and the effects of Brexit, Mr Chan foresees that the Hong Kong economy could slow further this year.

Notwithstanding these uncertainties, Mr Chan explained that the broad directions of his budget are directed to invest substantially towards “supporting enterprises, safeguarding jobs, stabilising the economy and strengthening livelihoods”. If the economic challenges continue to intensify, the government may be faced with the possibility of spending its fiscal reserves. It is therefore necessary to strike a balance between investing for the future and adhering to long-held principle of fiscal prudence.

On the tax front, Mr Chan continues to offer tax reduction, rates and business registration waivers targeted at short-term reliefs. Save for these measures, the budget appears to contain limited forward-looking fiscal policies but statement of measures carried forward from prior years.

HIGHLIGHTS

Profits Tax

- A one-off tax reduction of 75% of profits tax for 2018/2019, subject to a ceiling of HK\$20,000.
- Continue the implementation of the two-tiered profits tax rates regime.

Salaries Tax

- A one-off tax reduction of 75% salaries tax and tax under personal assessment for 2018-2019, subject to a ceiling of HK\$20,000.
- Introduce deduction for Qualifying Voluntary Health Insurance Scheme Policy Premiums and Annuity Premiums and MPF Voluntary Contributions.

Other Levies

- Rates for 2019-2020 will be waived for the four quarters, subject to a ceiling of HK\$1,500 per quarter for each rateable property.
- Business registration fees for 2019-2020 to be waived.

Potential tax-related development

- Expand the network of Comprehensive Avoidance of Double Taxation Agreement.
- Consider establishing a limited partnership regime and introducing tax arrangement to attract private equity funds to set up and operate in Hong Kong and to offer more fund structure choices to the industry.

Potential tax-related development (continued)

- Propose to provide tax concessions for marine insurance and underwriting of specialty risks.
- Review to enhance tax concessions for qualifying corporate treasury centres.
- Consider introducing tax measures to attract ship finance companies to develop ship leasing businesses in Hong Kong.
- Offer 50% profits tax concession to eligible insurance businesses including the marine insurance industry.
- Propose to extend the use of Faster Payment System (FPS) for payment of taxes, rates and other government fees.
- Propose to enhance various tax measures and ease the tax burden, in particular for small and medium enterprises and the middle class.

Appendix

Profits Tax Rates	2018/2019	2019/2020
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	2018/2019	2019/2020
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	
1st to 9th child (year of birth)	\$240,000 each	
1st to 9th child (other years)	\$120,000 each	
Dependent parent / grandparent		
Aged 55 to 59 - Basic	\$25,000	
- Additional, living with the taxpayer	\$25,000	No change
Aged 60 or above - Basic	\$50,000	
- Additional, living with the taxpayer	\$50,000	
Disabled dependent	\$75,000	
Dependent brother / sister	\$37,500	
Deductions	2018/2019	2019/2020
Approved charitable donations	Up to 35% of assessable income	
Self-education expenses	Up to \$100,000	
Home loan interest (up to 20 years of assessment)	Up to \$100,000	
Elderly residential care expenses	Up to \$100,000	
Contributions to recognised retirement schemes	Up to \$18,000	
Qualifying Voluntary Health Insurance Scheme policy premiums	Not available	Up to \$8,000 per insured person
Annuity premiums and MPF voluntary contributions	Not available	Up to \$60,000***

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

*** Subject to enactment of the legislation

Appendix

One-off measures	2018/2019	2019/2020
Types of tax	Salaries tax, tax under personal assessment and profits tax	Salaries tax, tax under personal assessment and profits tax
Tax reduction	75% of tax for 2017/18, capped at \$30,000	75% of tax for 2018/19, capped at \$20,000

Property Tax	2018/2019	2019/2020
Tax rate	15%	No change
Business Registration Fees		
	2018/2019	2019/2020
Fee		
Main business (1 year certificate)	\$2,000	Waived
Branch business (1 year certificate)	\$73	Waived
Levy		
Main business (1 year certificate)	\$250	No change
Branch business (1 year certificate)	\$250	No change
Rates		
	2018/2019	2019/2020
Percentage charge	5% on rateable value	No change
One-off waiver		
Number of quarters	Four quarters	Four quarters
Ceiling	\$2,500/quarter/rateable property	\$1,500/quarter/rateable property

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on Wednesday, 27 February 2019. The Budget proposal will be subject to review and modification by the Legislative Council prior to the enactment of the legislation.

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