

# SNAPSHOTS OF HONG KONG BUDGET 2022/2023



On 23 February 2022, Hong Kong's Financial Secretary Mr Paul Chan unveiled a costly HKD170 billion budget, including tax breaks and consumer spending vouchers as the city reels under its worst Covid-19 outbreak.

While rival financial centers are emerging from the pandemic isolation and reopening to the world, Hong Kong has found itself overwhelmed by the highly infectious Omicron variant after the city's previously successful zero-Covid strategy crumbled.

As the city grapples with the worst wave of the pandemic, the budget adopts an expansionary fiscal policy with initiatives focusing on four areas:

- Alleviating adequate resources to support an all-out effort to win the fight against the Covid-19 pandemic;
- Relieving the hardship of people and businesses;
- Rendering support to the struggling economy and fostering post-epidemic economic revival; and
- Investing in the future by planning ahead for the medium- and long-term development of the economy.

Whilst the budget was presented in the midst of the fifth wave of the Covid-19 pandemic, it has adopted a comprehensive and forward-looking approach that caters to the immediate needs of its people and businesses. It also seeks a balance between short-term reliefs and medium-term recovery, as well as paves the way for Hong Kong's post-pandemic economic recovery. It is therefore imperative for the government to ensure that Hong Kong will re-emerge from its current economic difficulties and rebound to new heights as a financial center in Asia; and

With this in place, it is now up to businesses to survive, grow and craft a societal fabric strong enough to withstand multifold pressures.

## **HIGHLIGHTS OF THE KEY MEASURES AS WELL AS TAX POLICY ARE SUMMARIZED BELOW:**

### ***For Companies***

- There is no change in the corporate tax rate. However, the Budget proposes a reduction of 100% corporate tax payable for 2021-22 subject to a ceiling of HKD 10,000. The reduction will be reflected in the final tax payable for the year 2021-22.
- In light of OECD BEPS 2.0 project developments, the government plans to submit a legislative proposal for the introduction of the minimum top-up tax for large multinational enterprises with a consolidated group revenue exceeding Euro 750 million. The proposal is designed to ensure that the effective tax rate reaches the global minimum effective tax rate of 15%.
- The government is also considering introducing a domestic minimum top-up tax on multinational enterprises starting from the year of assessment 2024/25 to ensure that their effective tax rates reach the global minimum effective tax rate of 15% so as to safeguard Hong Kong's taxing rights.
- There is also a proposed legislative amendment to provide tax concessions for eligible family investment management entities managed by single family offices with effect from 2022-23. The objective of this amendment is to attract family offices to establish their presence in Hong Kong.
- It was proposed to provide a 50% tax concession to attract eligible maritime enterprises to establish their presence in Hong Kong. This includes ship registration, ship finance and management, marine insurance, and maritime legal and arbitration services.
- New legislation will be introduced to provide relief measures for tenants in specified sectors for failing to make rental payments on schedule. This rental enforcement moratorium prohibits the landlords from terminating the tenants, not providing services to the tenants, or taking legal action against them. This new legislation is intended to avoid business closures and will be valid for three months (extendable for another three months) and will automatically lapse after the six months.
- Consequently, the government will also provide assistance to struggling landlords by way of offering three months' worth of advance rental on the tenants' behalfes up to a ceiling of HKD100,000 as well as interest-free loans to commercial property owners affected by the policy.
- There is a proposal to introduce a bill to amend the Copyright Ordinance within the first half of 2022. The proposal is intended to strengthen the intellectual property regime in Hong Kong.
- The Budget has extended the waiver for business registration fees to continue through 2022-23.

### ***For Individuals***

- There are no proposed changes for individual tax rates and personal reliefs in the Budget.
- The Budget proposes to provide a 100% tax reduction of “salaries tax” for the tax year 2021-22, subject to a ceiling of HKD10,000 per annum. This will be reflected in the final tax payable for the year of assessment 2021-22.
- To alleviate the cost of renting a private property, taxpayers who are liable to pay salaries tax and do not own any residential property are eligible for a tax deduction on the rental paid by themselves or their spouses as tenants, subject to a ceiling of HKD100,000. This is effective from the year of assessment 2022/23.
- Other measures aimed at assisting individuals such as the grant of consumption vouchers, lowering of public transport fare subsidy, personal loan guarantee scheme, residential electricity subsidy were also announced.

### ***Other Proposals***

- Property tax concessions
  - a) The rates concession granted for tax year 2021-22 are extended to tax year 2022-23 for domestic and non-domestic properties (including offices) to offset the rates payable;
  - b) Considering the concessions claimed by the individual owners currently in respect of multiple domestic properties, effective from tax year 2023-24, only eligible natural persons can apply for rates concession in respect of only one domestic property under their name;
  - c) Effective from the tax year 2024-25 a progressive rates concession system for domestic properties will be introduced, replacing the flat rate concession of 5% of rateable value. The new progressive rates concessions will be in the range of 5% to 12% of the annual rateable value of the property.
  - d) The government will continue to grant the 75% rental or fee concession to eligible tenants of government properties and eligible short-term tenancies and waivers under the Lands Department for a period of 6 months starting from April 2022 to September 2022.

- SME financing guarantee scheme (“SFGS”)
  - a) SFGS will be extended for a further period of one year till 2023. The purpose of this scheme is to reduce the financial strain on SMEs that are having difficulty paying employee wages, rental costs, or are about to close and lay off staff.
  - b) Increase the maximum loan amount to 27 months of employee wages and rent with the loan ceiling raised from HKD6 million to HKD9 million and extending the maximum repayment period from 8 years to 10 years.
  
- Personal Loan Guarantee Scheme (“PLGS”)
  - a) Extend the 100% PLGS for one year until the end of April 2023. The ceiling will be increased from HKD80,000 to HKD100,000 and the maximum repayment period will be extended to 10 years.

## Appendix

| Profits Tax Rates         | 2021/2022 | 2022/2023 |
|---------------------------|-----------|-----------|
| <b>Tax rate</b>           |           |           |
| 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                | 2021/2022                        | 2022/2023        |
|--|----------------------------------|------------------|
| <b>Standard tax rate</b>                                     | 15%                              |                  |
| <b>Progressive tax rates</b>                                 | First \$50,000 – 2%              |                  |
|  | Next \$50,000 – 6%               |                  |
|  | Next \$50,000 – 10%              |                  |
|  | Next \$50,000 – 14%              |                  |
|  | Remainder – 17%                  |                  |
| <b>Personal allowances**</b>                                 |                                  |                  |
| 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                         |                  |
| <b>Deductions</b>  | <b>2021/2022</b>                 | <b>2022/2023</b> |
| 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                  |                  |
| Mandatory contributions to recognised retirement schemes     | Up to \$18,000                   |                  |
| Qualifying Voluntary Health Insurance Scheme policy premiums | Up to \$8,000 per insured person |                  |
| 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

## Appendix

| One-off measures | 2021/2022   | 2022/2023   |
|------------------|---|---|
| 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 2020/2021, capped at \$10,000               | 100% of tax for 2021/2022, capped at \$10,000               |

| Property Tax                         | 2021/2022  | 2022/2023  |
|--------------------------------------|--|--|
| Tax rate                             | 15%  | No change  |
|                                      |  |  |
| Business Registration Fees           | 2021/2022  | 2022/2023  |
| <b>Fee</b>                           |  |  |
| Main business (1 year certificate)   | Waived   | Waived   |
| Branch business (1 year certificate) | Waived   | Waived   |
| <b>Levy</b>                          |  |  |
| Main business (1 year certificate)   | \$250  | No change  |
| Branch business (1 year certificate) | \$250  | No change  |
|                                      |  |  |
| Rates                                | 2021/2022  | 2022/2023  |
| <b>Percentage charge</b>             | 5% on rateable value   | No change  |
| <b>One-off waiver</b>                |  |  |
| Number of quarters                   | Four quarters  | Four quarters  |
| Ceiling                              | <b>Non-domestic properties:</b><br>\$5,000 (Q1 & Q2), \$2,000 (Q3 & Q4) per rateable property<br><br><b>Domestic properties:</b><br>\$1,500 (Q1 & Q2), \$1,000 (Q3 & Q4) per rateable property | <b>Non-domestic properties:</b><br>\$5,000 (Q1 & Q2), \$2,000 (Q3 & Q4) per rateable property<br><br><b>Domestic properties:</b><br>\$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.

If you wish to understand more on the budget, please feel free to approach:

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