



The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po delivered the 2020-21 Budget Speech in the Legislative Council on 26 February 2020.

Highlights of the Budget Speech

Profits Tax

- A one-off tax reduction of 100% of profits tax for 2019-20, subject to a ceiling of HK\$20,000.

Salaries Tax

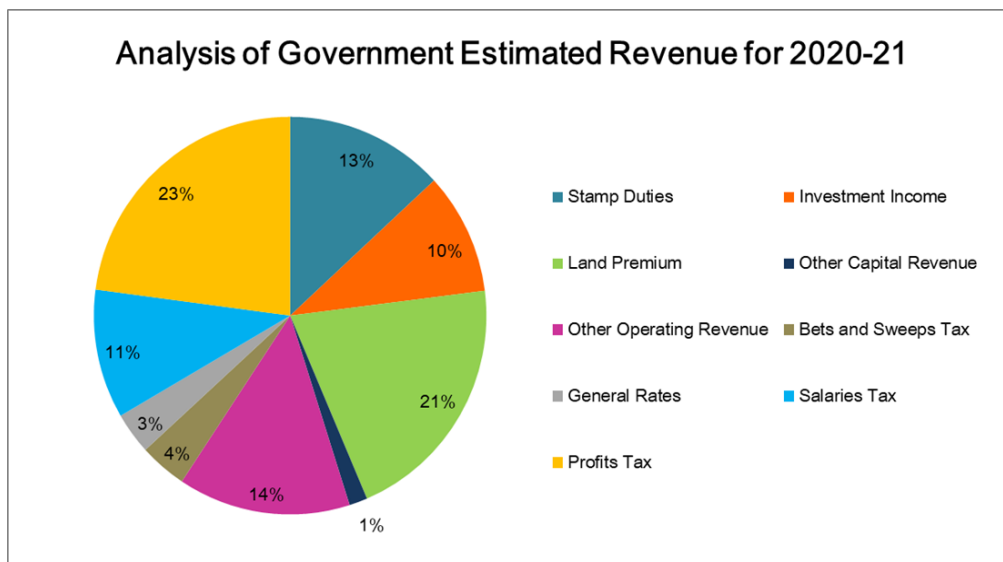
- A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2019-20, subject to a ceiling of HK\$20,000.

Other Levies

- Rates for non-domestic properties to be waived for the four quarters of 2020-21, subject to a ceiling of HK\$5,000 per quarter in the first two quarters and HK\$1,500 per quarter in the last two quarters for each rateable non-domestic property.
- Rates for residential properties to be waived for the four quarters of 2020-21, subject to a ceiling of HK\$1,500 per quarter for each rateable residential property.
- Business registration fees for 2020-21 to be waived.
- Registration fees for all annual returns (except for late delivery) charged by the Companies Registry to be waived for two years.

Cash Payout

- A cash payout of HK\$10,000 to Hong Kong permanent residents aged 18 or above.



Economic performance of Hong Kong in 2019

In terms of economic performance, affected by the external environment and the social incidents, the already weakened Hong Kong economy entered recession in the third quarter of 2019. For 2019 as a whole, the Gross Domestic Product ("GDP") contracted by 1.2%, marking Hong Kong's first annual decline in GDP since the great recession of 2009. The labour market slackened as the average unemployment rate for 2019 has increased slightly to 3%. Local inflation increased moderately, with the underlying inflation rate of 3% for 2019 as measured by the Composite Consumer Price Index.

Estimates for 2020-21

The total Government revenue for 2020-21 is estimated to be HK\$572.5 billion. The operating expenditure and capital expenditure for 2020-21 are estimated to be HK\$617.7 billion and HK\$113.4 billion respectively. The total Government expenditure for 2020-21 is estimated to be HK\$731.1 billion, an increase of 19.6% over the revised estimate for 2019-20. The Financial Secretary forecasts a deficit of HK\$139.1 billion in the Consolidated Account in the coming year. The fiscal reserves are estimated to be HK\$994 billion by the end of March 2021.

Potential tax-related developments

- Provide tax concessions for the ship leasing business and related insurance businesses (i.e. marine insurance), and explore other tax measures to attract more global shipping business operators and commercial principals to set up business in Hong Kong
- Propose to provide tax concessions for carried interest issued by private equity funds to attract more private equity funds to domicile and operate in Hong Kong
- Propose to waive the stamp duty on stock transfers paid by Exchange Traded Fund ("ETF") market makers when creating and redeeming ETF units in Hong Kong to strengthen the competitiveness of Hong Kong as an ETF listing platform
- The Government will keep a close watch on the development of the Organisation for Economic Co-operation and Development's (OECD) work (i.e. the OECD's proposal to impose a global minimum tax rate), make assessments and corresponding measures, with a view to ensuring that Hong Kong's tax regime is not only in line with new developments in the international tax scene, but also helps Hong Kong maintain its premier business environment and competitiveness.

Salaries Tax	
Personal tax allowances and deductions:	
	2019-20 and 2020-21 HK\$
Basic allowances:	
Single person's allowance	132,000
Married person's allowance	264,000
Additional allowances:	
Child	
- Basic	120,000
- Additional (in the year of birth)	120,000
Dependent parent / grandparent:	
a. Aged 55 to 59	
- Basic	25,000
- Additional (1)	25,000
b. Aged 60 or above	
- Basic	50,000
- Additional (1)	50,000
Dependent brother / sister (2)	37,500
Single parent	132,000
Disabled dependent	75,000
Personal disability allowance	75,000
Additional deductions :	
Self-education expenses (3)	100,000
Home loan interest (4)	100,000
Elderly residential care expenses	100,000
Contributions to retirement schemes	18,000
Approved charitable donations (5)	35%
Qualifying Voluntary Health Insurance Scheme Policy Premiums	8,000 per insured person
Annuity Premiums and MPF Voluntary Contributions	60,000
Notes:	
1. For dependent living with taxpayer.	
2. For whom no child allowance is being claimed.	
3. The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.	
4. The entitlement period for tax deduction is 20 years.	
5. The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowance.	

1. Standard salaries tax rates:

	2019-20 and 2020-21
Standard tax rates	15%

2. Progressive salaries tax rates

2019-20 and 2020-21

Net Chargeable Income	Tax rate
First HK\$50,000	2%
First HK\$50,000	6%
First HK\$50,000	10%
First HK\$50,000	14%
Remainder	17%

2. Profits Tax

2019-20 and 2020-21	Business Category	
Assessable Profits	Unincorporated Business	Corporation
First HK\$2,000,000	7.5%	8.25%
Over HK\$2,000,000	15%	16.5%

3. Property Tax

Taxpayer	2019-20 and 2020-21
Property Owner	15%

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The above information is mainly extracted from the website of the "The Hong Kong 2020-21 Budget".

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