

# 2020/21 Budget Highlights



## Economic indicators

	2019	2020 Forecast	2021 to 2024 Medium range forecast
Increase/(decrease) in real GDP	(1.2%)	(1.5%) to 0.5%	Average 2.8% per annum
Underlying inflation rate	3.0%	2.5%	Average 2.5% per annum

## Consolidated budget forecast

2019/20 Original forecast	2019/20 Revised forecast	2020/21 Forecast	2024/25 Forecast
Surplus of HK\$16.8 billion	Deficit of HK\$37.8 billion consisting of: <ul style="list-style-type: none"> <li>HK\$118 billion deficit on operating account</li> <li>HK\$73.9 billion surplus on capital account</li> <li>HK\$7.8 billion of net proceeds from the Government Green Bond Programme</li> <li>HK\$1.5 billion of repayment of bonds and notes</li> </ul>	Deficit of HK\$139.1 billion consisting of: <ul style="list-style-type: none"> <li>HK\$183 billion deficit on operating account</li> <li>HK\$24.4 billion surplus on capital account</li> <li>HK\$19.5 billion of net proceeds from the Government Green Bond Programme</li> </ul>	Deficit of HK\$7.4 billion consisting of: <ul style="list-style-type: none"> <li>HK\$55.6 billion deficit on operating account</li> <li>HK\$44.3 billion surplus on capital account</li> <li>HK\$11.7 billion of net proceeds from the Government Green Bond Programme</li> <li>HK\$7.8 billion of repayment of bonds and notes</li> </ul>

By the end of 2024/25, the government projects fiscal reserves of approximately HK\$937.1 billion (equivalent to 15 months of government expenditure).

## Operating expenditure forecast

2019/20	2020/21	2024/25
HK\$528.3 billion	HK\$617.7 billion	HK\$636.4 billion

Total public expenditure is 26.6% of GDP for 2020/21, and will be kept at around 23.2% of the GDP during the five-year period up to 2024/25. The figures for operating expenditure for 2021/22 and beyond represent the forecast operating expenditure requirements for the HKSAR Government.

## Profits tax

- The two-tier profits tax rates for companies (8.25%/16.5%) and unincorporated businesses (7.5%/15%) remain unchanged.
- Propose a tax concession for carried interest issued by private equity funds operating in Hong Kong subject to the fulfilment of certain conditions.
- Explore other tax measures in addition to the proposed profits tax concessions for ship leasing business and marine insurance business to attract more global shipping business operators and commercial principals to set up business in Hong Kong.
- Closely monitor and assess the OECD's work in the international tax area, seek advice from stakeholders and devise corresponding measures to ensure Hong Kong's tax regime is in line with the new international developments and remains competitive.

## Salaries tax

- No change in the standard tax rate.
- No change in the progressive tax rates and the marginal tax bands.
- No change in the amounts of various personal allowances.



## Stamp duty

- Propose to waive stamp duty on stock transfers paid by the Exchange Traded Fund (ETF) market makers when creating and redeeming ETF units listed in Hong Kong.

## Proposed one-off measures

- Waive 100% of profits tax for 2019/20, subject to a ceiling of HK\$20,000.
- Waive 100% of salaries tax and tax under personal assessment for 2019/20, subject to a ceiling of HK\$20,000.
- Waive rates for non-domestic properties for the four quarters of 2020/21, subject to a ceiling of HK\$5,000 per quarter for the first two quarters and HK\$1,500 per quarter for the remaining two quarters for each rateable non-domestic property.
- Waive rates for residential properties for the four quarters of 2020/21, subject to a ceiling of HK\$1,500 per quarter for each rateable property.
- Waive the business registration fees for 2020/21.
- Waive the registration fees for all company annual returns (except for late delivery) for two years.
- Disburse HK\$10,000 to each Hong Kong permanent resident aged 18 or above.
- Provide one additional month of Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to recipients of the Work Incentive Transport Subsidy.
- Pay one month's rent for lower income tenants living in public rental units.
- Pay the examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination.

## Other proposals

- Introduce a concessionary low-interest loan with 100% Government guarantee for enterprises, with maximum loan amount of HK\$2 million and repayment period of up to 3 years, and moratorium on principal repayment for the first six months.
- Launch a HK\$1 billion pilot scheme for fixed-rate mortgage loans for homebuyers, with a ceiling of HK\$10 million per loan transaction.
- Earmark about HK\$500 billion for the two 10-year Hospital Development Plans and provide an additional HK\$3.6 billion to the Hospital Authority to retain talents in the 5-year period starting from 2021/22.
- Earmark HK\$3 billion to take forward Phase 2 of the Science Park Expansion Programme.
- Enhance the Technology Voucher Programme by increasing the grant ceiling to HK\$600,000, raising the government's funding ratio to 75% and increasing the maximum number of approved projects to six.
- Provide additional funding of over HK\$700 million for the Hong Kong Tourism Board to step up external promotion of Hong Kong.
- Earmark HK\$40 million to subsidise short-term internships for STEM graduates of local universities.
- Earmark HK\$7.1 billion for ex-gratia payment to vehicle owners under the scheme of phasing out Euro IV diesel commercial vehicles.
- Earmark HK\$1 billion for the Smart Traffic Fund to subsidise research and application on vehicle-related innovation and technology.
- The 2020/21 Land Sale Programme will include 15 residential sites and six commercial sites.