

# 2021/22 Budget Highlights



## Economic indicators

|                                 | 2020   | 2021 Forecast | 2022 to 2025<br>Medium range forecast |
|---------------------------------|--------|---------------|---------------------------------------|
| Increase/(decrease) in real GDP | (6.1%) | 3.5% to 5.5%  | Average 3.3% per annum                |
| Underlying inflation rate       | 1.3%   | 1%            | Average 2% per annum                  |

## Consolidated budget forecast

| 2020/21<br>Original forecast | 2020/21<br>Revised forecast   | 2021/22<br>Forecast   | 2025/26<br>Forecast   |
|------------------------------|---|---|---|
| Deficit of HK\$139.1 billion | Deficit of HK\$257.6 billion consisting of: <ul style="list-style-type: none"> <li>• HK\$280.8 billion deficit on operating account</li> <li>• HK\$3.9 billion surplus on capital account</li> <li>• HK\$19.3 billion of net proceeds from the Government Green Bond Programme</li> </ul> | Deficit of HK\$101.6 billion consisting of: <ul style="list-style-type: none"> <li>• HK\$141.6 billion deficit on operating account</li> <li>• HK\$4.9 billion surplus on capital account</li> <li>• HK\$35.1 billion of net proceeds from the Government Green Bond Programme</li> </ul> | Surplus of HK\$19.6 billion consisting of: <ul style="list-style-type: none"> <li>• HK\$22.3 billion deficit on operating account</li> <li>• HK\$14.6 billion surplus on capital account</li> <li>• HK\$35.1 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 2025/26, the government projects fiscal reserves of approximately HK\$775.8 billion (equivalent to 12 months of government expenditure).

## Operating expenditure forecast

| 2020/21           | 2021/22           | 2025/26           |
|-------------------|-------------------|-------------------|
| HK\$721.2 billion | HK\$611.9 billion | HK\$622.3 billion |

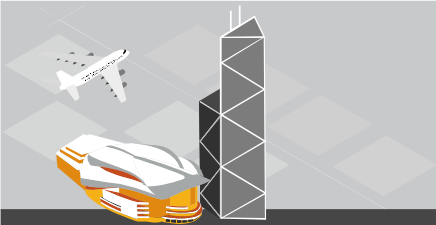
Total public expenditure is 27.0% of GDP for 2021/22, and will be kept at around 25.0% of the GDP during the five-year period up to 2025/26. The figures for operating expenditure for 2022/23 and beyond represent the forecast operating expenditure requirements for the HKSAR Government.

## Profits tax

- The two-tier profits tax rates for companies (8.25%/16.5%) and unincorporated businesses (7.5%/15%) remain unchanged.
- Review tax arrangements relevant to family office business.
- The Advisory Panel on BEPS 2.0 will put forth recommendations on specific response measures in a report to the Financial Secretary once the OECD has finalised the proposals. The direction of response measures is as follows:
  - 1) actively implement the OECD's BEPS 2.0 proposals according to international consensus;
  - 2) minimise the impact on local SMEs where possible and strive to maintain the simplicity, certainty and fairness of Hong Kong's tax regime;
  - 3) minimise the compliance burden on affected corporations while safeguarding Hong Kong's taxing rights; and
  - 4) keep up the efforts in improving Hong Kong's business environment and enhancing the competitiveness, with a view to attracting multinational corporations to invest and operate in Hong Kong.

## 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 raise the rate of stamp duty on stock transfers from 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively. Subject to the completion of the legislative process, the measure will take effect from the date specified in the amendment ordinance.

## Proposed one-off measures

- Waive 100% of profits tax for 2020/21, subject to a ceiling of HK\$10,000.
- Waive 100% of salaries tax and tax under personal assessment for 2020/21, subject to a ceiling of HK\$10,000.
- Waive rates for non-domestic properties for the four quarters of 2021/22, subject to a ceiling of HK\$5,000 per quarter for the first two quarters and HK\$2,000 per quarter for the remaining two quarters for each rateable non-domestic property.
- Waive rates for residential properties for the four quarters of 2021/22, subject to a ceiling of HK\$1,500 per quarter in first two quarters and HK\$1,000 per quarter in remaining two quarters for each rateable property.
- Waive the business registration fees for 2021/22.
- Issue electronic consumption vouchers in instalments with a total value of HK\$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above to facilitate and stimulate local consumption.
- Grant each residential electricity account a subsidy of HK\$1,000.
- Provide an extra half-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 Working Family Allowance and Individual-based Work Incentive Transport Subsidy.
- Pay the examination fees for school candidates sitting for the 2022 Hong Kong Diploma of Secondary Education Examination.

## Other proposals

- Propose to increase the rate of each tax band for the first registration tax for private cars (including electric private cars) by 15% and the vehicle licence fee by 30%. These adjustments have been gazetted for taking effect on the same day.
- Provide subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong.
- Provide subsidy for Real Estate Investment Trusts to list in Hong Kong.
- Extend the application period of 100% guarantee low-interest loan for enterprises to the end of this year, raise loan ceiling to HK\$6 million, extend repayment period and duration of principal moratorium
- Introduce a concessionary low-interest loan with 100% Government guarantee for individuals, with maximum loan amount of six times the average monthly income during employment, subject to a ceiling of HK\$80,000 and repayment period of up to five years, and moratorium on principal repayment for the first 12 months.
- Allocate HK\$6.6 billion for the Government to create around 30,000 time-limited jobs.
- Inject HK\$9.5 billion into the Innovation and Technology Fund by two yearly instalments.
- Earmark HK\$200 million to extend the IT Innovation Lab programme to primary schools and regularise the short-term IT related internship scheme for university students implemented last year.
- Inject HK\$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales, increase funding ceiling per enterprise to HK\$6 million and extend its geographical coverage in phases.
- Issue no less than HK\$24 billion of Silver Bond and no less than HK\$15 billion of iBond this year. Lower the eligible age for Silver Bond subscription from 65 to 60.
- Issue green bonds totalling \$175.5 billion within the next five years, and plan to issue retail green bonds.
- Earmark HK\$1 billion to subsidise drainage repair work in over 3,000 old buildings.
- Earmark HK\$1 billion to install small-scale renewable energy systems at government building and infrastructure.
- Earmark HK\$500 million to enhance facilities in country parks.
- The 2021/22 Land Sale Programme will include 15 residential sites and three commercial sites.

