

2022-23 HKSAR Budget Summary



The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po delivered the 2022-23 Budget Speech in the Legislative Council on 23 February 2022.

Tax Highlights of the Budget Speech



Profits Tax

A one-off tax reduction of 100% of profits tax for 2021-22, subject to a ceiling of HK\$10,000.



Salaries Tax

A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2021-22, subject to a ceiling of HK\$10,000.



Consumption Vouchers

Electronic consumption vouchers in instalments with a total value of HK\$10,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above.

Rating System

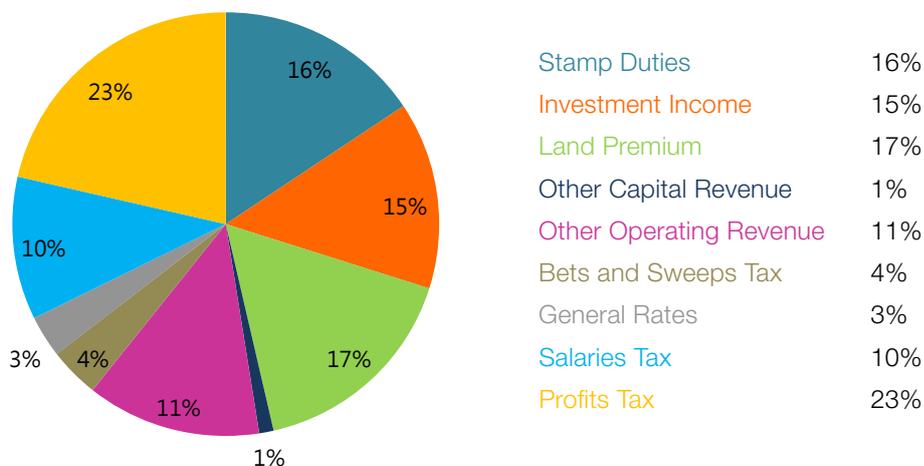
Proposed progressive rating system for domestic properties to be rolled out in 2024-25, under which the rate to be charged on the rateable value will be changed from the current flat rate of 5% to progressive rates. Details of the new rating system are set out in the below table:

Annual Rateable Value (Effective 2024-25)	Rate Percentage
HK\$550,000 or below	5%
HK\$550,001 – HK\$800,000	First HK\$550,000: 5% Next HK\$250,000: 8%
Above HK\$800,000	First HK\$550,000: 5% Next HK\$250,000: 8% Above HK\$800,000: 12%

Other Levies

- Rates for non-domestic properties to be waived for the four quarters of 2022-23, subject to a ceiling of HK\$5,000 per quarter in the first two quarters and HK\$2,000 per quarter in the last two quarters for each rateable non-domestic property.
- Rates for domestic properties to be waived for the four quarters of 2022-23, subject to a ceiling of HK\$1,500 per quarter in the first two quarters and HK\$1,000 per quarter in the last two quarters for each rateable domestic property. Only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name starting from 2023-24.
- Business registration fees for 2022-23 to be waived.

Analysis of Government Estimated Revenue for 2022-23



Economic performance of Hong Kong in 2021

In terms of economic performance, with the roll-out of vaccination schemes around the world as well as the strong fiscal and monetary support throughout 2021, global economic activities revived remarkably. Given the sharp rebound in demand from major economies, production and trading activities in Asia were vibrant. Meanwhile, the International Monetary Fund estimated that the global economy staged a strong rebound by 5.9% for 2021.

Hong Kong's overall economy saw a recovery in 2021 with a Gross Domestic Product growth of 6.4%, reversing the declining trend in the past two consecutive years. The labour market in Hong Kong continued to improve in 2021, with the seasonally-adjusted unemployment rate dropping substantially from 7.2% in early 2021 to 3.9% in the latest period (November 2021 to January 2022). Due to the continued recovery of the local economy and the accelerated rise in import prices, consumer price inflation increased progressively in 2021. However, owing to the fall in private housing rentals earlier on, the increase of the consumer price index remained mild. Netting out the effect of the Government's one-off measures, the underlying inflation rate was 0.6% for 2021 as a whole, down 0.7% from 2020 (1.3%).

As regards the non-residential property market, due to the recovery of the local economy and the abolition of the Double Stamp Duty imposed on non-residential property transactions in November 2020, there was a rebound in transaction activities last year. The Government indicated that it would continue to increase land supply and closely monitor the property market development.

Efforts to combat COVID-19

The Anti-epidemic Fund ("AEF") was set up in February 2020 to enhance Hong Kong's capability in combating COVID-19 and to provide relief for industries and members of the public hit hard by the epidemic. Recently, the Government approved a further injection of HK\$27 billion into the AEF for the sixth round of relief measures for relieving the financial burdens of both individuals and businesses. Together with the fundings allocated during the last five rounds of relief measures, the total funding allocated by the Government to the AEF is HK\$228 billion. The relief measures under the AEF, together with the counter-cyclical measures already launched in the previous two budgets, involved a total financial commitment of over HK\$460 billion. Besides, the Government had devoted substantial resources to fighting the epidemic, including providing isolation facilities, setting up a temporary hospital, launching the vaccination programme, providing testing services and increasing the supply of medications, medical equipment etc., involving a total of over HK\$24 billion.

According to the 2022-23 Budget Speech, the Government will allocate substantial additional resources in the coming financial year for combating COVID-19, including additional funding totaling HK\$47.5 billion to strengthen testing work and provide additional support for the Hospital Authority, procure more vaccines as booster doses for the general public, procure anti-epidemic items and services, implement anti-epidemic measures, enhance environmental hygiene services and construct various anti-epidemic related facilities. Besides, the Government has earmarked HK\$20 billion for other potential anti-epidemic needs.

In addition, among other measures to reduce the financial pressure of small and medium-sized enterprises (“SME”), the Government will also extend the application period of all guarantee products under the SME Financing Guarantee Scheme (“SFGS”) for one year to the end of June next year. The Special 100% Loan Guarantee under the SFGS will also be further enhanced by increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 18 months to that for 27 months with the loan ceiling raised from HK\$6 million to HK\$9 million, and by extending the maximum repayment period from 8 years to 10 years.

Estimates for 2022-23

The total Government revenue for 2022-23 is estimated to be HK\$715.9 billion. The operating expenditure and capital expenditure for 2022-23 are estimated to be HK\$682.5 billion and HK\$124.8 billion respectively. The total Government expenditure for 2022-23 is estimated to be HK\$807.3 billion, an increase of 15.5% from the revised estimate for 2021-22. The Financial Secretary forecasts a deficit of HK\$56.3 billion in the consolidated account in the coming year. The fiscal reserves are estimated to be HK\$890.3 billion by the end of March 2023.

Potential tax-related developments

- Proposed tax concessions for eligible family investment management entities managed by single family offices – it is expected that the tax concessions will come into effect in the year of assessment 2022-23.
- Proposed half-tax concession for attracting maritime enterprises to establish a presence in Hong Kong.
- Hong Kong is currently negotiating with 14 tax jurisdictions for entering into new Comprehensive Avoidance of Double Taxation Agreements (“CDTA”). Hong Kong will continue to expand its CDTA network to minimize the risk of double taxation.
- Propose to implement the global minimum tax rate and other relevant requirements in accordance with the international tax reform proposals drawn up by the OECD to address base erosion and profit shifting (i.e. BEPS 2.0) which targets large multinational enterprise (“MNE”) groups with global turnover of at least EUR750 million. A domestic minimum top-up tax may be introduced for the aforesaid MNEs 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.
- Notwithstanding the commitment to align with BEPS 2.0, the Government reaffirmed that it would preserve the advantages of Hong Kong’s simple tax regime, maintain the territorial source principle of taxation, and minimise the compliance burden on MNEs when implementing BEPS 2.0.
- For Government rates, a progressive rating system will be introduced in 2024-25 for domestic properties as detailed in the earlier part of this budget summary.
- Proposed tax deduction for domestic rental expenses starting from the year of assessment 2022-23 so as to ease the burden of renting a private property on individuals liable to salaries tax and tax under personal assessment who are not owners of domestic properties, subject to a deduction ceiling of HK\$100,000 for a year of assessment.

Salaries Tax	
Personal tax allowances and deductions:	
	2021-22 and 2022-23 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 recognized retirement schemes	18,000
Approved charitable donations (5)	35%
Qualifying premiums paid under the Voluntary Health Insurance Scheme Policy	8,000 per insured person
Qualifying annuity premiums and tax deductible MPF voluntary contributions	60,000
Domestic rental expenses (6)	100,000
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 allowances.	
(6) For whom are not owners of residential properties starting from the year of assessment 2022-23.	

1. Standard salaries tax rates:	
2021-22 and 2022-23	
Standard tax rate	15%

2. Progressive salaries tax rates:	
2021-22 and 2022-23	
Net Chargeable Income	Tax Rate
First HK\$50,000	2%
Next HK\$50,000	6%
Next HK\$50,000	10%
Next HK\$50,000	14%
Remainder	17%

3. Profits Tax		
2021-22 and 2022-23	Business Category	
Assessable Profits	Unincorporated Business	Corporation
First HK\$2,000,000 (subject to certain conditions)	7.5%	8.25%
Over HK\$2,000,000	15%	16.5%

4. Property Tax	
Taxpayer	2021-22 and 2022-23
Property Owner	15%

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