



# Hong Kong Budget Summary 2022-2023





# Commentary

The Financial Secretary has forecasted a budget surplus of HK\$18.9 billion for the 2021-22 fiscal year, a significant turnaround from the original estimate of a deficit of HK\$101.6 billion. This is primarily due to an unanticipated increase in land-related and profits tax revenue. Despite various one-off pandemic relief measures granted during the year, Hong Kong's fiscal reserves remain strong at an estimated HK\$946.7 billion as at 31 March 2022. This underlines the strong position of the Hong Kong SAR government's books and resilience of the Hong Kong economy.

With the outbreak of the fifth wave of the pandemic, the government's budget (the "Budget") will provide much needed assistance to citizens and businesses severely affected by the pandemic. We are pleased to see that the government has adopted our proposed measure of issuing another round of electronic consumption vouchers to Hong Kong permanent residents and new arrivals. We believe this will be an effective measure to support citizens and businesses in the short term and stimulate local consumption. The electronic consumption vouchers also promote the development of a digital economy as part of the broader smart city blueprint.

Whilst no new taxes are proposed in this year's Budget, it is anticipated that there will be future tax law changes in Hong Kong. In particular, it is proposed that a progressive rating system will be introduced in 2024-25. Further, in response to the international tax reform proposals drawn up by the OECD, the government is looking to introduce a tax bill within 2022 to implement the OECD's global minimum tax rate for large multinational enterprise groups with global turnover of at least 750 million euros. This will include the introduction of a domestic minimum top-up tax for these groups from the year of assessment 2024-25. This change will have a significant impact on many affected taxpayers and is forecasted to provide significant additional revenue. We suggest careful consideration of the tax system in general be given to make sure Hong Kong continues to be the leading business centre in Asia. We would also like to see that the government will make good use of the additional revenue collected to further enhance Hong Kong's business environment and competitiveness.

There are various measures in the Budget focusing on strengthening Hong Kong's position as an international trade and financial centre and a wealth and asset management hub. We support the continued focus in this area. The Budget proposed various tax and non-tax measures supporting the development of family offices, the maritime and port sector and innovation and technology sector. We suggest that further support is provided to the asset management industry, in particular, to ensure Hong Kong does not fall behind other financial centres. We are also pleased to see measures in the Budget that enhance the quality of the workforce and help attract talent to boost Hong Kong's competitiveness in the long run.

In summary, this year's Budget provides various measures and sweeteners to support citizens and businesses during the pandemic, while investing to further improve Hong Kong's medium to long-term competitiveness. We hope that the government will release the implementation details quickly to help Hong Kong move further along the road to recovery.

The information contained in the *Hong Kong Budget Summary 2022-2023* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

*It should be noted that the information is presented in summary form and readers are advised to seek professional advice before formulating business decisions.*



# Hong Kong economic indicators





# Estimated consolidated fiscal position



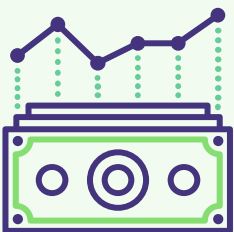
## In Hong Kong dollars



**Hong Kong Government's  
original estimated 2021/22  
deficit: 101.6 billion**



**Hong Kong Government's  
revised estimated 2021/22  
Surplus: 18.9 billion**



**Estimated fiscal reserve as at  
31 March 2022:  
946.7 billion**



**Hong Kong Government's  
estimated 2022/23  
deficit: 56.3 billion**

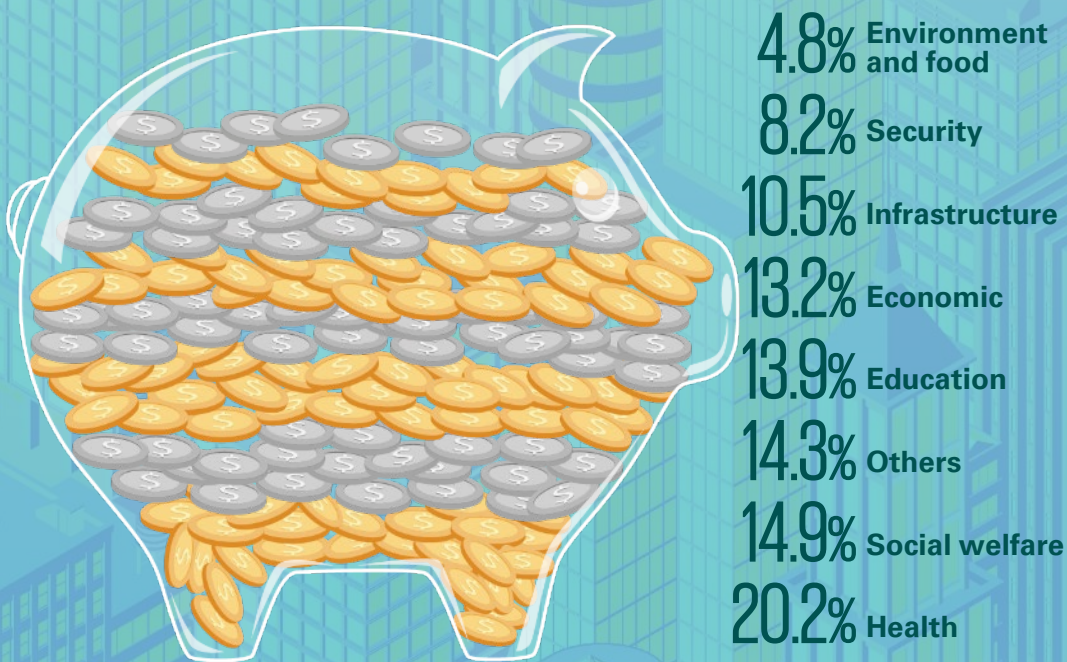




# 2022-23 government revenue and expenditure (estimated)



Total government revenue for 2022-23 is estimated to be HKD 715.9 billion (2021-22: HKD 682.7 billion) within which tax revenues (i.e., Profits Tax, Stamp Duty, Salaries Tax) account for 49.4%, followed by land premiums at 16.7% and investment income at 15.2%. Total government expenditure is estimated at HKD 807.3 billion (2021-22: HKD 698.9 billion). Education, social welfare and healthcare account for about 48.9% of total government expenditure. The government forecasts an overall consolidated deficit of HKD 56.3 billion for 2022-23. This has taken into account the launch of countercyclical fiscal measures and the continued increase of recurrent expenditure. Hong Kong's fiscal reserves are predicted to remain strong at about HKD 890.3 billion as at 31 March 2023. Fiscal reserves are estimated to stand at HKD 1.065 trillion by the end of March 2027, which is equivalent to roughly 16 months of government expenditures.



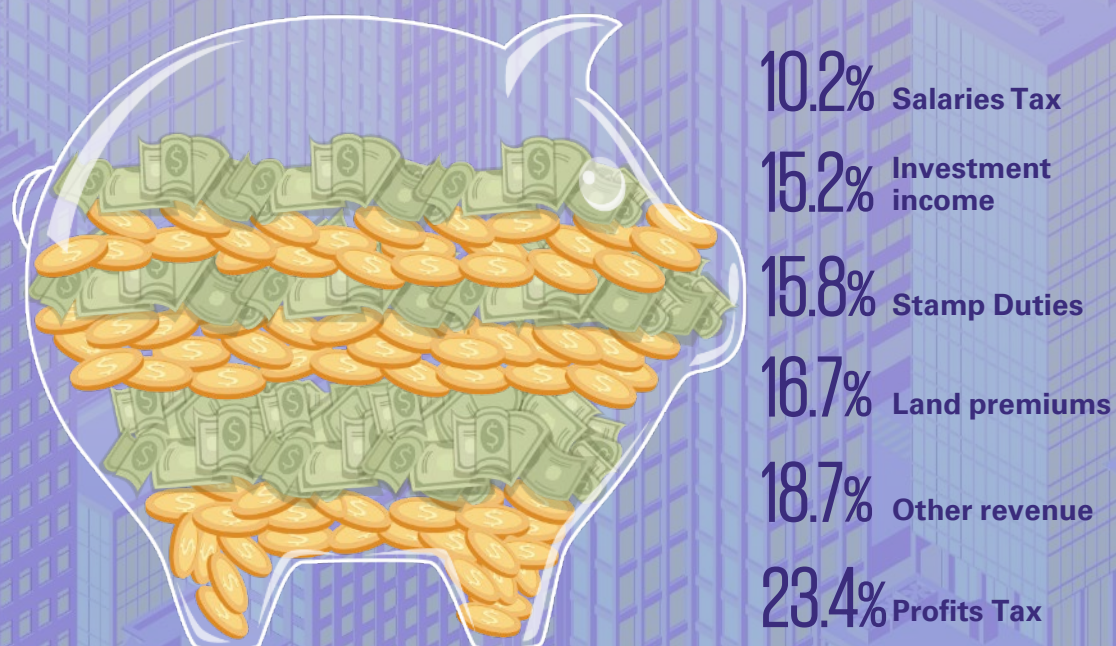
**Estimated expenditure for 2022-23**

807.3 billion

**Revised estimated expenditure for 2021-22**

698.9 billion

**2022-2023 Government expenditure  
(estimated)**



**Estimated revenue for 2022-23**

715.9 billion

**Revised estimated revenue for 2021-22**

682.7 billion

**2022-2023 Government revenue  
(estimated)**

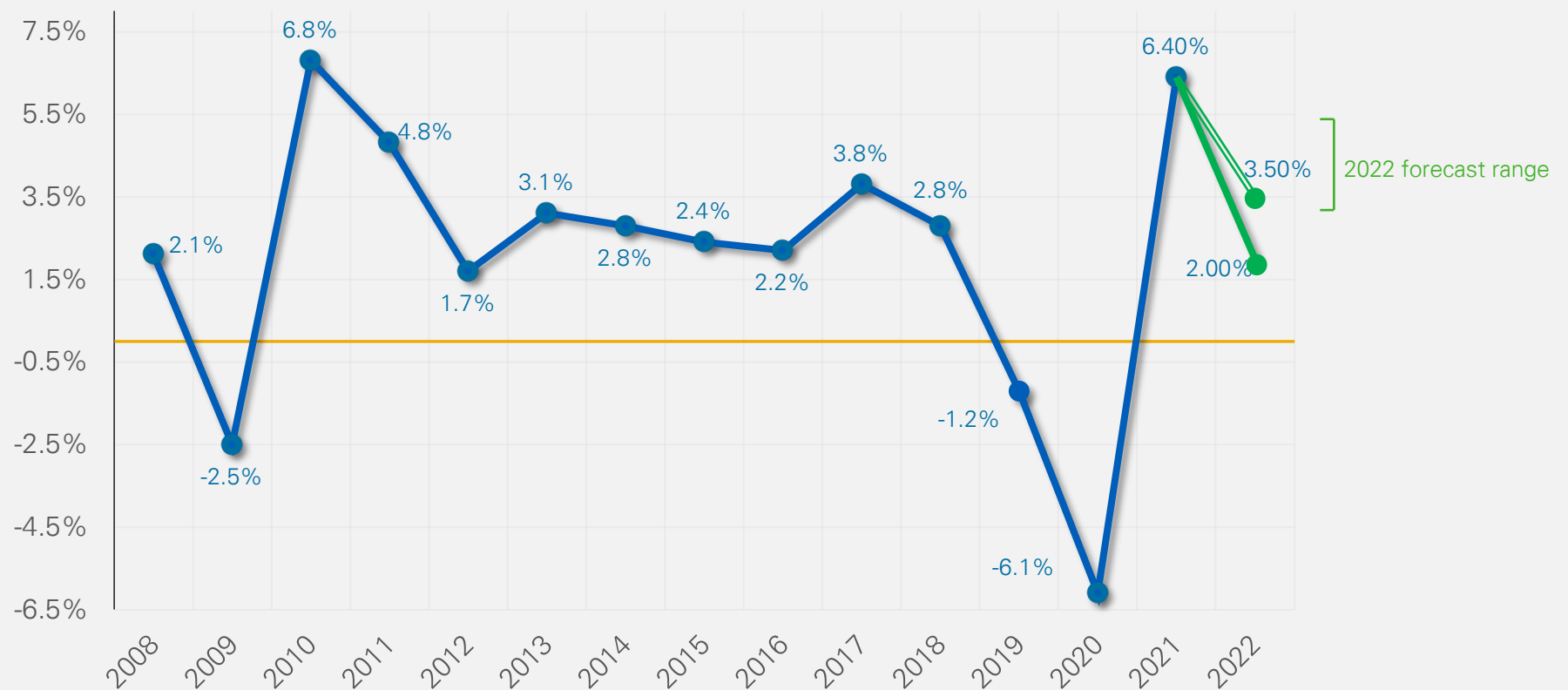
Source: 2022-2023 Budget Speech, HKSAR Government



# Real gross domestic product growth rate



Overall, the Hong Kong economy showed a growth of 6.4% year-on-year, predominantly as a result of the continued recovery of the local economy last year. Nevertheless, border closures and other restrictions imposed on local economic activities continue to significantly disrupt Hong Kong's catering, retail and tourism sectors. Due to the fifth wave of the pandemic, the economic outlook for 2022 will be challenging. With timely targeted measures rolled out by the government supported by healthy fiscal reserves, Hong Kong's economy remains resilient and capable of weathering these economic headwinds.



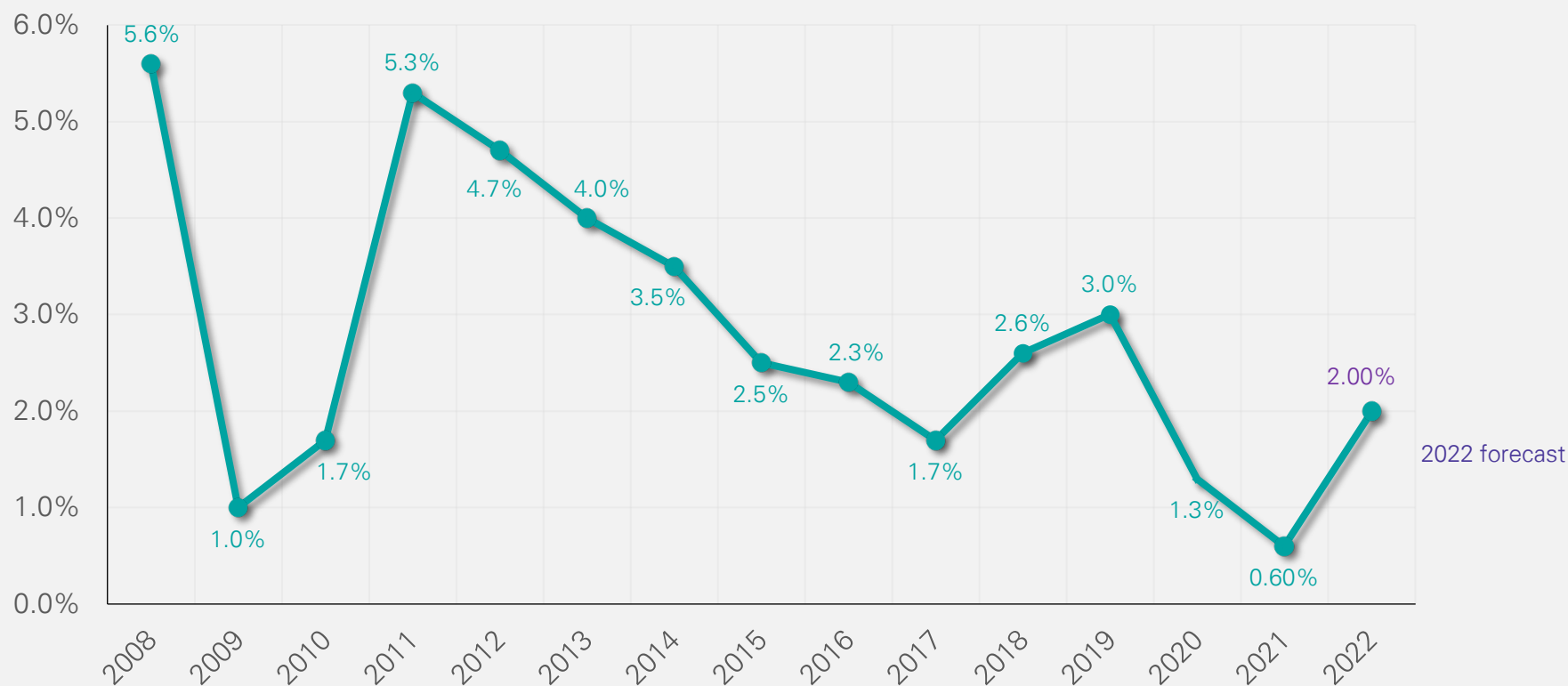
Source: Census and Statistics Department, HKSAR Government



# Underlying inflation rate



The underlying inflation rate in 2021 is estimated to be 0.6%, down 0.7 percentage point from the year before. Looking ahead, the inflation outlook for 2022 will be heavily influenced by the pace of recovery from the fifth wave of the pandemic and the pace of global economic recovery. The inflation pressure in Hong Kong should remain moderate in overall terms. It is estimated that the local economy will likely only show signs of recovery during the second half of 2022.



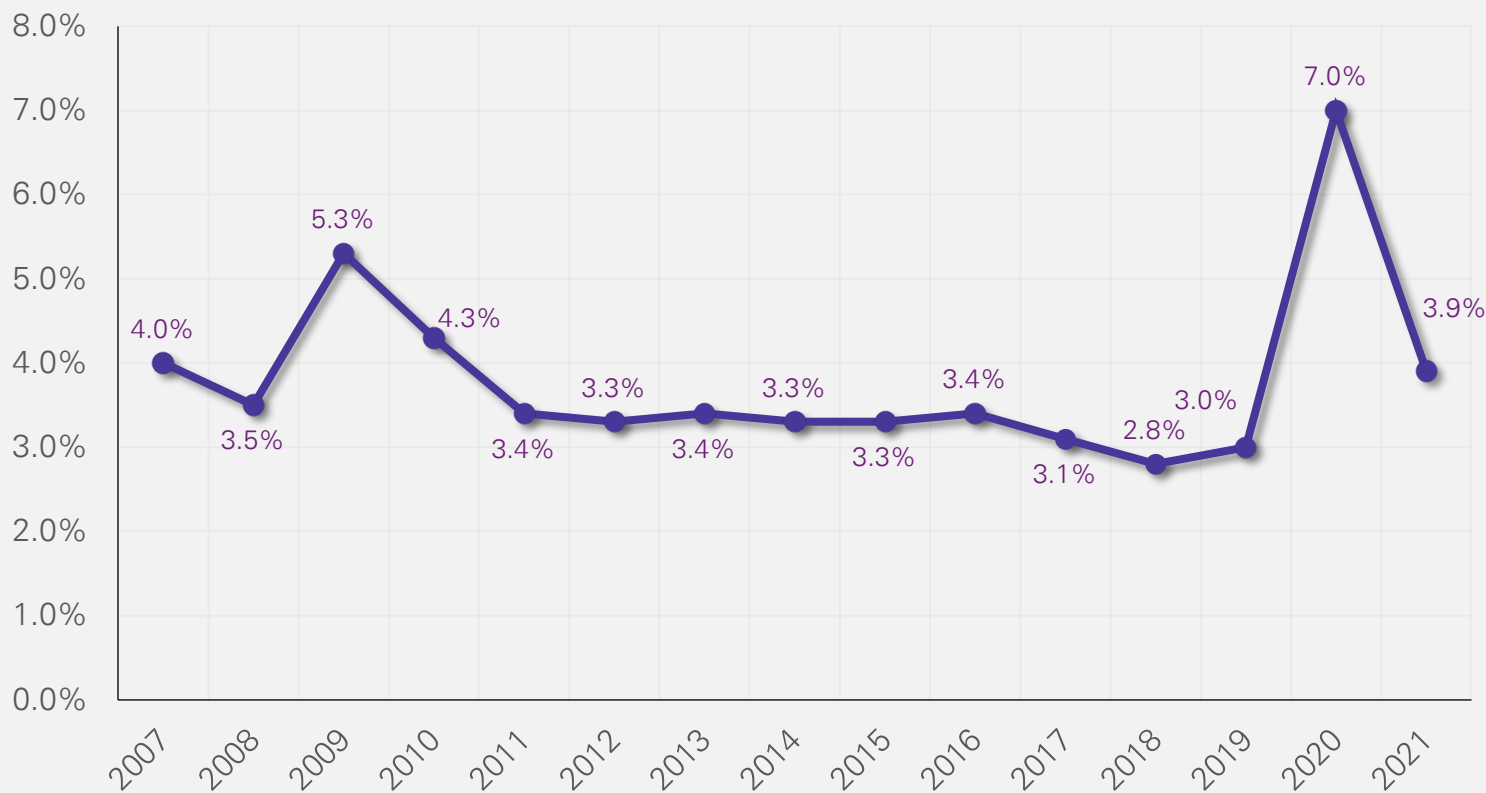
Source: Census and Statistics Department, HKSAR Government



# Unemployment rate



The unemployment rate in Hong Kong for the period from November 2021 to January 2022 was 3.9%, with catering, entertainment-related and tourism-related sectors significantly affected by the pandemic. Looking ahead, the unemployment rate will largely depend on the pace of recovery from the fifth wave of the pandemic.



Source: Census and Statistics Department, HKSAR Government



# Budget proposals at a glance



# Economy



Issue **HKD 10,000** electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged **18** or above to facilitate and stimulate local consumption. For persons registered for the electronic consumption vouchers issued in 2021, the first **HKD 5,000** voucher will be issued in April, while the remaining **HKD 5,000** voucher will be issued in mid-year by instalment. For newly eligible persons after successful registration, an **HKD 10,000** voucher will be issued in mid-year by instalment.



Issue inflation-linked retail bonds of not less than **HKD 15 billion** and Silver Bonds of not less than **HKD 35 billion**



Issue green bonds totaling **USD 4.5 billion** or equivalent and retail green bonds of not less than **HKD 10 billion** in the next financial year



Earmark **HKD 1.26 billion** for the Hong Kong Tourism Board to help revive the tourism industry



Implement a pilot scheme on infrastructure financing securitisation to offer infrastructure financing securitisation products with a total value of **USD 450 million**



Allocate **HKD 10 million** for launching a new round of the Fintech Proof-of-Concept Subsidy Scheme



## Key measures

# Smart city



Increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by **HKD 10 billion**. **HKD 5 billion** will be allocated to set up a GBA Investment Fund and the remaining **HKD 5 billion** will be used to set up a Strategic Tech Fund to focus on investment opportunities in the GBA and invest in technology enterprises and projects respectively



Double the subsidy amount to **HKD 440 million** to strengthen support to the R&D activities of 16 State Key Laboratories and six Hong Kong Branches of Chinese National Engineering Research Centres in Hong Kong



Earmark **HKD 600 million** to conduct a comprehensive e-government audit



Earmark **HKD 10 billion** to further promote the development of life and health technology



Double the subsidy amount under the Technology Start-up Support Scheme for Universities to **HKD 16 million**



Set up a Digital Economy Development Committee to accelerate the progress of digital economy



Inject **HKD 200 million** into the Green Tech Fund





## Key measures

# Community development and infrastructure



Set aside **HKD 100 billion** from the cumulative return of the Future Fund to set up a dedicated fund to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis



Allocate **HKD 1 billion** to the Construction Industry Council for supporting manpower training



Increase recurrent allocation up to **HKD 400 million** as needed for enhancing training for medical professionals



Seek funding approval of about **HKD 8.4 billion** to carry out drainage improvement works to enhance the flood control capability and cope with climate change




Inject **HKD 1.5 billion** to the EV-charging at Home Subsidy Scheme to support the installation of EV charging-enabling infrastructure in more car parks of existing private residential buildings








# Caring society

 Lower the threshold for the Public Transport Fare Subsidy Scheme to **HKD 200** from May to October 2022

 Strengthen support for e-learning, the Quality Education Fund has set aside **HKD 2 billion** to launch a three-year programme starting from this school year, under which subsidies will be provided to schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students.

 Grant each eligible residential electricity account a subsidy of **HKD 1,000**

 Raise the subsidy ceiling of the Continuing Education Fund to **HKD 25,000** and remove the upper age limit.

 Earmark **HKD 10 billion** for the completion of the works to upgrade and increase healthcare teaching facilities of universities to provide the capacity to cope with about **900** additional healthcare training places





# Land and housing



**13** residential sites under the 2022/23 Land Sale Programme, railway property development, private development and redevelopment projects as well as the URA's projects to provide about **18,000** units; **4** commercial sites to provide about **300,000** square metres of commercial floor area



Approximately **103** hectares of land to be made available in the coming five years for the production of over **57,000** units



Public housing - identified **350** hectares of land for the provision of about **330,000** public housing units to meet the demand in the coming 10 years



Private housing - completion of private residential units to average over **19,000** units annually in the five years from 2022 onward. The projected first-hand private residential unit supply for the next three to four years is **98,000** units



Transitional housing units - identified sufficient land for the provision of more than **17,000** units. Around **4,200** and **11,000** units are expected for completion this year and next year respectively



Inject **HKD 1.2 billion** into the Construction Innovation and Technology Fund to introduce more concessionary measures



Introduce more concessionary measures to encourage the adoption of Modular Integrated Construction to expedite housing supply





# Profits Tax







# Profits Tax



## Key highlights

No changes proposed to tax rates

Reduction of 100% in Profits Tax payable for 2021-22, subject to a ceiling of **HKD 10,000**



To provide tax concessions for the eligible family investment management entities managed by single-family offices



To provide a 50% tax concession to attract eligible maritime enterprises to establish a presence in Hong Kong (including ship registration, ship finance and management, marine insurance, and maritime legal and arbitration services)





Tax rates		
	Corporations	Unincorporated businesses
<b>Standard tax rate*</b>	16.5%	15%
<b>Two-tiered Profits Tax rates regime</b> Qualifying taxpayers may be taxed at the following rates: - First HKD 2 million of assessable profits - Remaining balance <i>Note: Only one entity within a group can benefit from the two-tiered rates</i>	8.25% 16.5%	7.5% 15%

\*Concessionary regimes are available for certain specified industries or business activities.

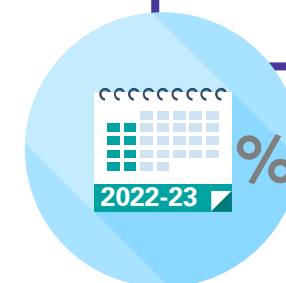
### Profits Tax on royalties paid to non-residents

When royalty payment is made to a non-resident associated person and the underlying intellectual property has once been owned by any Hong Kong taxpayer, the assessable profits of the non-resident associated person are deemed to be 100% of the payment (i.e. effective tax rate is 15% or 16.5%). In other cases, the assessable profits of the non-resident person are generally deemed to be 30% of the payment (i.e. effective tax rate is 4.5% or 4.95%). The effective tax rate may be reduced under the terms of the applicable double taxation agreement or election of the two-tiered Profits Tax rates.

Capital allowances	
<b>Depreciation allowances for plant and machinery</b> - Initial allowance - Annual allowance	60% 10%, 20% or 30%
<b>Industrial building allowances</b> - Initial allowance - Annual allowance	20% 4%
<b>Commercial building allowance</b>	4%
<b>Building refurbishment</b>	20% deduction for 5 years
<b>Expenditure on computer hardware and software</b>	100% deduction
<b>Expenditure on environmentally friendly machinery and equipment</b>	100% deduction
<b>Enhanced tax deduction for qualifying research and development expenditure</b>	300% (for the first HKD 2 million) 200% (for the remaining balance)

Source: Inland Revenue Ordinance

No changes  
proposed in  
tax rates for  
2022-23





# Salaries Tax

Week:4

Friday

Saturday

Sunday

29

30







# Salaries Tax



## Key highlights

Introduce tax deduction for domestic rental expenses, subject to a ceiling of **HKD 100,000** starting from 2022-23



Reduction of 100% in Salaries Tax payable for 2021-22, subject to a ceiling of **HKD 10,000**







## Tax rates

The tax charge for Salaries Tax is the lower of the:

- (a) Net assessable income less charitable donations and allowable deductions at the standard rate (15%); or
- (b) Net assessable income less charitable donations, allowable deductions and personal allowances, charged at the progressive rates below.

2016-17	Rate	HKD	2017-18	Rate	HKD	2018-19 to 2022-23	Rate	HKD
First HKD 40,000	2%	800	First HKD 45,000	2%	900	First HKD 50,000	2%	1,000
Next HKD 40,000	7%	2,800	Next HKD 45,000	7%	3,150	Next HKD 50,000	6%	3,000
Next HKD 40,000	12%	4,800	Next HKD 45,000	12%	5,400	Next HKD 50,000	10%	5,000
						Next HKD 50,000	14%	7,000
Remaining balance	17%			17%			17%	



Allowances for individuals		2016-17 HKD	2017-18 HKD	2018-19 HKD	2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD
<b>Personal allowances</b> 	Basic	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Married	264,000	264,000	264,000	264,000	264,000	264,000	264,000
	Single parent	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Disabled	-	-	75,000	75,000	75,000	75,000	75,000
<b>Child allowances</b> 	1st to 9th child (each)							
	- Year of birth	200,000	200,000	240,000	240,000	240,000	240,000	240,000
	- Other years	100,000	100,000	120,000	120,000	120,000	120,000	120,000
<b>Dependent parent and grandparent allowances</b> 	Aged 60 or above, or disabled	46,000	46,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	23,000	25,000	25,000	25,000	25,000	25,000
<b>Additional dependent parent and grandparent allowances</b> 	Aged 60 or above, or disabled	46,000	46,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	23,000	25,000	25,000	25,000	25,000	25,000
<b>Disabled dependent (spouse/child/parent/grandparent/brother/sister) allowances</b> 		66,000	75,000	75,000	75,000	75,000	75,000	75,000
<b>Dependent brother/sister allowances</b> 		33,000	37,500	37,500	37,500	37,500	37,500	37,500

Deductions – maximum limit	2016-17 HKD	2017-18 HKD	2018-19 HKD	2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD
<b>Self-education expenses</b>	80,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Elderly residential care expenses</b>	92,000	92,000	100,000	100,000	100,000	100,000	100,000
<b>Mandatory contributions to recognised retirement schemes</b>	18,000	18,000	18,000	18,000	18,000	18,000	18,000
<b>Home loan interest</b>	100,000						
<b>Approved charitable donations</b>	35% of assessable income						
<b>Qualifying voluntary health insurance scheme policy premiums</b>	-	-	-	8,000 per insured person	8,000 per insured person	8,000 per insured person	8,000 per insured person
<b>Annuity premiums and MPF voluntary contributions</b>	-	-	-	60,000	60,000	60,000	60,000

Source: Inland Revenue Ordinance

# Property Tax, Rates and Stamp Duty







# Property Tax, Rates and Stamp Duty

## Key highlights

### Rating System

Propose to revise the rating system by: (1) granting rates concession in a more targeted manner starting in 2023-24; and (2) introducing a progressive rating system for domestic properties starting in 2024-25

### Stamp Duty

No changes proposed

### Property Tax

No changes proposed

### Rates (domestic property)

Rates waiver for each domestic property for all 4 quarters of 2022-23, subject to a ceiling of HKD 1,500 per quarter in the first 2 quarters and HKD 1,000 per quarter in remaining 2 quarters

### Rates (non-domestic property)

Rates waiver for each non-domestic property for all 4 quarters of 2022-23, subject to a ceiling of HKD 5,000 per quarter in the first 2 quarters and HKD 2,000 per quarter in the remaining 2 quarters

## Stamp Duty

### Lease of immovable properties

Lease term	Rate
<b>Not defined or is uncertain</b>	0.25% of the yearly or average yearly rent
<b>Does not exceed 1 year</b>	0.25% of the total rent payable over the term of the lease
<b>Exceeds 1 year but not exceeding 3 years</b>	0.5% of the yearly or average yearly rent
<b>Exceeds 3 years</b>	1% of the yearly or average yearly rent

### Sale and purchase of Hong Kong stock

Tax rate
0.26% of the consideration or the market value of the stock as at the transfer date – whichever is higher

## Sale on transfer of immovable properties



### Ad valorem stamp duty



Property consideration				
Exceeds	Does not exceed	Flat rate (for residential properties)	Scale 2 rates*# (for non-residential properties)	Scale 2 rates* (for Hong Kong permanent residents who do not own other residential properties and in other specified circumstances)
	HKD 2,000,000	15%	HKD 100	HKD 100
HKD 2,000,000	HKD 3,000,000		1.5%	1.5%
HKD 3,000,000	HKD 4,000,000		2.25%	2.25%
HKD 4,000,000	HKD 6,000,000		3.0%	3.0%
HKD 6,000,000	HKD 20,000,000		3.75%	3.75%
HKD 20,000,000			4.25%	4.25%

\* Subject to marginal relief

# Applicable to any instrument executed on or after 26 November 2020 for the sale and purchase or transfer of non-residential property (subject to the enactment of the relevant amendment bill by the Legislative Council)



### Special stamp duty on disposal of residential properties



Property holding period	Tax rate
6 months or less	20%#
More than 6 months but not exceeding 12 months	15%#
More than 12 months but not exceeding 36 months	10%#

# On the sales consideration or market value of property at the date of sale (whichever is higher)



### Buyer's stamp duty on acquisition of residential properties



	Tax rate
For non-permanent Hong Kong residents	15%#

### Property Tax

Tax rate	15%
----------	-----

The tax rate is applied to the "net assessable value" of the property which is calculated at the total rent receivable (net of rates) less 20% statutory allowance for repairs and outgoings.

Sources: Inland Revenue Ordinance  
Stamp Duty Ordinance  
Rating and Valuation Department's website

### Rates

Tax rate	5%
----------	----

The tax rate is applied to the "rateable value" which is the estimated annual rental value of the property at a designated valuation reference date. As there has been no major change since 1995, the Government will review the rating system for any improvement.

### Proposed progressive rating system for domestic properties from 2024-25 onwards

Annual rateable value (Equivalent monthly rental)	Proposed rates
\$550,000 or below (monthly rental of \$45,833 or below)	5% (unchanged)
\$550,001-\$800,000 (monthly rental of around \$45,833 to \$66,667)	First \$550,000: <b>5%</b> Next \$250,000: <b>8%</b>
Above \$800,000 (monthly rental of over \$66,667)	First \$550,000: <b>5%</b> Next \$250,000: <b>8%</b> Above \$800,000: <b>12%</b>



# Contact us



**Lewis Lu**  
**National Head of Tax**  
Tel: +86 21 2212 3421  
[lewis.lu@kpmg.com](mailto:lewis.lu@kpmg.com)



**John Timpany**  
**Head of Tax, Hong Kong**  
Tel: +852 2143 8790  
[john.timpany@kpmg.com](mailto:john.timpany@kpmg.com)



**Alice Leung**  
**Partner**  
Tel: +852 2143 8711  
[alice.leung@kpmg.com](mailto:alice.leung@kpmg.com)



**Stanley Ho**  
**Partner**  
Tel: +852 2826 7296  
[stanley.ho@kpmg.com](mailto:stanley.ho@kpmg.com)



For enquiries relating to this publication or other tax matters, you can access the contact details of our KPMG tax professionals via QR code.



You can access KPMG's *Hong Kong Budget Summary 2022-2023* via QR code or link:-  
[kpmg.com.hk/budget](https://kpmg.com.hk/budget)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG Tax Services Limited, a Hong Kong (SAR) limited liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. © 2022 KPMG, a Hong Kong (SAR) partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in Hong Kong (SAR).

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.