

A budget balancing various considerations

Hong Kong 2021-22 Budget insights



Highlights



Issue **HK\$5,000** electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above



Reduce profits tax, salaries tax and tax under personal assessment for 2020-21 by 100%, capped at **HK\$10,000**



Waive rates for domestic properties in 2021-22, subject to a ceiling of HK\$1,500 per quarter in first two quarters and \$1,000 per quarter in remaining two quarters



Grant each residential electricity account a subsidy of **HK\$1,000**



Set up a “Special **100% Loan Guarantee** for Individuals Scheme” for unemployed individuals (interest fixed at 1% per annum and loan amount capped at HK\$80,000)



Provide an extra **half month** of various social security payments



Waive rates for non-domestic properties in 2021-22, subject to a ceiling of HK\$5,000 per quarter in first two quarters and HK\$2,000 per quarter in remaining two quarters



Waive the business registration fees for 2021-22



Issue no less than **HK\$15 billion** of iBonds



Issue no less than **HK\$24 billion** Silver Bonds and the eligible age for subscribing will be lowered from 65 to 60



Overall commentary

In his most recent blog the Financial Secretary (FS) posted a picture of a luncheon get-together with his colleagues. Viewers of his post may have been slightly concerned at the rather meagre lunch fare on the table, resting uneasily next to a copy of his 2021-22 Budget Speech to be delivered today.

Was the FS's choice of a modest lunch intended to prepare us for a lean and mean budget, absent the usual menu of sweeteners? Thankfully, this was not the case.

Whilst the fight against COVID-19 and associated relief measures over the past year has significantly depleted the Government's purse, in today's Budget speech the FS found room for some sweeteners whilst outlining a sustainable path toward economic recovery.

Although the profits tax and salaries tax rebates capped at HK\$10,000 for 2020-21 final assessment may be less than in prior years, taken together with the electricity subsidy and rates concessions these measures might be regarded as a reasonable effort in the face of current circumstances. In addition, the FS announced the issuance of electronic consumption vouchers with a total value of HK\$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above. This is a positive step and should do more to stimulate the local economy compared to a simple cash handout. The switch to a mode of electronic relief and references to the digital economy mirrored one of today's Budget themes, the FS stressing the future importance of IT, STEM teaching and increased attention to FinTech.

The FS also mapped out his vision of the road to recovery, correctly highlighting the active role that Hong Kong can play within the Greater Bay Area (GBA) by leveraging its advantages in IT development, scientific research, the protection of intellectual property rights and the delivery of first class financial support services to achieve co-ordinated development within the GBA. The FS was also correct to highlight the role that the Hong Kong International Airport can play as a "double gateway" connecting the world and the GBA when e-commerce is booming and regional demand for air cargo services will likely rise.

Given the large proportion of high-net-worth individuals that reside in the GBA, today's announcement by the FS to enhance Hong Kong's attractiveness as a hub for family offices by offering one-stop support services and reviewing relevant tax arrangements was welcome news. Taken together with his plans to provide a subsidy for open-ended fund companies (OFCs) to set up in or re-domicile to Hong Kong, the financial services sector should be in a position to explore new opportunities.

Less welcoming for the financial services sector may be the decision by the FS to raise the stamp duty on stock transfers from 0.1% to 0.13% on each transaction payable by buyers



and sellers respectively. This increase should however be viewed in the light of the FS's decision not to increase salaries tax or profits whilst signaling the Government's acceptance that spending may on average increase to 25% of GDP in the next five years. In order to maintain such a level of expenditure it will be necessary to seek additional revenue streams. Although Hong Kong is already one of the world's key stock markets with the highest trading costs, an increase in stamp duty is perhaps the least painful route. Nonetheless, it remains likely that the FS may in future have to consider new taxes with a view to addressing the perennial problem of Hong Kong's narrow tax base, especially given the forecast increase in expenditure as a percentage of GDP.

The FS had good news for the environmentally concerned, announcing plans for promoting electric vehicles, improving air quality and reducing traffic congestion, although car owners may feel slightly stung by his announcement to increase the rate of each tax band for the first registration tax for private cars by 15% and the vehicle licence fee by 30%.

The FS's confirmation that Hong Kong will actively implement the BEPS 2.0 proposals whilst seeking to minimize the impact on local SMEs and Hong Kong's simple tax regime, was welcome news, together with his commitment to work to ensure that Hong Kong retains its ability to attract investment.

One area of concern in today's budget is the apparent lack of targeted relief measures for those sectors of the economy hit hardest by COVID-19, such as caterers, hotels, retailers and fitness centers which may have expected some specific relief measures. In addition, the FS's rejection of temporary unemployment assistance in favor of adjustments under the CSSA Scheme and a Special 100% Loan Guarantee, may be viewed by some as disappointing - amounts received by applicants having to be repaid and interest reimbursed only if repayments are met as scheduled.

Despite these areas of concern, given the constraints the FS has had to face when considering his 2021-22 Budget, he has achieved a reasonable overall balance and laid down a blueprint for the way forward. Perhaps the FS may reward himself by using his electronic consumption vouchers to order a more appetizing lunch set for his next photo op.



Further promoting the development of the fund industry in Hong Kong

Proposed tax concessions for eligible carried interest received by private equity fund managers

In today's Budget the Financial Secretary (FS) noted that over the past few years the Government has spared no efforts in developing Hong Kong as a premier private equity (PE) fund hub. These efforts have included the introduction of a new limited partnership law effective from 31 August 2020 that specifically caters to the operational needs of PE funds. Thus far, about 100 limited partnership funds (LPFs) have been set up in Hong Kong under the new law¹. Furthermore, a unified fund exemption regime (UFR) has been introduced since 1 April 2019. Under the UFR, funds in the form of a collective investment scheme, regardless of their residence, size or type, are exempt from profits tax in Hong Kong in respect of their usual investment and securities trading income.

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limited partnership funds have been set up in Hong Kong under the new law¹.

¹ Paragraph 86 of Budget Speech

To further incentivize PE fund managers to choose Hong Kong as the location of domicile and operation of funds under their management, the FS noted that a legislative bill (the Bill) was introduced earlier this month. Under the Bill, management fee income in the form of eligible carried interest received by a PE fund manager will not be charged to profits tax (i.e., the income will be taxed at the rate of 0%); and 100% of the eligible carried interest received by an employee, who renders the relevant services to the PE funds on behalf of their employer, will be excluded from their employment income in the calculation of salaries tax.

Subject to the passage of the Bill by the Legislative Council, the above concessionary tax treatment will be effective retrospectively and will apply to eligible carried interest received by or accrued to a qualifying recipient on or after 1 April 2020.

Nonetheless, a key requirement of the proposed concessionary tax treatment is that the profits of the PE funds themselves out of which carried interest is paid must, in the first place, be exempt from profits tax under the UFR. Currently, it is however unclear whether the relevant provisions of the Bill will be further refined or interpreted in a manner that will extend the proposed concessionary tax treatment to cover carried interest paid out of the offshore sourced profits of a PE fund, i.e., where such profits are technically not exempt under the UFR but are simply outside the scope of charge of profits tax in Hong Kong.

Expanding the investment scope of special purpose entities owned by a fund

At present, where a fund employs a special purpose entity (SPE) to hold directly or indirectly its investments in private companies, the sole activities of said SPE will be limited to administering and holding the investee private companies. Otherwise, the SPE's direct or indirect disposal of the investee private companies, would not be exempt from tax in Hong Kong.

In order to give flexibility to the operational needs of funds, the Bill also proposes that a fund will in future be allowed to employ an SPE to hold its investments, not only in private companies, but also other common types of investment such as listed securities and derivative contracts that belong to any other classes of assets as specified in Schedule 16C to the Inland Revenue Ordinance (IRO).

We welcome the Government's introduction of the Bill which will boost the development of the PE fund industry in Hong Kong.



Developing Hong Kong as a regional hub for family offices

Facilitating foreign investment funds to set up or re-domicile to Hong Kong as OFCs or LPFs

In view of the latest regulatory developments in traditional foreign fund jurisdictions which are rendering it increasingly costly to set up and maintain offshore funds in those jurisdictions, the Government considers that more offshore funds, could be attracted to move their domicile to Hong Kong, where their substantial business activities can be conducted.

In this regard, the FS indicated that a legislative proposal will be submitted in the second quarter of this year to allow foreign investment funds to re-domicile to Hong Kong for registration as OFCs or LPFs.

In brief, the objective is to create a commercially viable and facilitating mechanism with legal and tax certainty for foreign funds to re-locate to Hong Kong and ensure that the re-domiciliation process would not give rise to any stamp duty implications.

In addition, the FS proposed that the Government will provide subsidies to cover 70% of the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming three years, subject to a cap of HK\$1 million per OFC.

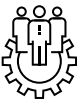
We welcome the introduction of the above proposals to further enhance the competitiveness of Hong Kong as an international asset and wealth management hub.

Family office business has flourished in recent years and become an important growth segment in the wealth and asset management industry.

However, Hong Kong's existing tax exemption regimes for funds, albeit generally attractive, may not apply to certain family offices. As such, some market participants have proposed amending the relevant provisions of the IRO such that more family offices can enjoy tax exemption in Hong Kong. One such proposal is that:



Family offices that satisfy certain conditions e.g., a specified amount of assets under management in Hong Kong, would be exempt from tax in Hong Kong in respect of their investment income.



Such tax-exempt income of the family offices would not be deemed to be received by their Hong Kong resident shareholders and, therefore, would not be taxed in Hong Kong in the hands of such shareholders under the existing deeming provisions for tax-exempt funds in Hong Kong.

In this regard, the FS simply indicated that he would review the relevant tax arrangements, without explicitly referring to any of the above proposals. We hope that the FS can complete his review at the earliest possible time, given that other wealth and asset management centers in the region are increasingly targeting their tax incentives at family offices.

Further developing Hong Kong into a green bond hub

Today the FS reported that the Government had last month successfully offered its green bonds totaling US\$2.5 billion to investors under the HKSAR Government Green Bond Program, an amount more than double the size of its first green bond issuance in 2019².

 **US\$2.5 billion**
to investors under the HKSAR
Government Green Bond Program

The latest offering comprised three portions:

US\$1 billion 5-year green bonds	US\$1 billion 10-year green bonds	US\$500 million 30-year green bonds
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The 30-year green bonds were the longest tenor of bonds issued by the Government and also the first such green bonds issued by an Asian government.

² <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/01/20210127-3/>

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To encourage the private sector to issue more green bonds, in June 2018 the Government launched a 3-year Green Bond Grant Scheme.

Under the Scheme, the Government will fully subsidize issuers in respect of costs they incur in obtaining certification under the Green Finance Certification Scheme for their qualifying green bond issuance.

In addition to extending the Scheme upon its expiry in June 2021, the FS may also consider introducing tax measures to further incentivize the issuance of, and investment in, green bonds in Hong Kong.

In this regard, the FS may consider allowing a super tax deduction of 200% for qualifying expenditure with respect to the issuance, and compliance costs related to the issuance, of qualifying green bonds (QGBs). This would offset the additional costs that issuers need to incur in issuing green bonds, such as costs incurred to obtain third party verification and compliance with regular reporting requirements after issuance. To attract more investors to invest in QGBs trading in Hong Kong, the FS may also consider extending the scope of the tax exemption under the existing Qualifying Debt Instrument scheme to include all QGBs.

We hope that the FS will give further thought to the above proposed tax measures when he reviews and formulates policy measures in relation to green bonds.



Enabling Hong Kong to compete internationally for reinsurance and specialty insurance businesses

The demand for insurance and reinsurance businesses for specialty risks (e.g., marine, aviation, agriculture, catastrophe, political risk, war risk and trade credit) is expected to increase significantly under the Belt and Road Initiative.

To enable Hong Kong to compete in the international insurance market and seize new opportunities, the FS noted in today's Budget that a series of legislative work is being undertaken. Included in such legislative work is a new law, effective next month, that grants the following tax concessions to relevant insurers and insurance brokers:

- 1** Profits derived by a direct insurer (referred to as a specified insurer) from their general insurance business, other than profits from certain local-demand driven business, will be taxed at the concessionary tax rate of 8.25% (i.e., 50% of the normal corporate tax rate of 16.5%)
- 2** The current 8.25% concessionary tax rate afforded to professional reinsurers will be extended to cover the general reinsurance business of a specified insurer
- 3** Profits of a licensed insurance broker company that relate to a contract of insurance effected by (a) a professional reinsurer; or (b) a specified insurer that is eligible for the concessionary tax rate under the bill, will also be taxed at the 8.25% concessionary tax rate

We welcome the introduction of the new law which will make Hong Kong more competitive vis-à-vis other major insurance hubs.

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Regionally, the new law will help Hong Kong close the gap with Singapore which currently provides a concessionary tax rate of 8% to 10% for a wide range of insurance and insurance-related brokerage businesses.

Hong Kong's tax and business competitiveness post BEPS 2.0

Overview of the Base Erosion and Profit Shifting 2.0 Project (BEPS 2.0)

In October 2020, the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework released its Blueprints for Pillar One and Pillar Two (the Blueprints) under a project generally referred to as BEPS 2.0.

Pillar One Developing new nexus and profit allocation rules

The aim of Pillar One is to develop a unified approach as regards the allocation of taxing rights on business profits in a way that expands the taxing rights of market jurisdictions beyond the current threshold of the existence of a permanent establishment and the operation of transfer pricing methodologies. The new nexus and profit allocation rules will apply to in-scope multinational enterprises (MNEs) that fall in either or both of the following categories:



Automated digital services



Consumer-facing businesses

Pillar Two Developing global minimum tax rules

Pillar Two seeks to develop a coordinated set of global minimum tax rules, including an income inclusion rule (IIR) and an undertaxed payment rule (UTPR) [collectively referred to as the Global Anti-Base Erosion (GloBE) rules], and a subject to tax rule. The aim of these rules is to ensure that the profits of in-scope internationally operating businesses are subject to at least a global minimum rate of tax in each tax jurisdiction in which they operate.

The determination of in-scope groups and entities is largely based on the definitions and mechanisms employed in connection with country-by-country reporting. Subject to the special treatment of excluded entities, the GloBE rules generally apply to MNEs with total consolidated group revenue of at least €750 million in the immediately preceding fiscal year. The Blueprint lists the excluded entities as follows, providing specific definitions of each:



Investment funds



Pension funds



Governmental entities



International organizations



Non-profit organizations



What does this mean for Hong Kong?

In today's Budget the FS indicated that the Government has already set up an Advisory Panel that includes scholars, tax experts and members of the business community to review the potential impact of BEPS 2.0 on Hong Kong's business competitiveness and to provide recommendations to the Government.

While the FS did not provide further details on how Hong Kong is going to respond to the challenges posed by BEPS 2.0, it is clear that the Government needs to safeguard its primary taxing rights and maintain the tax competitiveness of Hong Kong, whilst making utmost efforts to meet the required international tax standards.

Safeguarding Hong Kong's primary taxing rights

Under the proposed GloBE rules, the low-tax income of overseas constituent entities of an in-scope Hong Kong ultimate parent entity (UPE) could be subject to an IIR in Hong Kong. If Hong Kong were to impose the IIR on such income, and thereby top-up the low-tax paid overseas by the overseas constituent entities such that the total tax paid reconciled to the required global minimum rate, this would preclude other overseas jurisdictions from applying the UTPR to achieve the same top-up effect. This approach would preserve Hong Kong's primary taxing rights over the Hong Kong-UPE.

The Pillar Two Blueprint however indicates that the low-tax income of constituent entities located in Hong Kong of an in-scope Hong Kong-UPE cannot be subject to the IIR in Hong Kong. As such, absent an applicable IIR, the constituent entities located in Hong Kong would be subject to the UTPR of overseas jurisdictions in respect of certain payments received from related parties, i.e., the tax authorities of those overseas jurisdictions instead of Hong Kong would collect the top-up tax.

Given the above, and as envisaged in and allowed by the Blueprint, one option may be for Hong Kong to consider introducing an alternative domestic minimum tax regime in respect of the low-tax income of the constituent entities in Hong Kong of an in-scope Hong Kong-UPE. Under such alternative minimum tax, the tax paid by the constituent entities in Hong Kong would be equal to an amount such that their effective tax rate would be equal to the required global minimum, thereby precluding the potential application of the UTPR by any overseas jurisdiction.

Conceivably, such domestic minimum tax regime can also apply to the low-taxed income of the Hong Kong constituent entities of an in-scope, non-Hong Kong-UPE, resulting in Hong Kong rather than any overseas jurisdictions collecting the top-up tax.

Enhancing the business infrastructure and competitiveness of Hong Kong post BEPS 2.0

It is generally expected that tax revenue collected by the Government will increase upon the implementation of Pillars One and Two. This however will also mean that Hong Kong with its territorial-sourced based regime, non-taxation of capital gains tax and many other preferential tax regimes will be less attractive to many in-scope MNE groups, given that they may have to pay the top-up tax under an alternative domestic minimum tax regime in Hong Kong or overseas.

As such, in addition to maintaining the existing appealing features of Hong Kong's profits tax regime, which should continue to be attractive to out-of-scope MNEs and in-scope MNEs (albeit to a lesser extent under Pillar Two), the Government may also need to consider exploring ways to ever further enhance Hong Kong's business infrastructure and environment in order to compete for investment post BEPS 2.0.



Key budget assumptions, budgetary criteria and projections

Assumptions used for the medium range forecast (MRF) for the period from 2021-22 to 2025-26

- ▶ Real GDP growth rate for the forecast period is 3.5% to 5.5% for 2021 and the trend rate for 2022 to 2025 is 3.3%.
- ▶ Investment return is estimated to be 4.7% in 2021 and in the range of 4.7% to 6.0% per annum thereafter.
- ▶ Land premium is estimated to be 3.6% of GDP for 2022-23 onwards.
- ▶ The fiscal reserves balance as at 31 March 2025, previously estimated at HK\$937.1 billion is now revised to HK\$756.2 billion, representing about 22.6% of GDP for that year. By 31 March 2026, the estimated fiscal reserves balance is estimated at HK\$775.8 billion, representing 22.1% of GDP for that year.

Budgetary criteria

- ▶ **Budget surplus/deficit**
To sustain balance in the consolidated account in the longer term
- ▶ **Expenditure policy**
To commensurate public expenditure with the growth rate of the economy in the longer term
- ▶ **Fiscal reserves**
To maintain adequate reserves in the long run

Medium range forecast and fiscal reserves (in HK\$ billion)

Year	2020-21 (Revised)	2021-22	2022-23	2023-24	2024-25	2025-26
Operating revenue	440.4	470.3	531.8	546.3	571.9	599.9
Operating expenditure	(721.2)	(611.9)	(572.0)	(586.9)	(603.3)	(622.3)
Operating deficit	(280.8)	(141.6)	(40.2)	(40.6)	(31.4)	(22.4)
Capital revenue	103.1	120.8	143.8	142.1	146.6	160.3
Capital expenditure	(99.2)	(115.9)	(150.6)	(154.7)	(157.4)	(145.6)
Capital surplus / (deficit) before repayment of bonds and notes	3.9	4.9	(6.8)	(12.6)	(10.8)	14.7
Add: Net proceeds from issuance of green bonds	19.3	35.1	35.1	35.1	35.1	35.1
Less: Repayment of green bonds					(7.8)	(7.8)
Consolidated surplus / (deficit)	(257.6)	(101.6)	(11.9)	(18.1)	(14.9)	19.6
Fiscal reserves as at 31 March	902.7	801.1	789.2	771.1	756.2	775.8

Source: Budget 2021-22

Tax facts

Salaries Tax

Charged on Hong Kong sourced remuneration inclusive of certain benefits in kind. Housing benefit is one source of relief, and is subject to preferential tax treatment, generally at an equivalent rate of 10% of an employee's non-housing remuneration.

Other forms of relief include:

- ▶ "60 days exemption" rule for both Hong Kong and foreign employment
- ▶ "Days-in-days-out" calculation rule for foreign employment

Tax rates and allowances

The tax charge is the lower of:

- ▶ the standard rate of 15% applying to net chargeable income before personal allowances
- ▶ the progressive rates applying to net chargeable income

Progressive rates	2021-22
First HK\$50,000 at	2%
Next HK\$50,000 at	6%
Next HK\$50,000 at	10%
Next HK\$50,000 at	14%
On the remainder at	17%

Progressive rates	2020-21
First HK\$50,000 at	2%
Next HK\$50,000 at	6%
Next HK\$50,000 at	10%
Next HK\$50,000 at	14%
On the remainder at	17%

Personal allowances	2021-22 HK\$	2020-21 HK\$
Basic allowance	132,000	132,000
Married person's allowance*	264,000	264,000
Child allowance (each)		
1st to 9th child		
▶ Year of birth	240,000	240,000
▶ Other years	120,000	120,000
Dependent parent or grandparent allowance (each)		
Aged 60 and above		
▶ Residing with taxpayer	100,000	100,000
▶ Not residing with taxpayer	50,000	50,000
Aged 55 to 59		
▶ Residing with taxpayer	50,000	50,000
▶ Not residing with taxpayer	25,000	25,000
Dependent brother or sister allowance (each)	37,500	37,500
Single parent allowance	132,000	132,000
Personal disability allowance	75,000	75,000
Disabled dependent allowance (each)	75,000	75,000

* Granted to a married person whose spouse does not have any assessable income; or to a person who, together with his or her spouse, have elected joint assessment.

Self-education expenses and concessionary deductions— maximum limits	2021-22 HK\$	2020-21 HK\$
Self-education expenses	100,000	100,000
Elderly residential care expenses	100,000	100,000
Home loan interest*	100,000	100,000
Mandatory contributions to recognized retirement schemes	18,000	18,000
Annuity premiums and MPF voluntary contributions	60,000	60,000
Premiums paid under Voluntary Health Insurance Scheme (each)#	8,000	8,000
Approved charitable donations	35% of assessable income	35% of assessable income

* 20 years of relief in total # Covering taxpayers and their specified relatives

Profits Tax

- ▶ **Tax basis:** Accounting profits, subject to specific adjustments under the tax code
- ▶ **Tax rates:**
Corporations - 16.5%*
Unincorporated businesses - 15%*
* Under the two-tiered profits tax rates regime that applies to the year of assessment 2018-19, the tax rates for the first HK\$2 million of profits of corporations and unincorporated businesses will be reduced by half, and the remainder of profits will continue to be taxed at the normal applicable rates as shown above.
However, "connected entities" can only among themselves elect one entity to be eligible for the two-tiered profits tax rates regime for a year of assessment.
- ▶ **Losses:** Carried forward indefinitely subject to restrictions under the anti-avoidance rules
- ▶ **Capital gains:** Not taxable
- ▶ **Dividends:** Not taxable. No withholding tax on payment
- ▶ **Approved charitable donations:** Tax deductible up to 35% of assessable profits
- ▶ **Royalties to non-residents:**

Payment to Relationship	Effective withholding rates*	
	Corporations	Non-corporations
Non-associates	4.95%	4.5%
Associates (in certain circumstances)	16.5%	15%

* May be reduced under the two-tiered profits tax rates regime and the terms of an applicable avoidance of double taxation agreement/arrangement.

Property Tax

Charged at the standard rate of 15% on 80% of the rent receivable on non-corporate owners of real estate in Hong Kong. Corporate lessors of real properties are subject to Profits Tax.

Estate Duty

No estate duty is charged in Hong Kong for the estates of those who die on or after 11 February 2006.

Stamp Duty

- ▶ **Share transfers:** 0.26%
- ▶ **Land transfers:**

HK\$	Scale 1 duty rates ^{1,2}	Scale 2 duty rates ^{1,3}	Flat rate ⁴
Up to 2m	1.5%	HK\$100	
2m - 3m	3.0%	1.50%	
3m - 4m	4.5%	2.25%	
4m - 6m	6.0%	3.00%	15%
6m - 20m	7.5%	3.75%	
Over 20m	8.5%	4.25%	

¹ Subject to marginal relief.

² Subject to note 3 below, the rates are applicable to agreements in respect of non-residential properties executed between 23 February 2013 and 25 November 2020; and agreements in respect of residential properties executed between 23 February 2013 and 4 November 2016.

³ Applicable to a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquiring a residential property and certain other limited circumstances; and agreements in respect of non-residential properties executed on or after 26 November 2020.

⁴ Subject to note 3 above, the flat rate of 15% is applicable to sale and purchase or transfer agreements in respect of residential.

On top of the rates listed above, transfers of residential properties which are acquired on or after 27 October 2012 within three years will be subject to an additional Special Stamp Duty at rates ranging from 10% to 20% .

In addition, residential properties acquired by any person, except a Hong Kong Permanent Resident on or after 27 October 2012, will be subject to an additional Buyer's Stamp Duty at a flat rate of 15% .

- ▶ **Share and land transfers -intra group (≥90% shareholding):** Exempt

Other duties and fees

Air Passenger Departure Tax:

HK\$120 (passenger under age 12 exempt)

Betting Duty:

- ▶ Various rates on horse races (on gross profits)
- ▶ 25% on lotteries (on turnover)
- ▶ 50% on football betting (on gross profits)

Business Registration Fee:

- ▶ 1-year certificate plus levy HK\$2,250 **
- ▶ 3-year certificate plus levy HK\$5,950 **

Capital Duty: Abolished since 1 June 2012

Hotel Accommodation Tax: 0%

Duties: Various rates on alcohol, tobacco and hydrocarbons

Motor Vehicle First Registration Tax:

Marginal tax rates of up to 132% on taxable values for private cars and other vehicles

**The fee portion of HK\$2,000 is proposed to be waived for 2021-22 in the 2021-22 budget



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