



Financial Services and the Treasury Bureau
The Government of the HKSAR

The 2021-22 Budget

FSTB Policy Initiatives

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The 2021-22 Budget FSTB Policy Initiatives



- Short-term Relief
- Support Individuals:
 1. Reduce tax, provide rates concession and subsidy for electricity
 2. Special 100% Loan Guarantee for Individuals Scheme
- Support Enterprises:
Reduce tax, provide rates concession and waive various government fees, charges and rental
- Revive economy:
Issue Consumption Vouchers



- Medium to Long Term Development
- Development blueprint:
Enhance market competitiveness, expand Connect schemes and set out blueprint
- New opportunities:
 1. Green and sustainable finance
 2. Develop Hong Kong's bond market
- Provide resources:
Consolidate and launch 4 new subsidy schemes



- Prudence in managing public finance
- Increase revenue:
Raise the rate of stamp duty on stock transfers
- Reduce expenditure:
 1. Zero growth in the civil service establishment in 2021-22
 2. All policy bureaux and departments to trim recurrent expenditure by 1% in 2022-23
- Plan for the future:
 1. BEPS 2.0¹
 2. Rating system review

Alleviate pressure from economic downturn



Short-term
Relief



Medium to Long
Term Development



Prudence in
managing public
finance

Support Individuals: around \$25.8 billion¹

1. Reducing salaries tax and tax under personal assessment by 100 per cent, subject to a ceiling of \$10,000. This will benefit 1.87 million taxpayers and reduce government revenue by \$11.4 billion;
2. Providing rates concession for domestic properties for four quarters, subject to a ceiling of \$1,500 per quarter in the first two quarters and a ceiling of \$1,000 per quarter in the remaining two quarters for each rateable property. This proposal is estimated to involve 2.95 million domestic properties and reduce government revenue by \$11.6 billion
3. Granting each residential electricity account a subsidy of \$1,000. This measure will involve an expenditure of about \$2.8 billion and benefit over 2.7 million eligible residential households

Support Businesses: around \$9.5 billion

1. Reducing profits tax by 100 per cent, subject to a ceiling of \$10,000. This will benefit 128 000 businesses and reduce government revenue by \$1,050 million
2. Providing rates concession for non-domestic properties for four quarters of 2021-22, subject to a ceiling of \$5,000 per quarter in the first two quarters and a ceiling of \$2,000 per quarter in the remaining two quarters. 420,000 non-domestic properties are involved and government revenue will reduce by \$3.4 billion
3. Waiving the business registration fees for 2021-22. This will benefit 1.5 million business operators and reduce government revenue by \$3 billion
4. Continuing to waive 75 per cent of water and sewage charges payable by non-domestic households for eight months starting from April 2021, subject to a monthly ceiling of \$20,000 and \$12,500 respectively per household. This will benefit 250 000 non-domestic households and reduce government revenue by \$680 million
5. Continuing to grant the 75 per cent rental or fee concession currently applicable to eligible tenants of government properties and eligible short-term tenancies and waivers under the Lands Department for six months starting from April 2021. During the period, tenants who have to close their properties at the request of the Government will continue to receive full rental waiver for the duration of the closure. This will reduce government revenue by \$1.4 billion.

1: Not including other social welfare and education related relief measures

Special 100% Loan Guarantee for Individuals Scheme



Short-term
Relief



Medium to Long
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finance

Provide an
extra financing
option for the
unemployed



Total guarantee commitment:

The Government to
provide commitment of
\$15 billion



Eligible applicant:

HK permanent residents who
can provide proof of
unemployment and make a
statutory declaration.
Freelancers are eligible.



Ceiling of loan amount:

6 times of average
monthly income during
employment, subject to a
ceiling of \$80,000



Special interest rate and reimbursement:

Interest rate fixed at 1% per
annum; Full reimbursement for
repayment in full as scheduled



Loan period:

Up to 6 years;
Principal moratorium
for the first 12 months



Launch date and application period:

Strive to launch the scheme
in Q2 and to allow 6 months
for application

The scheme is designed to be simple and easy to apply, and it will provide an extra financing option for the unemployed

Issue Consumption Vouchers



Short-term
Relief



Medium to Long
Term Development



Prudence in
managing public
finance

1



Amount:

\$5,000 for each eligible person (Initial idea is to issue \$1,000 per month for 5 months consecutively)

2



Eligibility:

HK permanent resident aged 18 or above and new arrival living in HK (7.2 million people)

3



Issuance:

Through suitable stored value facilities operators

4



Consumption:

Consumption in local retail, food & beverage and service merchants within a specified period

5



Government financial commitment:

About \$36 billion

6



Preparation:

The Government will identify suitable operators and announce details as soon as possible

The issuance will energize the market, stimulate the economy, and facilitate the speedy recovery of the consumption market

Set out blueprint for development of financial markets



Short-term
Relief



Medium to Long
Term Development



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Enhance market competitiveness

- Securities market: HKEX will review the overall secondary listing regime, including whether Greater China companies with non-weighted voting rights have to be companies in the field of I&T to seek secondary listing in HK through the new concessionary route, as well as the market capitalisation requirements
- Insurance market: Provide for half-rate profits tax concessions to eligible insurance businesses (marine insurance and specialty insurance); facilitate the issuance of insurance-linked securities (ILS) in HK; expand the scope of insurable risks of captive insurance companies; enhance the group-wide supervision framework; prepare for the implementation of a Risk-based Capital Regime to replace the rule-based capital adequacy regime



Expand Connect schemes

- Bond Connect Southbound trading: HKMA and the People's Bank of China have set up a working group to drive the initiative, with the target of launching it within this year
- Stock Connect: Progressive inclusion of ETF and other types of assets as well as expansion of the scope of eligible securities
- A-shares index futures: HKEX will accelerate the preparatory work for the launch of A shares index futures contract



Set out blueprint

- Hong Kong can contribute more proactively to our country's "dual circulation" strategy
- FSTB, together with HKMA, SFC and IA, has set up a joint working group to explore how HK can complement the economic and financial development of our country and meet the needs of international investors
- The group will put forward blueprint for engagement with the Central Authorities to secure support



Green and sustainable finance; Bond market development



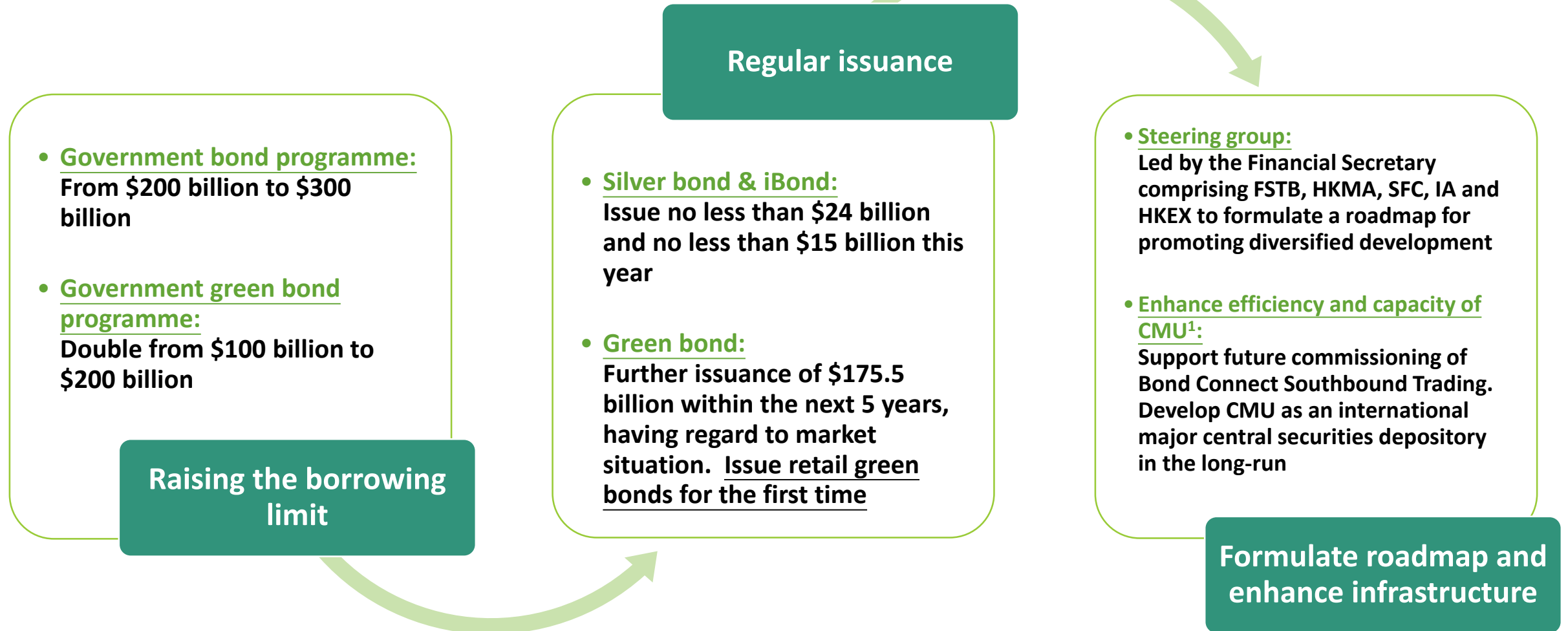
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Medium to Long
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The Government will continue to promote the development of green and sustainable finance and the bond market

Consolidate and launch 4 subsidy schemes



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Green and Sustainable Finance Grant Scheme

1. Consolidate the Pilot Bond Grant Scheme and the Green Bond Grant Scheme into a 3-year Green and Sustainable Finance Grant Scheme to be launched in mid-2021
2. The scheme will focus on green and sustainable financial products, cover more product types, external assessments and expenditure types



Subsidize Open-ended Fund Company ("OFC")

1. The 4th step to develop our market since the establishment of new fund structures, provision of tax concessions for carried interest and legislative proposal to allow re-domiciliation
2. 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 \$1 million per OFC



Subsidize REITs

1. Cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT
2. Capture the opportunities offered by listings of REITs with Mainland real estates or new infrastructures (logistics and IT) as underlying assets



Pilot Insurance-linked Securities (ILS) Grant Scheme

1. Attract issuance of ILS (e.g. Catastrophe bond) by insurance companies or other institutions in HK
2. The amount of grant for each issuance will be capped at \$12 million. Reference is made to similar schemes in other markets

The 4 subsidy schemes will facilitate the HK market to capture various emerging opportunities

Raise the rate of stamp duty on stock transfers



Short-term
Relief



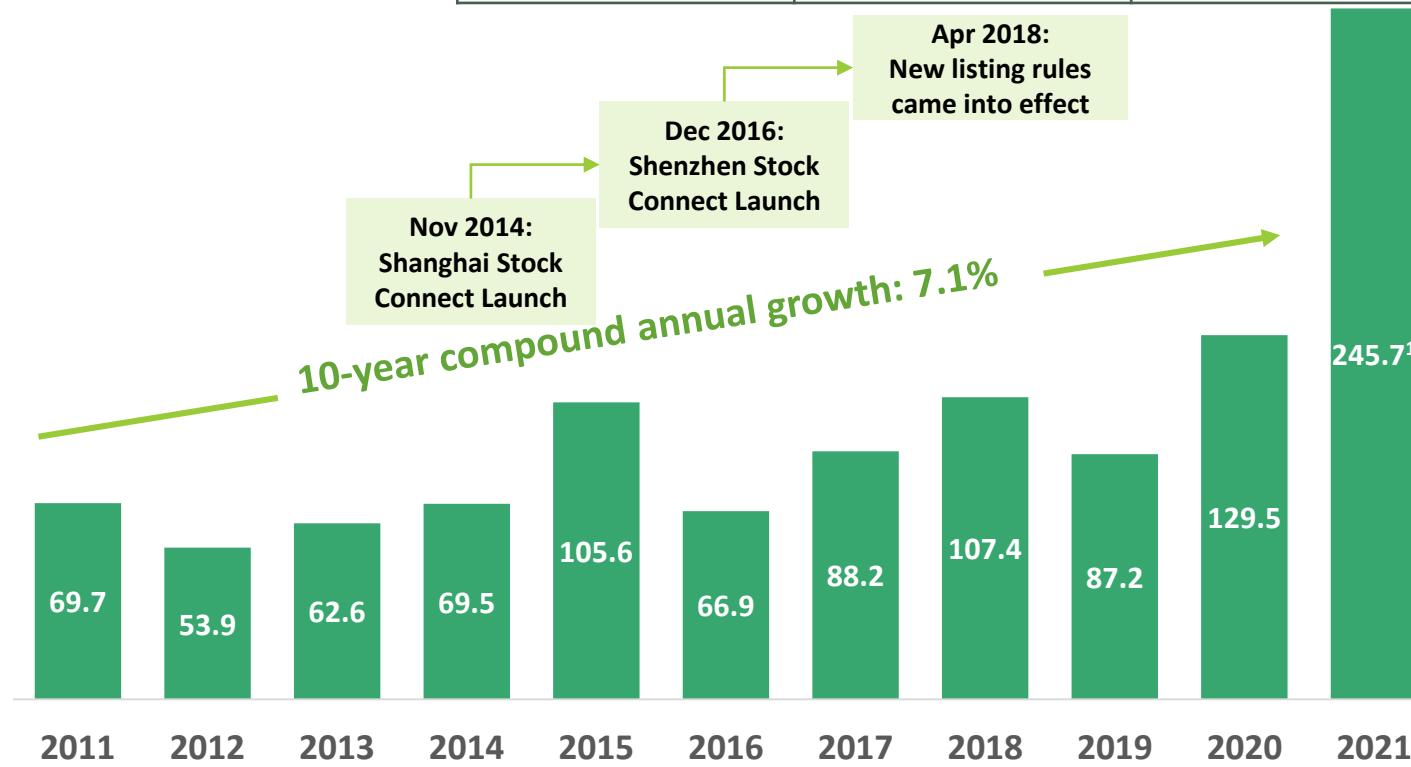
Medium to Long
Term Development



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Securities market average daily turnover in the past 10 years (HK\$ billion)

	20/21	21/22
Expected revenue from stamp duty on stock transfers	\$51 billion	\$51 billion + \$8 billion new revenue



To increase revenue, the Financial Secretary decided to:



Rate: Raise it from 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively



New Revenue: Expected to reach \$12 billion on a full year basis. The raise will be implemented in August this year, hence the new revenue in 2021-22 will be \$8 billion (8 months of impact¹)



Impact: Past adjustments of rate did not necessarily have corresponding impact on turnover. The raise this time has taken into account large inflow of Mainland and international capital, global quantitative easing, strong IPO performance and positive impact from new listing regime

Past efforts have taken HK market and its turnover to a new level; Raising the rate of stamp duty on stock transfers will increase government revenue

Prudence in managing public finance



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Zero growth in the civil service establishment in 2021-22



All policy bureaux and departments to trim recurrent expenditure by 1% in 2022-23



Actively implement the BEPS 2.0 proposals according to international consensus, and strive to maintain the simplicity, certainty and fairness of our tax regime, minimise the compliance burden, and enhance our competitiveness



Review whether there is any room to improve the rating system, the case for introducing a progressive element to the system and that for providing concession to owner-occupied properties on a regular basis. Also, to consider shifting the primary liability for rates payment from the occupier to the owner

Thank you