



Financial Services and the Treasury Bureau
The Government of the HKSAR

The 2022-23 Budget FSTB Policy Initiatives

**Secretary for Financial Services and the Treasury
Christopher Hui**



The 2022-23 Budget FSTB Policy Initiatives

Financial Services



Facilitating Seizure of Emerging Market Opportunities



Consolidating our Strengths for Further Development

RMB

Strengthening our role as an offshore RMB Business Hub

Treasury



Suggesting introducing Progressive Rating System for Domestic Properties



Suggesting amending the Rates Concessions arrangement for Domestic Properties



Implementing BEPS 2.0

Relieving Burden



- 1. Relieving People's Hardship**
- 2. Supporting Enterprises**
- 3. Issuing Consumption Vouchers**



Tax Deduction for Domestic Rental Expenses



100% Personal Loan Guarantee Scheme

Facilitating Seizure of Emerging Market Opportunities

FinTech

- ❖ To allocate a funding of \$10M for launching a new round of PoC Subsidy Scheme; to subsidise research institutions, so that they can put forth solutions to remove development bottlenecks faced by fintech industry
- ❖ HKMA and the PBoC to develop a one-stop platform in the form of a "network link-up" to allow eligible financial institutions and technology firms to conduct pilot trials of cross-boundary Fintech projects concurrently in HK and the Mainland. HKMA and PBoC are implementing the operation details of the platform
- ❖ To enrich the functions of Commercial Data Interchange; to explore ways to enable financial institutions, with the authorisation by enterprises, to obtain enterprises data kept in government departments

Green and Sustainable Finance

- ❖ The Government has successfully issued Government Green Bonds totaling over US\$7B equivalent, and will continue to issue green bonds totaling about US\$4.5B equivalent this year
- ❖ To lower the minimum loan size from \$200M to \$100M in respect of applications for subsidies for covering external review costs under the Green and Sustainable Finance Grant Scheme, to support enterprises in obtaining green financing

To enrich our financial talent pool

1

To launch a 3-year Pilot Green and Sustainable Finance Capacity Building Support Scheme

2

To actively implement the development of professional qualifications recognised under the Qualifications Framework for FinTech practitioners

3

To commission Cyberport to launch a new round of "Financial Practitioners FinTech Training Programme"

Consolidating our Strengths for Further Development

Securities Market

Continuous development of our financing platform

- ❖ To review listing rules for meeting the fundraising needs of large-scale advanced technology enterprises which require substantial capital for their R&D work, but not yet meeting profit and trading record requirements

New path for listing: Introduction of SPAC regime

Return of China concept stocks: HKEX allows Greater China companies without weighted voting rights and which are not from innovative sectors to seek secondary listing in HK, and offers more flexibility to issuers seeking dual-primary listings

Deepen mutual market access: To implement ETF Connect as soon as possible and explore more risk management products

Bond Market

Implementing the recommendations from Steering Committee on Bond Market Development

- ❖ The Government to expand the issuance of green, RMB and longer-term HKD Bonds
- ❖ To encourage participation of Mainland enterprises and entities in Hong Kong's bond market
- ❖ To enhance the functions of the Central Moneymarkets Unit (CMU), and develop an electronic bond trading platform
- ❖ To explore ways to enhance the prospectus requirements, facilitating participation by retail investors

Consolidating our Strengths for Further Development (Cont'd)

Bond Market (Cont'd)

Financial Inclusion: To issue no less than \$15B iBond, \$35B silver bond and \$10B retail green bond

Infrastructure Financing Market

Infrastructure Financing and Securitisation: HKMC is expected to offer infrastructure financing securitisation products with a total value of US\$450M to investors in the institutional market in the next financial year

Increase Funding Allocation to HK Growth Portfolio under Future Fund

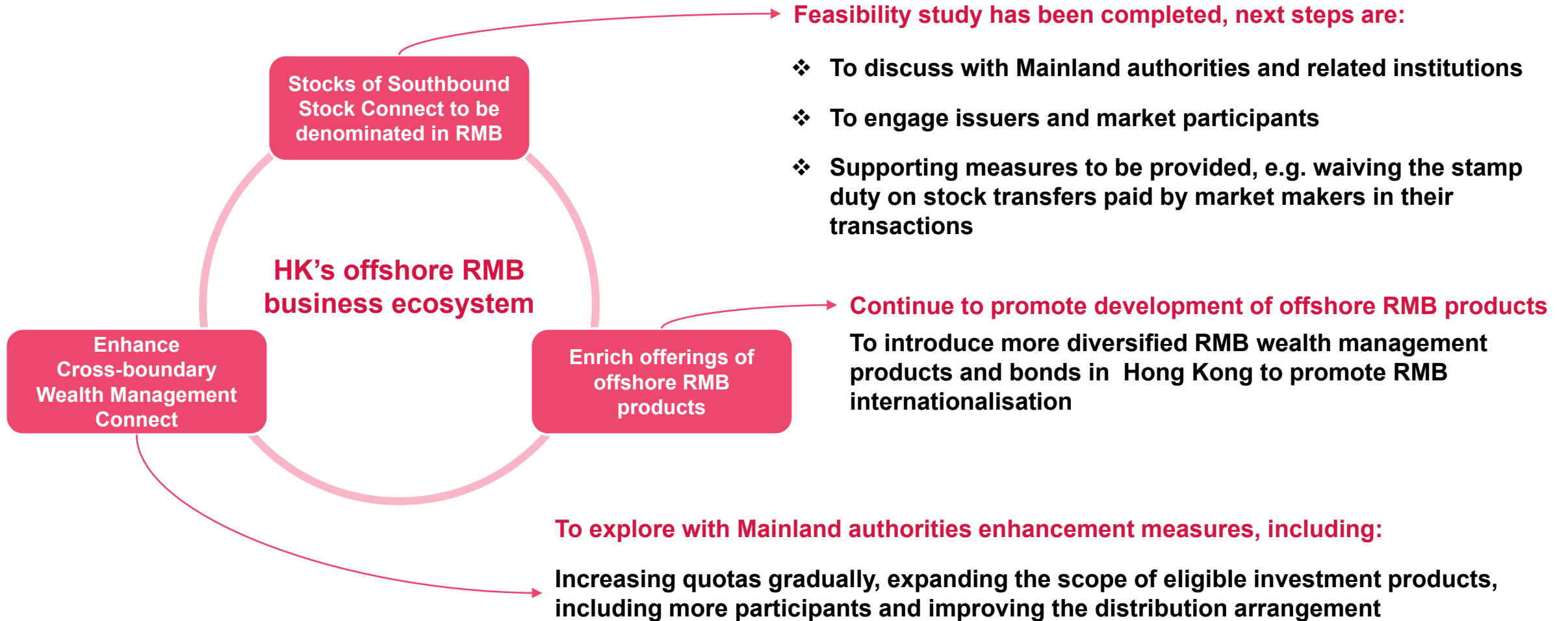
- ❖ To increase allocation by HK\$10B
- ❖ To set up a HK\$5B Greater Bay Area Investment Fund

Asset & Wealth Management

Attract Family Offices to operate in HK

- ❖ Suggest providing tax concessions for the eligible family investment management entities managed by single-family offices and consult the sector on the detailed proposal
- ❖ Aim to submit legislative proposal to the LegCo within the current legislative session and expect to come into effect in the year of assessment 2022/23

Strengthening our role as an offshore RMB Business Hub



Review of Rating System: 1) Progressive Rating System for Domestic Properties

Policy Objective: To better reflect the "affordable users pay" principle by changing the existing arrangement of applying a flat rate of 5% of rateable value. Government revenue will increase by about HK\$760 million per annum. Only 2.2% of private domestic properties will be affected.

Proposed New Progressive Rating System

(Tentatively to be effective from the 4th quarter of 2024/25 for domestic properties; Public rental housings are excluded)

Annual RV of domestic properties (Monthly RV)	Proposed rates % charges	% of private domestic properties	Examples
1 \$550,000 or below (Monthly RV at \$45,833 or below)	5% (Remains unchanged)	97.8% (around 1.87 million properties)	For a property with annual RV at \$550,000, the annual rates payable is unchanged
2 \$550,001 - \$800,000 (Monthly RV at around \$45,833 to \$66,667)	First \$550,000 : 5% Next \$250,000 : 8%	1.3% (around 25,000 properties)	For a property with annual RV at \$800,000, the annual rates payable will increase by \$7,500
3 Above \$800,000 (Monthly RV at above \$66,667)	First \$550,000 : 5% Next \$250,000 : 8% Above \$800,000: 12%	0.9% (around 17,000 properties)	For a property with annual RV at \$2,000,000, the annual rates payable will increase by \$91,500

Review of Rating System:

2) Granting Rates Concession in a more Targeted Manner

Policy Objective: To respond to public concerns over the multiple rates concession received by owners with multiple domestic properties under the current mechanism. Upon amendments, only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name (excluding properties held by companies); public rental housing arrangement will not be affected

Concession Amount	<ul style="list-style-type: none">❖ Depending on the circumstances of the year concerned, the Government will determine whether to offer rates concession and the concession amount❖ 2022/23 Rates concession: Ceilings of first two quarters (Domestic property: \$1,500 per quarter, Non-domestic property: \$5,000 per quarter); Ceilings of remaining quarters (Domestic property: \$1,000 per quarter, Non-domestic property: \$2,000 per quarter)
Eligible Persons	<ul style="list-style-type: none">❖ Natural persons holding a valid Hong Kong ID Card (not limited to Hong Kong permanent residents)❖ Registered in the Land Register as the owner of the domestic property as at a designated date❖ Each eligible person may elect one domestic property only, a co-owned property may be elected by one of the co-owners✗ Domestic properties held by companies will no longer be eligible for rates concession
Effective Date and Application Date	<ul style="list-style-type: none">❖ Tentatively to be effective starting from 3rd quarter of 2023/24 (Oct – Dec 2023)❖ Tentatively to be opened for application from March – Jun 2023 (Further applications for claiming subsequent reliefs not required unless there is change in ownership or eligibility etc.)

Implement “Base Erosion and Profit Shifting” (BEPS 2.0)

BEPS 2.0 is a new international tax requirement of the Organisation for Economic Co-operation and Development (OECD). Over 130 jurisdictions globally, including Hong Kong, have committed to the implementation. The proposal consists of 2 pillars:

Pillar

1

Allocation of taxing rights in respect of the residual profits of mega-multinational enterprise (MNE) groups with revenue reaching EUR 20 billion to market jurisdictions

Pillar

2

Large MNE groups with revenue not less than EUR 750 million are required to pay a global minimum effective tax rate at 15%

Guiding principles of the Government’s response to BEPS 2.0



Territorial source principle of taxation remains intact;
Simple, certain and transparent tax regime remains intact



SMEs not affected;
Compliance burden of affected MNEs be minimized



Assist MNEs in familiarising with the new international tax standards



Consider introducing a domestic minimum top-up tax to safeguard HK’s taxing rights



Improve business environment; attract investment of MNEs

HK’s BEPS 2.0 implementation timetable

Submit legislative proposals in 2022

Implement BEPS 2.0 in 2023

Implement a domestic minimum top-up tax from 2024

1. Relieving People's Hardship; 2. Supporting Enterprises; and 3. Issuing Consumption Vouchers

Relieving People's Hardship

1) Reducing salaries tax and tax under personal assessment by 100%, subject to a ceiling of \$10,000; 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; and 3) Granting each eligible residential electricity account a subsidy of \$1,000

Supporting Enterprises

1) Reducing profits tax by 100%, subject to a ceiling of \$10,000; 2) Providing rates concession for non-domestic properties for four quarters, 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; 3) Waiving the business registration fees; 4) Continuing to waive 75% of water and sewage charges payable by non-domestic households for eight months till 30 November 2022, subject to a monthly ceiling of \$20,000 and \$12,500; 5) Extending the waivers/concessions of the existing 34 groups of government fees and charges for 12 months, benefitting a wide range of sectors; and 6) Continuing to grant the 75% rental or fee concession currently applicable to eligible tenants of government premises and eligible short-term tenancies and waivers for 6 months till end 30 September this year. During the period, tenants who have to close their properties at the request of the Government will continue to receive full rental waiver

Issuing Consumption Vouchers

The new wave of epidemic has disrupted the pace of economic recovery. With last year's experience, we will implement a new round of consumption voucher scheme, under which electronic consumption vouchers with a total value of \$10,000 will be disbursed by instalment to each eligible Hong Kong permanent resident and new arrival aged 18 or above through suitable stored value facilities. The scheme is expected to benefit about 6.6 million people

Special Arrangement: Consumption vouchers of \$5,000 will be disbursed in April to over 6.3 million successful registrants first by making use of the registration data collected through last year's consumption voucher scheme. They will get the remaining vouchers by instalments together with the new eligible persons in the middle of the year

Tax Deduction for Domestic Rental Expenses

Policy objective: Ease the burden of renting a private property on taxpayers who are not owners of domestic properties; About **430,000** taxpayers residing in rented private housing will benefit. Total government revenue forgone will amount to about **\$3.3 billion** per year

Allowable Deduction Amount

- ❖ Deduction ceiling: \$100,000 for each year of assessment (only for rental expenses paid)
- ❖ If there is more than 1 tenant, deduction ceiling is to be reduced in proportion to the number of co-tenants of the tenancy agreement
- ❖ If the tenancy period falling within a year of assessment is less than 12 months, deduction ceiling is to be reduced in proportion

Eligible Persons

- ❖ Taxpayer liable to salaries tax and tax charged under personal assessment who are not owners of domestic properties
- ❖ Deduction is also allowed to a taxpayer in respect of a tenancy agreement entered into by his/her co-habiting spouse
- ✗ Ineligible persons include: 1) Landlord of the rented property is an associate of the taxpayer (e.g. parents); and 2) Taxpayer who is provided with a place of residency by his/her employer

Eligible Rented Properties

- ❖ The rented private property must be the taxpayer's principal place of residence in HK
- ❖ With a stamped tenancy agreement
- ✗ Ineligible properties include: 1) Premises not permitted for letting purposes (e.g. non-domestic property); and 2) Domestic property rented under a lease purchase agreement

100% Personal Loan Guarantee Scheme

The Financial Secretary introduced the “100% Personal Loan Guarantee Scheme” last year as a supplementary measure to provide an extra financing option for the unemployed during the pandemic. Since the scheme launched in April last year, over **HKD\$2.5 billion** of loans have been approved to support over **36,000 unemployed individuals** and offer them a helping hand through the hardship

Considering the impact of the latest wave of the pandemic on many industries and on the labour market:

Application period extends for 1 year

- ❖ **Deadline is extended from end April 2022 to end April 2023**

Enhance the terms of the scheme

- ❖ **Maximum loan amount per applicant will increase from 6 times to 9 times of his/her average monthly income during employment, and the ceiling will increase from \$80,000 to \$100,000**
- ❖ **Maximum repayment period is extended from 6 years to 10 years**
- ❖ **Maximum duration of principal moratorium will be extended from 12 months to 18 months**

Thank you