

1. Outbreak of Novel Coronavirus (COVID-19) in Hong Kong

We have now entered uncharted waters around the world with the announcement by the WHO that COVID-19 is a Pandemic.

Governments, sporting and business communities are taking unprecedented steps including closing borders, crowd free sporting events & travel restrictions.

Whilst we understand the need to take such steps, the economic fall-out may be materially significant.

RICHARD ALBUQUERQUE & CO. CPA has followed with our own internal procedures to protect our extended community of staff and clients including the cancellation of our Firm's 15th Anniversary Celebrations, restricting staff travel and implementing measures for flexible staff working conditions.

In 16 years of operations we have unfortunately experienced this type of crisis too many times, and have experience in managing and maintaining a level of calmness throughout the volatility that comes with these situations.

For our clients, I would remind you of our ability to provide assistance through this time including the below services:

- Accounting
- Taxation & Compliance
- Audit
- Company Secretarial
- Hong Kong & Offshore Company Formation
- Employment & Investment Visa Services
- Legal Support
- Banking & Finance
- Hong Kong & China IPO Services
- Overseas Tax & Corporate Services

Our team is ready and willing to support you in these tough times. As they say "When the going gets tough, the tough get going".

With our long established network of international affiliates, we are very well experienced on how to manage remote communication, so can easily accommodate various contact methods to fit in to your schedule and circumstances.

If you have any enquiries please feel free to contact us at 25444068 or email to info@rjacpahk.com.

From all of us at **RICHARD ALBUQUERQUE & CO. CPA** may we extend our best wishes to you and your families in this time of uncertainty.

Kind Regards,
Richard Albuquerque
Founding Partner
RICHARD ALBUQUERQUE & CO. CPA

2. The 2020 – 2021 Budget

While Hong Kong remains a low-tax environment, the costs of housing, availability of adequate medical services and school places are real, daily concerns. The Government will need to develop innovative measures to overcome these. The Government is keen to introduce various tax incentives to support and boost the economy.

To address the need to develop strategic tax measures “to enhance our competitiveness and stabilise our revenue”, the Tax Policy Unit will no longer be under the Financial Services and Treasury Bureau but will report directly to the Financial Secretary’s Office. The result of this measure will be much greater focus on tax measures and possibly more resources to develop them.

The current high levels of investment and welfare spending would mean a deficit in this year’s Budget without the write-back of the Housing Reserve to the Fiscal Reserve over the next four years. But while this measure addresses the immediate problem, the longer-term question is how to maintain stable government revenues to fund growing future expenditures.

The overall tone of this year’s Budget is one of caution, reflecting a commitment to long-term investment and direct spending, rather than one-off relief measures “sweeteners”.

Profits Tax

The normal profits tax rates for 2020-21 will remain unchanged at 16.5% for corporations and 15% for sole proprietorships and partnerships. However, one entity among connected entities is eligible to elect for its first HK\$2 million taxable profits to be taxed at half of the normal rates (i.e. 8.25% for corporations and 7.5% for sole proprietorships and partnerships).

Budget Highlights 2020-21

Property Tax

Property Tax rate will remain at 15% for 2020-21.

Salaries Tax and Tax under Personal Assessment

The FS did not propose any change to the marginal bands for progressive rates and standard rate of salaries tax and tax under Personal Assessment for 2020-21. Salaries tax and tax under Personal Assessment will continue to be calculated on the basis of the lower of the standard rate (15% without personal allowances) and progressive rates (after personal allowances). The marginal tax bands for progressive rates for 2020-21 will be as follows:-

			Tax HK\$
First \$50,000	@	2%	1,000
Next \$50,000	@	6%	3,000
Next \$50,000	@	10%	5,000
Next \$50,000	@	14%	7,000
Balance	@	17%	

Personal allowances

There is no increase of basic allowance as well as other personal allowances for 2020-21.

	2019-20 HK\$	2020-21 HK\$
Basic allowance	132,000	132,000
Married person’s allowance	264,000	264,000
Child allowance (each child)	120,000	120,000
Additional allowance for each child born during the year	120,000	120,000
Single parent allowance	132,000	132,000
Dependent parent/grandparent allowance (aged 55 or above, but below 60) (each)	25,000	25,000
Additional dependent parent/grandparent allowance (aged 55 or above, but below 60) (each)	25,000	25,000
Dependent parent/grandparent allowance (aged 60 or above) (each)	50,000	50,000
Additional dependent parent/grandparent allowance (aged 60 or above) (each)	50,000	50,000
Disabled dependent allowance (each)	75,000	75,000
Dependent brother/sister allowance (each)	37,500	37,500
Personal disability allowance	75,000	75,000

2020-21
Budget



Other Proposed Relief Measures

New tax incentives

- To strengthen the competitiveness of Hong Kong as an Exchange Traded Fund ("ETF") listing platform, stamp duty on stock transfers paid by ETF market makers in the course of creating and redeeming ETF units listed in Hong Kong will be waived.
- The Government will provide tax concessions for the ship leasing business, including offering a profits tax exemption to qualifying ship lessors and a half-rate profits tax concession to qualifying ship leasing managers. Profits tax will be halved for eligible insurance business including marine insurance. The Government will also explore other tax measures to attract more global shipping business operators and commercial principals to set up business in Hong Kong.
- In order to avoid undermining Hong Kong's simple and low tax regime, the FS will keep a close watch, making assessments and devising corresponding measures on the developments of the OCED's proposal for imposing a global minimum tax rate. The FS will also invite scholars, experts and members of the business community who are experienced in international taxation to advise on the matter.

100% tax reduction for 2019-20

The amount of Profits Tax, Salaries Tax and Tax under Personal Assessment payable for 2019-20 will be reduced by 100%, subject to a ceiling of HK\$20,000. This will be reflected in the taxpayer's final tax payable for 2019-20.

Waiver of rates for 2020-21

Rates for four quarters of 2020-21 will be waived. For each non-domestic property, the ceiling of the waiver will be HK\$5,000 per quarter in the first two quarters and a ceiling of HK\$1,500 per quarter in the remaining two quarters. For each residential property, the ceiling of the waiver will be HK\$1,500 per quarter.

Other major measures

- Introducing a concessionary low-interest loan under the SME Financing Guarantee Scheme, under which 100% will be provided by the Government in order to cover the salary and rental expenditures of eligible enterprises for six months, subject to a ceiling of HK\$2 million.
 - Waiving the business registration fees for 2020-21.
 - Waiving the registration fees for all annual returns charged by the Companies Registry for two years.
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- A subsidy to each eligible non-domestic household accounts for four extra months to cover 75% of their monthly billed electricity charges, subject to a monthly cap of HK\$5,000 per account.
 - Waiving of water and sewage charges payable by non-domestic households for four extra months, subject to a monthly cap of HK\$20,000 and HK\$12,500 respectively per household.
 - Providing a new round of rental subsidy for six months to local recycling enterprises.
 - Reducing 50% rental for another six months for eligible tenants of government properties, government land and EcoPark.
 - Reducing 50% rental and fees for another six months for eligible operators of properties covered by short-term waivers.
 - Providing hirers of civic centres with a 50% reduction of hire charges for another six months.
 - Offering fees and rent reductions for cruise lines and existing tenants of the Cruise Terminal for another six months.
 - Providing a one-off special allowance to eligible low-income households under the Anti-epidemic Fund.
 - Providing an extra one-month allowance will be made to recipients of Comprehensive Social Security Assistance payments, the Old Age Allowance, Old Age Living Allowance or Disability Allowance.
 - Providing one month's rental for lower income tenants living in public rental units.
 - Paying the examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination.
 - Disbursing HK\$10,000 to Hong Kong permanent residents aged 18 or above with a view to encouraging and boosting local consumption and relieving people's financial burden.



3. Hong Kong Tax Updates

The policy for s.82A Additional Tax has been updated to include penalty for transfer pricing adjustments not involving understatement or omission of income. S.82A Additional Tax may be imposed if transfer pricing adjustment is made under s.50AAF (associated corporations) or s.50AAK (permanent establishment).

The IRD policy is:

	Normal Loading	Maximum including Commercial Restitution
Underdocumented Transfer Pricing Treatment	50	75
Documented Transfer Pricing Treatment	25	50

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