



Mobility: Tax alert

February 2022

Hong Kong

2022/23 Budget Proposal

Executive summary

On 23 February 2022, the Financial Secretary of the Hong Kong Special Administrative Region delivered the Budget Proposal for the Hong Kong tax year beginning 1 April 2022 (2022/23).

The proposals in this budget are aimed at relieving financial hardship and for the first time has introduced a new deduction for domestic rental expenses.

New tax deduction for domestic rental expenses

A new tax deduction for domestic rental expenses is introduced for taxpayers who are liable to salaries tax and tax under personal assessment provided they are not owners of domestic properties. The deduction is capped at HK\$100,000 per year of assessment and once passed into law, will become effective from 2022/23.

One-off tax reduction

A one-off reduction of 100% of the salaries tax and tax under personal assessment has been proposed for 2021/22, subject to a maximum reduction of HK\$10,000. This reduction will be deducted directly from the taxpayer's 2021/22 final tax payable.

Salaries tax regime for 2022/23

There are no proposed changes to either the progressive rates or the standard rate. The tax bands will also remain unchanged for 2022/23.

Other highlights

Rates on Property

It is proposed that property rates for 2022/23 will be waived, subject to a cap of HK\$1,500 per quarter in the first two quarters and a cap of HK\$1,000 per quarter in the remaining two quarters for each rateable property.

What does this mean for employers?

While many of the proposals mirror those seen in prior years, the deduction for domestic rental expenses is a welcomed new measure to further provide tax reduction option. Employers who currently operate a rental reimbursement scheme for its employees are already familiar with the benefits of operating such schemes; dependent on the employees' actual facts and circumstances, the new deduction provides an option to certain employees for consideration. This will likely increase the effectiveness of rental reimbursement schemes under certain circumstances. Employers should assess the new budget proposals and review / consider the impact this could have on their overall compensation and benefit plans and also prepare for enquiries from the employees.

Next steps

If you require further information in relation to the budget proposals, please do not hesitate to contact your local EY advisor or one of the contacts listed below.

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EYG no. 001582-22Gbl

2101-3682263
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