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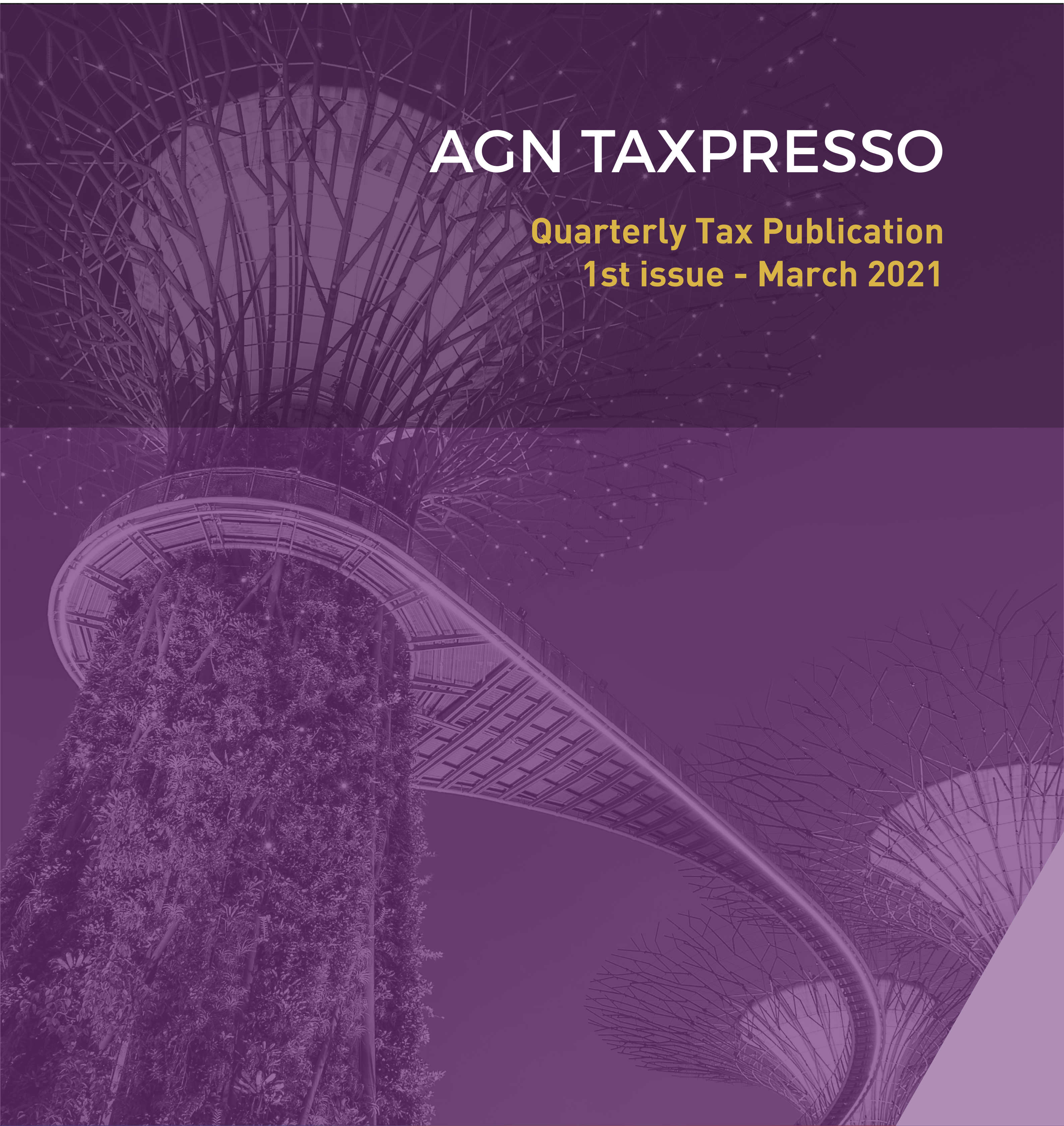

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MESSAGE FROM CHAIRMAN

Dear Members and Readers,

The global COVID-19 pandemic has been raging across the world. Many countries are now implementing vaccines drives to fight against it. We hope that 2021 will fare much better with improved economic performance and lesser infections and fatalities. These should bring the confidence back in every one of us to emerge stronger together.

A big thank you to our 2020 contributors to our AGN AP Taxpresso written by our members from Australia, China, Hong Kong, India, Korea, Malaysia, New Zealand, Pakistan, Singapore and Vietnam. Our members from various Asia Pacific countries have shared their tax information and perspectives in our Taxpresso.

Please continue to read them as they will provide you with useful nuggets of information and data that will keep you abreast of the respective countries' happenings.

Please let us know your feedback and comments so that we can make this publication beneficial for everyone. If you have any specific topics of interest that you require more information on, do let us know.

You can send your comments to me or our secretariat at asia-pacific@agn.com.

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HONG KONG

HONG KONG BUDGET 2021/22

Fewer Sweets on the Menu

Prior to the Budget Speech, Hong Kong Financial Secretary Paul Chan took on the persona of a master chef as he promoted the consultation period for the budget. For many, the dishes served this year were markedly less sweet. And given the record deficit, this was anticipated.

Faced with a record deficit of HK$257.6 billion, Hong Kong's 2021-22 budget set out a series of measures designed to stabilise and revive the economy. Mr. Chan announced a number of short-term tax deductions and subsidies for businesses and individuals to provide assistance to those most affected by the effects of the ongoing pandemic.

Instead of a cash pay-out in the previous year, the government will issue electronic consumption vouchers to all eligible local residents – a move deemed as a more effective mean to stimulate spending and boost the retail industry.

The budget also addressed the city's long-term development plans with pledges to invest in green initiatives and technological innovation. Higher tax incentives are introduced to encourage car buyers to purchase electric vehicles with plans to phase out fuel-powered cars by 2035.

Subsidies and funding designed to facilitate digital transformation were announced – this is a strong implication for business to fast-track the addition of technology and tools to digitise operations, especially significant to operate more efficiently to overcome the restrictions brought by the pandemic.

Hong Kong is known to have competitive tax rate and various tax incentives in place. For many years discussions to widen the tax base such as adopting VAT and GST remain an open debate. However, during this challenging time, the Secretary reiterated that now is not the appropriate time to introduce new taxes. Widening the tax base should be carefully reviewed to consider how it will impact Hong Kong's competitive position.

Hong Kong tax authority continues to stress cooperation with OECD and reinforce compliance on BEPS 2.0 initiatives, minimum taxing rights and transfer pricing issues. These are key tax matters that might develop a fundamental change to the territory's tax landscape.

HIGHLIGHTS

Relieve, Revive and Stimulate

- HK$5,000 electronic consumption vouchers for all permanent adult residents.
- Profits tax, salaries tax and tax under personal assessment waived for the year of assessment 2020/21, capped at HK$10,000.
- Applications for low-interest, government-guaranteed loans for enterprises extended until the end of 2021, with the loan ceiling raised to HK$6m.
- Rates for non-domestic property waived, capped at HK$5,000 per quarter in the first two quarters and HK$2,000 per quarter for the remaining two quarters.

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- Business registration fees waived.
- Waiver of 75% of water and sewage charges for non-domestic households for eight months, capped monthly at HK$20,000 and HK$12,500 respectively per household.
- Rent for eligible tenants of government properties reduced by 75% for six months.
- Green bonds totalling HK$175.5b to be issued in the next five years.
- HK$15b of iBonds and no less than HK$24b of Silver Bonds to be issued.
- Stamp duty rate on stock transfers to be raised from 0.1% to 0.13%.

Finance

- Provide tax concessions for carried interest issued by private equity funds.
- Review tax arrangements relevant to family offices.
- Provide subsidy for real estate investment trusts to list in Hong Kong.
- Launch a pilot insurance-linked securities grant scheme to promote the development of the industry.
- Provide subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong.

Individual Relief Measures

- Offer government-guaranteed, low interest loans to the unemployed, capped at HK$80,000.
- Provide rates concession for domestic properties for four quarters of 2021/22, subject to a ceiling of HK$1,500 per quarter in the first two quarters and HK$1,000 per quarter in the remaining two quarters for each rateable property.
- Grant a subsidy of HK$1,000 to all residential electricity accounts.
- Provide an extra half-month allowance to recipients of a range of social security benefits.
- Earmark HK$1b to subsidise drainage repair works.
- Pay examination fees for candidates sitting the Hong Kong Diploma of Secondary Education Examination in 2022.

Innovation and Technology

- Earmark HK$200m to roll out the “Knowing More About IT” programme in primary schools.
- Regularise the scheme to subsidise students' enrolment in IT and tech-related internships.
- Inject HK$9.5b into the Innovation and Technology Fund.
- Continue to implement the Science Park expansion and Cyberport 5 development.
- Continue to support the development of 5G networks and applications.
- Open the first R&D laboratories within the InnoHK Research Clusters.

Air Cargo Sector

- Commission a new premium logistics centre, the Three Runway System and expand the express air cargo terminal to increase the annual cargo handling capacity of Hong Kong International Airport to 9 million tonnes in 2024.

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- Explore measures to facilitate trans-shipment through Hong Kong.
- Redevelop the Air Mail Centre at HKIA.

Other Industries

- Earmark HK$765m for the Hong Kong Tourism Board.
- Progress Air Travel Bubble arrangements.
- Earmark HK$375m for the digitalisation of the Hong Kong Trade Development Council.

Green and Smart City

- Announce a roadmap to progress the take-up of electric vehicles.
- Continue research on congestion charging and the Electric Road Pricing Pilot Scheme in Central.
- Earmark HK$1b to install small-scale renewable energy systems within public infrastructure.
- Inject HK$1b into the Recycling Fund.
- Earmark HK$500m to enhance facilities in country parks.

Note: Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

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SINGAPORE

SINGAPORE BUDGET 2021

The year 2020 was a challenging time for Singapore, like many economies worldwide that were adversely affected by the Covid-19 pandemic. This crisis has led to the economy shrinking by 5.4%, causing the largest budget deficit at $64.9 billion since post-Singapore independence. The weakening is despite the $100 billion injected through four stimulus packages to support businesses and households. Following these measures, the Finance Minister announced the 2021 Singapore budget on 26 Feb 2021.

"Emerging Stronger Together" is the theme for the 2021 Budget Statement. $11 billion has been set aside as COVID-19 resilience package, which includes $4.8 billion for public health and safe re-opening measures and $700 million for Job Support Scheme extensions. This measure will retain local employees for stressed sectors such as aviation, aerospace, tourism, food services, and retail. A further $870 million was set aside for the aviation sector to preserve its core capabilities. Lastly, a $133m COVID-19 Driver Relief Fund was set-up to support taxi and private hire car drivers.

To emerge more robust in a post-COVID-19 world that remains unstable, Mr Heng has allocated another $24 billion over the next three years, which focuses on three key enablers.

Firstly, to create a vibrant business sector and innovation ecosystem using three key platforms which comprise the:

- Corporate Venture Launchpad to co-fund with corporates to build new ventures through pre-qualified venture studios.
- Open Innovation Platform to help companies provide digital solutions for the safe re-opening of worksites.
- Global Innovation Alliance to facilitate cross border collaboration between Singapore and major innovation hubs globally.

Secondly, to provide a range of capital tools to co-fund transformation, including the Government sharing up to 70% of the risk under the Enterprise Financing Scheme – Venture Debt Program. Furthermore, equity funding will be provided to large local enterprises of revenues up to $100m with strong fundamentals to transform to the next phase of growth and expand overseas.

Thirdly, by developing the skills, talents, and creativity of Singaporeans, the support has been extended to hire 200,000 locals this year via the SGUnited Jobs and Skills Package. It aims to provide 35,000 traineeships to increase employment opportunities. Also, salaries will be increased for nurses and other healthcare

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SINGAPORE

SINGAPORE BUDGET 2021

workers' to show gratitude for their commitment during the fight against COVID-19.

As part of Singapore Green Plan 2024, the Government raised petrol duty rates by 10 and 15 cents per litre to discourage the use of internal combustion engine vehicles so that more motorists will convert to electric vehicles and move towards a car-lite society. Furthermore, the Government will issue green bonds for certain infrastructure projects estimated at $19 billion.

As part of the fiscal policies, the Government has deferred the GST rate increase from 7% to 9% from 2022 to 2025. However, to ensure a fair tax system that levels the playing field for local businesses compared to their overseas counterparts, importing low-value goods of $400 or less, which are exempt from GST, will be subject to GST 7% with effect from 1 Jan 2023.

In conclusion, the 2021 budget is an expansionary one to boost the Singapore economy to emerge stronger economically and socially to withstand and overcome the crisis imposed by the COVID-19 pandemic. As we progress, Singapore hopes to see a 4% to 6% GDP growth for 2021.

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