

2018/19 HONG KONG BUDGET EXECUTIVE SUMMARY

1. Profits Tax

Persons carrying on business in Hong Kong are liable to profits tax on profits arising in or derived from Hong Kong.

Profits tax rate remains unchanged for 2018/19 : Corporations - 16.5%
Unincorporated businesses - 15%

A two-tiered profits tax rates regime (subject to the enactment) is introduced which provides a 50% profits tax rate reduction, i.e. 8.25% and 7.5 % for corporations and unincorporated business for the first HKD2 million of assessable profits.

Major areas in respect of the profits tax are set out below :

(a) Capital allowances

- (i) Depreciation allowance rates for plant and machinery remain unchanged at :

Initial allowance : 60% of qualifying expenditure in the year the expenditure is incurred
Annual allowance : 10%, 20% or 30% on the written down value brought forward depending on the category to which the asset belongs

- (ii) Industrial building allowances also remain unchanged at :

Initial allowance : 20% of qualifying expenditure
Annual allowance : 4% of qualifying expenditure

- (iii) Commercial building allowance on qualifying expenditure remains at 4% per annum

(b) Tax reduction

An one-off reduction of 75% of profits tax for 2017/18, subject to a ceiling of HKD30,000.

(c) Others

- (i) A full deduction is available for capital expenditure incurred in procuring eligible energy-efficient building installations and renewable energy devices in the year of purchase.
- (ii) A full deduction is available for certain capital expenditure, such as expenditure on computer hardware and software and purchase of patent rights or know-how.
- (iii) A deduction of 300% for the first HKD2 million of qualifying research and development expenditure and 200% for the remainder.

(c) **Others (Continued)**

- (iv) Deductions for donations - the ceiling for tax deductible charitable donations remains at 35% of assessable profits.

2. **Salaries Tax**

Salaries tax charged for 2017/18 and 2018/19 is the lower of :

- net assessable income less charitable donations and allowable deductions at the standard rate of 15%; or
- net assessable income less charitable donations and allowable deductions and personal allowances, charged at the following progressive rates.

Progressive rates			
Net chargeable income			
2017/18	Tax rate	2018/19	Tax rate
First HKD45,000	2%	First HKD50,000	2%
Next HKD45,000	7%	Next HKD50,000	6%
Next HKD45,000	12%	Next HKD50,000	10%
		Next HKD50,000	14%
Remainder	17%	Remainder	17%

Major areas in respect of the salaries tax are set out below :

(a) Personal allowances

Personal allowances for 2017/18 and 2018/19 are :

	2017/18	2018/19
	HKD	HKD
Personal allowance :		
Basic	132,000	132,000
Married	264,000	264,000
Single parent allowance	132,000	132,000
Disabled	-	75,000
Child allowances :		
1st to 9th (each) basic and additional allowance		
Year of birth	200,000	240,000
Other years	100,000	120,000
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	46,000	50,000
Additional	46,000	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	23,000	25,000
Additional	23,000	25,000
Dependent brother/sister allowance	37,500	37,500
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	75,000	75,000

(b) Tax reduction

An one-off reduction of 75% of 2017/18 salaries tax and tax under personal assessment, subject to a ceiling of HKD30,000.

(c) Other deductions

(i) Home mortgage

Home mortgage interest payments are deductible against income subject to Salaries Tax.

A deduction for home mortgage interest payments up to maximum of HKD100,000 per year for one property for 20 years.

(ii) Caring for the elderly

The maximum deduction for elderly residential care expenses incurred in maintaining dependent parents/grandparents in residential care is increased from HKD92,000 to HKD100,000.

(iii) Contributions to retirement schemes

The maximum deduction for the mandatory annual contributions made by employees to recognised retirement schemes and Mandatory Provident Fund schemes is HKD18,000.

A tax concession is introduced for voluntary contributions made to the Mandatory Provident Fund and contributions made to deferred annuity products under the Life Annuity Scheme.

(iv) Self-education expenses

The maximum deduction is HKD100,000 for self-education expenses where the training courses are run by approved institutions.

(v) Charitable donations

A deduction of up to a maximum of 35% assessable income is available for approved charitable donations.

(vi) Purchase of eligible health insurance products

A tax deduction of HKD8,000 for the purchase of eligible health insurance products for people or their dependents under the Voluntary Health Insurance Scheme, details of which are to be provided shortly.

3. *Property tax*

The standard rate remains at 15% for 2018/19.

4. Rates

Rates on properties remain at 5% of the rateable value throughout the territory. Rates for all four quarters will be waived in 2018/19, subject to a ceiling of HKD2,500 per quarter for each rateable property.

5. Stamp duty

(a) Property transactions

There are no changes on the Stamp Duty rates and banding on property transactions for 2018/19.

(i) Stamp Duty rates and banding on non-residential property transactions which are summarised below :

Property consideration		
HKD	HKD	HKD
Exceeds	Does not exceed	
	2,000,000	1.5%
2,000,000	2,176,470	30,000 + 20% of excess over 2,000,000
2,176,470	3,000,000	3.0%
3,000,000	3,290,330	90,000 + 20% of excess over 3,000,000
3,290,330	4,000,000	4.5%
4,000,000	4,428,580	180,000 + 20% of excess over 4,000,000
4,428,580	6,000,000	6%
6,000,000	6,720,000	360,000 + 20% of excess over 6,000,000
6,720,000	20,000,000	7.5%
20,000,000	21,739,130	1,500,000 + 20% of excess over 20,000,000
21,739,130		8.5%

(ii) A flat rate of 15% ad valorem Stamp Duty applies to all residential property purchases, except for Hong Kong permanent residents on the purchase of their only residential property which is subject to the following rates :

Property consideration		
HKD	HKD	HKD
Exceeds	Does not exceed	
	2,000,000	100
2,000,000	2,351,760	100 + 10% of excess over 2,000,000
2,351,760	3,000,000	1.5%
3,000,000	3,290,320	45,000 + 10% of excess over 3,000,000
3,290,320	4,000,000	2.25%
4,000,000	4,428,570	90,000 + 10% of excess over 4,000,000
4,428,570	6,000,000	3%
6,000,000	6,720,000	180,000 + 10% of excess over 6,000,000
6,720,000	20,000,000	3.75%
20,000,000	21,739,120	750,000 + 10% of excess over 20,000,000
21,739,120		4.25%

(iii) Special stamp duty

Special stamp duty [“SSD”] on transactions for residential properties is imposed on the sale prices or market value of the property, whichever is higher, as at the date of sale.

The SSD is imposed, depending on when the property is brought and sold, at the following rates :

- 6 months or less	20%
- more than 6 months but not exceeding 12 months	15%
- more than 12 months but not exceeding 36 months	10%

The SSD is in addition to the ad valorem rates of stamp duty already imposed. Both the seller and the buyer will be jointly and severally liable for paying the SSD.

A further Buyer’s Stamp Duty [“BSD”] at 15% is payable on the purchase of residential property by a company or non Hong Kong permanent residents.

(b) Sales and purchases of Hong Kong stock

No changes were announced to the rate of stamp duty payable in respect of transfers of Hong Kong stock. This remains at an aggregate *ad valorem* rate of 0.2% of the actual consideration or the value of the stock as at transfer date, whichever is higher.

6. Other points of interest

Other relief measures to help ease the economic pressure encountered by various business sectors :

- Providing an extra two month’s allowance to recipients of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Low-income Working Family Allowance and Work Incentive Transport Subsidy.
- Providing an one-off grant of HKD2,000 to each student in need and pay examination fees for candidates sitting for the 2019 Hong Kong Diploma of Secondary Education Examination.
- First registration tax of electronic commercial vehicles, motorcycles and motor tricycles will continues to be fully waived until 31 March, 2021.

First registration tax concession of electronic private vehicles will continuously be capped at HKD97,500. A new “one-for-one replacement” scheme is introduced from 28 February, 2018 to allow eligible private car owners to enjoy a higher first registration tax concession of up to HKD250,000 if they buy a new electric private car and scrap their eligible private car until 31 March, 2021.