

2016/17 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.

There are no changes in the profits tax rates and allowances for 2016/17.

Profits tax rate remains unchanged 2016/17 : Corporations - 16.5%
 Unincorporated businesses - 15%

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 2015/16, subject to a ceiling of HKD20,000.

(c) Others

(i) A full deduction for capital expenditure on environmentally-friendly machinery and equipment in the first year of purchase and the five-year depreciation period for environmentally-friendly installations, which are mainly ancillary to buildings is retained. The full deduction for capital expenditure incurred on environment-friendly vehicles in the year of purchase.

(ii) A full deduction is available for certain capital expenditure, such as expenditure on computer hardware and software.

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

- (iv) Capital expenditure incurred on the purchase of patents rights, industrial know-how, registered trademarks, copyrights and registered designs is deductible. The budget proposes to expand the scope of tax deduction for purchase of intellectual property rights to layout-design of integrated circuits, plant varieties and rights in performance.

2. *Salaries Tax*

Salaries tax charged for 2015/16 and 2016/17 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	
2015/16 and 2016/17	
Net chargeable income	Tax rate
First HKD40,000	2%
Next HKD40,000	7%
Next HKD40,000	12%
Balance	17%

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

(a) Personal allowances

The basic allowance and single parent allowance will be increased to HKD132,000 and the married person's allowance to HKD264,000. An increase to the allowances for maintaining dependent parents and grandparents is also proposed.

Personal allowances for 2015/16 and 2016/17 are :

	2015/16	2016/17
	HKD	HKD
Personal allowance :		
Basic	120,000	132,000
Married	240,000	264,000
Single parent allowance	120,000	132,000
Child allowances :		
1st to 9th (each) basic and additional allowance		
Year of birth	200,000	200,000
Other years	100,000	100,000
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	40,000	46,000
Additional	40,000	46,000
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	20,000	23,000
Additional	20,000	23,000
Dependent brother/sister allowance	33,000	33,000
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	66,000	66,000

(b) Tax reduction

An one-off reduction of 75% of salaries tax (and tax under personal assessment) assessed for 2015/16, subject to a ceiling of HKD20,000.

(c) Other relief

(i) Mortgage relief

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

Owner-occupiers may claim a deduction for mortgage interest payments up to maximum of HKD100,000 per year for one property for up to 15 years.

(ii) Caring for the elderly

The annual deduction ceiling for elderly residential care expenses incurred in maintaining dependent parents/grandparents in residential care is increased from HKD80,000 to HKD92,000.

(iii) Contributions to retirement schemes

A deduction up to the maximum of HKD18,000 is available for the mandatory annual contributions made by employees to recognised retirement schemes and Mandatory Provident fund schemes.

(iv) Self-education costs

A deduction up to the maximum of HKD80,000 per annum is available 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% of assessable income is available for approved charitable donations.

3. Property tax

The standard rate remains at 15% for 2015/16.

4. Rates

Rates on properties remain at 5% of the rateable value throughout the territory. Rates for all four quarters will be waived in 2016/17, subject to a ceiling of HKD1,000 per quarter for each rateable property.

5. Stamp duty

(a) Property transactions

No changes are proposed to the Stamp Duty rates and banding on 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%

Hong Kong permanent residents who either purchase their only residential properties or sell their only properties and buy a new one within six months will be given an exemption to the new rates and allowed to use the following old 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%

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 :

(i)	6 months or less	20%
(ii)	more than 6 months but not exceeding 12 months	15%
(iii)	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 pressure brought about by the economic downturn include :

- Waiving business registration fees for 2016/17.
- Providing an extra one month's allowance to recipients of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance.
- Waiving the licence fee for travel agents, hotel and guesthouses, restaurants and hawkers and fees for restricted food permits for one year.