

2017/18 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 2017/18.

Profits tax rate remains unchanged 2017/18 : 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 2016/17, subject to a ceiling of HKD20,000.

(c) Others

(i) A full deduction is available 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. The full deduction for capital expenditure incurred on environment-friendly vehicles in the year of purchase is also retained.

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

2. Salaries Tax

Salaries tax charged for 2016/17 and 2017/18 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. The progressive rate bands is proposed widening from HKD40,000 to HKD45,000 :

Progressive rates		
Net chargeable income		Tax rate
2016/17	2017/18	2016/17 and 2017/18
First HKD40,000	First HKD45,000	2%
Next HKD40,000	Next HKD45,000	7%
Next HKD40,000	Next HKD45,000	12%
Balance	Balance	17%

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

(a) Personal allowances

The allowances for maintaining dependent brother/sister and disabled dependent allowances will be increased from HK\$33,000 and HK\$66,000 to HK\$37,500 and HK\$75,000 respectively.

Personal allowances for 2016/17 and 2017/18 are :

	2016/17	2017/18
	HKD	HKD
Personal allowance :		
Basic	132,000	132,000
Married	264,000	264,000
Single parent allowance	132,000	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	46,000	46,000
Additional	46,000	46,000
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	23,000	23,000
Additional	23,000	23,000
Dependent brother/sister allowance	33,000	37,500
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	66,000	75,000

(b) Tax reduction

An one-off reduction of 75% of salaries tax (and tax under personal assessment) assessed for 2016/17, subject to a ceiling of HKD20,000.

(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 is extended from 15 to 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 HKD92,000.

(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.

(iv) Self-education expenses

The maximum deduction is increased from HKD80,000 to 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 regulated health insurance products

A tax deduction will be introduced for the purchase, details of which are under examination.

3. Property tax

The standard rate remains at 15% for 2017/18.

4. Rates

Rates on properties remain at 5% of the rateable value throughout the territory. Rates for all four quarters will be waived in 2017/18, 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%

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%

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 economic pressure encountered by various business sectors :

- Providing an extra one 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.
- Lower the eligibility age for Elderly Health Care Vouchers from 70 to 65.
- Waiving the licence fees for travel agents, hotel and guesthouses, restaurants and hawkers and fees for restricted food permits for one year.
- First registration tax of electronic commercial vehicles, motorcycles and motor tricycles will continue to be fully waived. However, the first registration tax waiver of electronic private vehicles will be capped at HKD97,500 from 1st April, 2017.