

## **2013/14 HONG KONG BUDGET EXECUTIVE SUMMARY**

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### **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 2013/14.

Profits tax rate remains unchanged 2013/14 :          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 2012/13, subject to a ceiling of  
HKD10,000.

#### **(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, which became effective in 2010/11 is also retained

(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 for 2012/13
- (iv) Capital expenditure incurred on the purchase of patents rights, industrial know-how, registered trademarks, copyrights and registered designs remains deductible

## 2. *Salaries Tax*

Salaries tax charged for 2012/13 and 2013/14 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	
2012/13 and 2013/14	
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

Personal allowances for 2012/13 and 2013/14 are :

	2012/13	2013/14
	HKD	HKD
Personal allowance :		
Basic	120,000	<b>120,000</b>
Married	240,000	<b>240,000</b>
Single parent allowance	120,000	<b>120,000</b>
Child allowances :		
1st to 9th (each) year of birth		
(Basic allowance :		
2012/13 - HKD63,000 and an additional allowance of HKD63,000	126,000	<b>140,000</b>
2013/14 - HKD70,000 and an additional allowance of HKD70,000)		
Other years	63,000	<b>70,000</b>
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	38,000	<b>38,000</b>
Additional	38,000	<b>38,000</b>
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	19,000	<b>19,000</b>
Additional	19,000	<b>19,000</b>
Dependent brother/sister allowance	33,000	<b>33,000</b>
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	66,000	<b>66,000</b>

(b) Tax reduction

An one-off reduction of 75% of salaries tax (and tax under personal assessment) assessed for 2012/13, subject to a ceiling of HKD10,000

(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. The deduction can be claimed for up to 15 years

(ii) Caring for the elderly

A deduction is available for the expenses incurred maintaining dependent parents/grandparents in residential care. The annual deduction ceiling for elderly residential care expenses remains HKD76,000

(iii) Contributions to retirement schemes

A deduction up to the maximum of HKD15,000 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 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 2013/14.

**4. *Rates***

Rates on properties remain at 5% of the rateable value throughout the territory, however, the rates for 2013/14 will be waived, subject to a ceiling of HKD1,500 per quarter for each rateable property.

## 5. Stamp duty

### (a) Property transactions

On 23rd February, 2013, the Financial Secretary announced that the standard rates of ad valorem stamp duty were doubled and the due date for stamp duty on non-residential properties was advanced from the date of conveyance to the date of signing the sale agreement. The new stamp duty rates and banding are :

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

On 19th November 2010, a new special stamp duty [“SSD”] on transactions for residential properties to address perceived concerns over increases in property prices.

The SSD is imposed on the full value of sales proceeds which were further amended with effect from 27 October, 2012, 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 effective for residential properties acquired on or after 27 October, 2012 and resold within 36 months and 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 :

- a. Waiving business registration fees for 2013/14
- b. Paying two months' rent for public housing tenants
- c. Providing an extra allowance, equal to one month's payment, to recipients of Comprehensive social security assistance Old age allowance, Old age living allowance and Disability allowance
- d. Granting a subsidy of HKD1,800 to each residential electricity account