

2012/13 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 2012-13.

Profits tax rate remains unchanged 2012-13 : 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 2011-12, subject to a ceiling of HKD12,000.

(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 introduced in 2008-09 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 2011-12 and 2012-13 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	
2011/12 and 2012/13	
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 2011/12 and 2012/13 are :

	2011/12	2012/13
	HKD	HKD
Personal allowance :		
Basic	108,000	120,000
Married	216,000	240,000
Single parent allowance	108,000	120,000
Child allowances :		
1st to 9th (each year of birth (Basic allowance :		
2011/12 - HKD60,000 and an additional allowance of HKD60,000	120,000	126,000
2012/13 - HKD63,000 and an additional allowance of HKD63,000)		
Other years	60,000	63,000
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	36,000	38,000
Additional	36,000	38,000
Dependent parent/grandparent allowance (aged between 55 to 59) :		
Basic	18,000	19,000
Additional	18,000	19,000
Dependent brother/sister allowance	30,000	33,000
Disabled dependent (spouse/child/parent/grandparent/ brother/sister) allowance	60,000	66,000

(b) Tax reduction

An one-off reduction of 75% of salaries tax (and tax under personal assessment) assessed for 2011-12, subject to a ceiling of HKD12,000

(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 claimed will be extended to 15 years (up from 10 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 be raised from HKD72,000 to HKD76,000

(iii) Contributions to retirement schemes

A deduction up to the maximum of the mandatory annual contributions that would be payable under the Mandatory Provident Fund Scheme is available for contributions made by employees to recognised retirement schemes and Mandatory Provident fund schemes. The deduction will be increased from HKD12,000 to HKD15,000 per annum. This is a consequential amendment to the increase of the monthly cap on relevant income for mandatory contributions and will take effect from June 2012

(iv) Self-education costs

A deduction up to maximum of HKD60,000 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 2012-13.

4. Rates

Rates on properties remain at 5% of the rateable value throughout the territory, however, the rates for 2012-13 will be waived, subject to a ceiling of HKD2,500 per quarter for each rateable property.

5. Stamp duty

(a) Property transactions

No changes were proposed to the stamp duty rates and banding on property transactions. The stamp duty rates and banding are :

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 in a bid to address perceived concerns over increases in property prices.

The SSD is imposed on the full value of sales proceeds at the following rates, depending on when the property is brought and sold :

- | | | |
|-------|---|-----|
| (i) | 6 months or less | 15% |
| (ii) | more than 6 months but not exceeding 12 months | 10% |
| (iii) | more than 12 months but not exceeding 24 months | 5% |

The SSD is effective for residential properties acquired on or after 20 November 2010 and resold within 24 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.

(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. Abolishing capital duty
- b. Waiving business registration fees for 2012-13
- c. Halving the charges for import and export declarations
- d. Paying two months' rent for public housing tenants
- e. Providing an extra allowance, equal to one month's payment, to recipients of Comprehensive social security assistance and Old age allowance and Disability allowance
- f. Granting a subsidy of HKD1,800 to each residential electricity account