

FINANCE & ACCOUNTING IN HONG KONG

Proposed budget and summary of Hong Kong taxes 2016/2017

PROFITS TAX

	2016/2017 (remain the same)	2015/2016
Corporations	16.5%	16.5%
Unincorporated business	15%	15%
Capital gains	Nil	Nil
Dividend	Nil	Nil

For 2015/16, the profits tax is proposed to be reduced by 75%, subject to a ceiling of HKD20,000.

SALARIES TAX

- ▶ Salaries tax is charged at the lower of net chargeable income (Total Income - Deductions - Allowances) at progressive rates or net total income (Assessable Income - Deductions) at standard rate.
- ▶ Standard rate remains the same at 15%.
- ▶ Progressive rates are as follows:

2016/2017 (remain the same)		2015/2016	
First HKD40,000 chargeable income	2%	First HKD40,000 chargeable income	2%
Next HKD40,000	7%	Next HKD40,000	7%
Next HKD40,000	12%	Next HKD40,000	12%
Remainder	17%	Remainder	17%

For 2015/16, the salaries tax and tax under personal assessment are proposed to be reduced by 75%, subject to a ceiling of HKD20,000.

ALLOWANCES & DEDUCTIONS

Increase in allowance:

	Proposed 2016/2017	2015/2016
Personal allowance		
Basic	HKD132,000	HKD120,000
Married	HKD264,000	HKD240,000
Single Parent	HKD132,000	HKD120,000
Child allowances (1st to 9th child)		
Year of Birth	HKD200,000	HKD200,000
Other years	HKD100,000	HKD100,000
Dependent parent / grandparent allowances (Age 60+)		
Basic (Age 60+)	HKD46,000	HKD40,000
Additional allowance (for dependant living with taxpayer) (Age 60+)	HKD46,000	HKD40,000
Basic (Age 55-59)	HKD23,000	HKD20,000

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	Proposed 2016/2017	2015/2016
Additional allowance (for dependant living with taxpayer) (Age 55-59)	HKD23,000	HKD20,000
Dependent brother / sister allowance	HKD33,000	HKD33,000
Disabled dependant allowance	HKD66,000	HKD66,000
Deductions		
Self-Education expenses	HKD80,000	HKD80,000
Home loan interest	HKD100,000 (entitlement period – 15 years)	HKD100,000 (entitlement period – 15 years)
Elderly residential care expenses	HKD92,000	HKD80,000
Contributions to recognized retirement schemes	HKD18,000	HKD18,000

PROPERTY TAX

The standard rate (for non-corporate owners) remains at 15% for 2015/2016.

PROPERTY STAMP DUTY

Property consideration	2016/2017* (remain the same)	2015/2016
Up to HKD2,000,000	1.5%	1.5%
HKD2,000,001 to HKD3,000,000	3%	3%
HKD3,000,001 to HKD4,000,000	4.5%	4.5%
HKD4,000,001 to HKD6,000,000	6%	6%
HKD 6,000,001 to HKD20,000,000	7.5%	7.5%
HKD20,000,001 and above	8.5%	8.5%
<i>Duty rates are subject to marginal relief</i>		

*The above stamp duty rates applied only if the following conditions are met:

- ▶ Acquiring first residential property by Hong Kong Permanent Resident;
- ▶ Disposing the existing residential property within 6 months after the new residential property is acquired.

Special Stamp Duty (SSD) remains to impose on transactions of residential properties for all values if the property is acquired by the vendor on or after November 20, 2010 and resold within 24 months after acquisition. The SSD rates are as follows:

- ▶ 15% if the vendor has held the property for 6 months or less;
- ▶ 10% if the vendor has held the property for more than 6 months but for 12 months or less;
- ▶ 5% if the vendor has held the property for more than 12 months but for 24 months or less.

OTHER PROPOSED ONE-OFF RELIEF MEASURES

1. To waive rates for the four quarters of 2016/2017, subject to a ceiling of HKD1,000 per quarter for each rateable property.
2. To provide extra allowance equivalent to one-month payment, to Comprehensive Social Security Assistance (CSSA) recipients, Old Age Allowance and Disability Allowance recipients.
3. To waive 2016/2017 Business Registration Fees and benefit 1.3 million business operators.

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PROPOSED MEASURES FOR DEVELOPING HK'S ECONOMY

In General

1. To continue supporting small and medium enterprises (SMEs) by extending the SME Financing Guarantee Scheme application period to 28/2/2017.
2. To support the initiative against base erosion and profit shifting (BEPS) by introducing the exchange of information bill in 2016 in line with the Organisation for Economic Co-operation and Development (OECD), combating cross-border tax evasion.
3. To waive the stamp duty for trading of all exchange traded funds (ETFs), lowering transaction costs.

Finance

1. To continue discussions with the Asian Infrastructure Bank (AIIB) and the Central Government on HK's participation as a non-sovereign territory and leverage HK's expertise to service the AIIB in capital markets financing, asset management, and dispute resolution.
2. To achieve full liberalisation of trade in services between Mainland China and HK and facilitate HK services industry's access to the Mainland market by signing an agreement on trade in services under the framework of CEPA.
3. To launch another iBond issue of up to HKD10 billion with a maturity period of 3 years.
4. To enhance the regulatory structure of listing matters by the Securities and Futures Commission (SFC) and the HK Exchanges and Clearing Limited. HK ranked 1st globally in funds raised through initial public offerings (IPO) in 2015, amounting to HKD260 billion.
5. To promote further the development of the private equity industry by allowing PE firms to enjoy profits tax exemption available to offshore funds. HK ranked 2nd in Asia in the total capital under management in private equity funds, which amounted to USD120 billion as at 9/2015. There are 85% private equity firms which have their regional headquarters in HK.
6. To establish HK as a corporate treasury centre (CTC) for qualifying enterprises entitled to reduce profits tax by 50%, allow tax deductions and introduce tax credits on specified intra-group financing business and specified corporate treasury activities.

Technology and Innovation

1. To inject estimated HKD8.2 billion into HK Science and Technology Parks Corporation (HKSTPC) promoting smart production and research by 2022.
2. To set up HKD2 billion Innovation and Technology Venture Fund, inject HKD4.4 billion to develop the expansion of Science Park and inject HKD400 million into Create Smart Initiative.
3. To expand the scope of tax deduction for purchasing IP rights of categories such as layout-design of integrated circuits, plant varieties and rights in performance.

Other Industries

1. To promote the development of fashion industry by deploying HKD500 million on launching a number of measures.
2. To assist the film industry under CEPA especially for promoting Cantonese films to the Mainland by injecting HKD220 million into the Film Development Fund.
3. To support the tourism industry by waiving the license fees for travel agents, hotels and guesthouses, restaurants and hawkers and fees for restricted foods in 2016.
4. To subsidise HKD960 million for students pursuing self-financing undergraduate programmes in healthcare, architecture and engineering, testing and certification, creative industries, logistics, as well as tourism and hospitality.

Note: Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

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