

# Budget Summary 2013-14

27 February 2013



## 2013-14 BUDGET:

### A conservative – progressive approach

The 2013-14 budget speech was delivered earlier today by the Financial Secretary of the HKSAR Government, Mr. John Tsang Chun Wah, GBM, JP.

The current revised forecast on the 2012-13 operating and consolidated accounts surplus is \$43.1 billion and \$64.9 billion respectively. The current forecast is well beyond the estimation made in last year budget of \$2.5 billion and \$3.4 billion deficits in the operating account and consolidated account respectively. Prudent estimation becomes the norm in HKSAR budget preparation.

In response to the persistent budget surplus, extensive and vigorous measures have been released from tax and other perspectives for echoing the voice from business sector, middle class and underprivileged people. However, the measures are generally one-off and have been adopted in prior years without innovative orientation.

The 2013-14 budget again does not have positive and long-run measures addressing the issue of narrow tax base in Hong Kong, both in terms of number of taxpayers and types of tax. A comprehensive review in this aspect should be conducted by the HKSAR Government for the dynamic economic structure and environment in Hong Kong.

## Highlights

### Profits Tax

- Reducing profits tax for 2012-13 by 75%, subject to a ceiling of \$10,000

### Salaries Tax

- Reducing salaries tax and tax under personal assessment for 2012-13 by 75%, subject to a ceiling of \$10,000
- Raising child allowance from \$63,000 to \$70,000 for each child; and additional one-off child allowance in the year of birth from \$63,000 to \$70,000 for each child
- Raising the deduction ceiling for self-education expenses from \$60,000 to \$80,000

One-off measures caring for people's livelihood (other than tax as previously highlighted) proposed in the budget are as follows:

### Rates

- Waiver of rates for the year 2013-14, capped at \$1,500 per quarter for each rateable tenement

### CSSA payment

- Provision of extra allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance and Disability Allowance, equal to one month of the allowances

### Electricity subsidy

- Granting of electricity subsidy of \$1,800 to each residential electricity account

### Enhanced short-term food assistance services

- Allocation of an additional \$100 million funding to extend short-term food assistance services when necessary

### Rental concession for public housing tenants

- Waiver of two months rental for public housing tenants
- Waiver of two-thirds of rent of non-elderly tenants of the Hong Kong Housing Society's Group B estates for two months

### Student loan repayment schedule

- Option given to all student loan borrowers completing their studies in 2013 to start repaying their student loans one year after the completion of studies

### Government fees and levies

- Waiver of business registration fees for 2013-14

The following summarize other key points mentioned in the budget speech for easy reference:

## Supporting Small and Medium Enterprises

- Waive business registration fees for 2013-14
- Reduce profits tax for 2012-13 by 75 per cent, subject to a ceiling of \$10,000
- Extend the application period for the special concessionary measures under the Small and Medium Enterprises (SME) Financing Guarantee Scheme for one year
- Increase the cumulative amount of the grant under the SME Export Marketing Fund from \$150,000 to \$200,000
- Introduce a small business policy scheme to be run by the Hong Kong Export Credit Insurance Corporation
- Setting up of more Design Galleries in Mainland cities other than Beijing and Guangzhou to offer platforms for Hong Kong enterprises, especially SMEs, to showcase their products

## Developing Financial Services Industry

- Expand the size of the Government Bond Programme from \$100 billion to \$200 billion
- Launch a further issuance of iBond worth not more than \$10 billion
- Allow private equity funds to enjoy the same tax exemption as offshore funds
- Reduce profits tax on the offshore insurance business of captive insurance companies to attract more enterprises to form captive insurance companies in Hong Kong

## Increasing employment

- Create 7,500 new jobs by designating 12 hectares of land at Tuen Mun West and Tsing Yi for developing logistics facilities
- Offer a \$2.3 billion loan to Ocean Park to build an all-weather water world
- Hong Kong Disneyland to launch a night-time parade and put in place a themed area featuring "Marvel heroes"
- Provide each of the 6 universities with a subvention of up to \$12 million for a period of three years to support their technology transfer work
- Allocate \$50 million to acquire local visual artists' outstanding artworks
- Convert the club house of the former Royal Hong Kong Yacht Club in Oil Street, North Point, into a visual arts exhibition and activity centre
- Set up a working group to study the strategy for promoting intellectual property trading
- Inject \$15 billion into the Employees Retraining Board
- Establish a \$100 million training fund for maritime and aviation transport to attract young people to enroll in related skills training
- Set up a task force to study manpower development in the retail industry

## Caring for people

- Inject \$15 billion into the Community Care Fund
- Allocate \$8.3 billion for payment of the Old Age Living Allowance, to benefit more than 400,000 elderly people
- Allocate \$380 million from the Lotteries Fund to launch the first phase of the Pilot Scheme on Community CareService Voucher for the Elderly
- Increase expenditure by \$73 million for the provision of 600 additional subsidised places
- Allocate an additional \$164 million to increase the subvention for 7,000 places with continuum of care by 10 per cent, and to upgrade 7,850 ordinary places in subvented residential care homes for the elderly to places with continuum of care
- Allocate an additional \$160 million to provide 1,200 places under the two-year full-time Enrolled Nurse Training Programmes for the welfare sector
- Allocate an additional \$35.6 million to provide 145 new places each for residential and day training services
- Allocate an additional \$67.9 million to increase the manpower of residential care homes and day training centres
- Allocate an additional \$203 million to regularize the home care service for persons with severe disabilities
- Optimise the management of specialist out-patient clinics to shorten the waiting time
- Add 290 acute patient beds and convalescent beds
- Use \$8 billion to redevelop Kwai Chung Hospital
- Enhance community support for patients with severe mental illness
- Allocate \$44 million to include in the Drug Formulary two chemotherapeutic drugs and expand the clinical application of two special drugs for treating advanced Parkinson's disease and cancer

## Strategy for fighting inflation

- Launch a further issuance of iBond worth not more than \$10 billion under the Government Bond Programme
- Interest will be paid to bond holders once every six months at a rate linked to the inflation rates of the last half-year period

## Stablising land supply

- 46 residential sites to be included in the Land Sale Programme, of which 28 are new sites
- 9 sites to be included for commercial/business use which can provide a total floor area of 330,000 square meters
- Studies and design work to be carried out in relation to reclamation outside Victoria Harbor and opening up of new development area, etc.

## Environment

- Earmark \$10 billion to phase out old diesel commercial vehicles
- Inject \$5 billion into the Environment and Conservation Fund
- Earmark \$500 million to set up waste electrical and electronic equipment processing facilities and five community green stations
- Take forward organic waste treatment facilities in Siu Ho Wan on Lantau

**Budget Summary – Hong Kong 2013-14**

Salaries tax	2012-13	2013-14
<u>Standard tax rate</u> * <sup>1</sup>	15%	15%
<u>Progressive tax rates</u> * <sup>1</sup>	First HK\$40,000 - 2% Next HK\$40,000 - 7% Next HK\$40,000 - 12% Remainder - 17%	First HK\$40,000 - 2% Next HK\$40,000 - 7% Next HK\$40,000 - 12% Remainder - 17%
<u>Personal allowances</u>		
- Single taxpayer	HK\$120,000	HK\$120,000
- Married couple	HK\$240,000	HK\$240,000
- First to ninth child (each)	HK\$63,000	HK\$70,000
- Additional for new born baby (each)	HK\$63,000	HK\$70,000
- Single parent	HK\$120,000	HK\$120,000
- Dependant parent/grandparent (each)		
Aged 55 to 59		
- Basic	HK\$19,000	HK\$19,000
- Additional (for dependant living with taxpayer)	HK\$19,000	HK\$19,000
Aged 60 or above		
- Basic	HK\$38,000	HK\$38,000
- Additional (for dependant living with taxpayer)	HK\$38,000	HK\$38,000
- Disabled dependant (each)	HK\$66,000	HK\$66,000
- Dependent brother/sister (each)	HK\$33,000	HK\$33,000
<u>Deductions</u>		
- Charitable donations	Up to 35% of assessable income	Up to 35% of assessable income
- Self education expenses	Up to HK\$60,000	Up to HK\$80,000
- Home loan interest	Up to HK\$100,000 * <sup>2</sup>	Up to HK\$100,000 * <sup>2</sup>
- Elderly residential care expenses	Up to HK\$76,000	Up to HK\$76,000
- Contributions to recognized retirement schemes	Up to HK\$14,500 * <sup>3</sup>	Up to HK\$15,000

(Source: The 2013-14 Budget Speech)

\*<sup>1</sup> Salaries tax is charged on net chargeable income at progressive rates. The tax charged however is limited to tax at the standard tax rate on the person's assessable income less concessionary deductions.

\*<sup>2</sup> Deduction is granted to each taxpayer for 15 years of assessment, whether continuous or not.

\*<sup>3</sup> The maximum level of relevant income under the Mandatory Provident Fund Schemes Ordinance has been increased to HK\$25,000 with effect from 1 June 2012. Hence, the maximum amount of deductible contributions is HK\$14,500 for the year of assessment 2012-13 and HK\$15,000 for the year of assessment 2013-14 onwards.

**Budget Summary – Hong Kong 2013-14**

Profits tax	2012-13	2013-14
<u>Tax rate</u>		
Corporation	16.5%	16.5%
Unincorporated business	15%	15%
Royalties to non-residents (non-associated corporation)		
- Rate of deeming assessable profits	30% or 100%	30% or 100%
- Effective tax rate	4.95 % or 16.5%	4.95 % or 16.5%
<u>Deduction</u>		
Charitable donations	Up to 35% of assessable profits	Up to 35% of assessable profits
<u>Depreciation allowances</u>		
Allowances for plant and machinery		
- Initial allowance	60%	60%
- Annual allowance	10%, 20% or 30%	10%, 20% or 30%
Commercial building allowance	4%	4%
Industrial building allowance		
- Initial allowance	20%	20%
- Annual allowance	4%	4%
Manufacturing plant and machinery, and computer hardware and software	100% immediate write-off	100% immediate write-off
Building refurbishment	20% write-off for 5 years	20% write-off for 5 years
Environment-friendly machinery and equipment	100% immediate write-off	100% immediate write-off
Environment-friendly installations mainly ancillary to buildings	20% write-off for 5 years	20% write-off for 5 years
Property tax	2012-13	2013-14
Tax rate	15%	15%
Stamp duty	2012-13	2013-14
<u>Stock transactions</u>		
Hong Kong stock	0.2% per transaction (payable half by the vender and half by the purchaser)	0.2% per transaction (payable half by the vender and half by the purchaser)
<u>Property transactions</u> <sup>*4</sup>		
Up to HK\$2,000,000	HK\$100	1.50%
HK\$2,000,001 – HK\$3,000,000	1.50%	3.00%
HK\$3,000,001 – HK\$4,000,000	2.25%	4.50%
HK\$4,000,001 – HK\$6,000,000	3.00%	6.00%
HK\$6,000,000 – HK\$20,000,000	3.75%	7.50%
Above HK\$20,000,000	4.25%	8.50%

- \*4 Effective from 23 February 2013, acquisition of residential and non-residential properties would be subject to the new applicable rates upon the enactment of the relevant legislation. Acquisition of residential property by a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquisition would be subject to the original rates.

Special stamp duty (SSD)	2012-13	2013-14
<u>Residential property transactions</u> <sup>*5</sup>		
Property held for 6 months or less	15%	20%
Property held for more than 6 months but for 12 months or less	10%	15%
Property held for more than 12 months but for 24 months or less	5%	10%
Property held for more than 24 months but for 36 months or less	Nil	10%
Property held for more than 36 months	Nil	Nil
Buyer's stamp duty (BSD)	2012-13	2013-14
<u>Residential property transactions</u> <sup>*6</sup>	15%	15%

*The budget proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment*

- \*5 Effective from 27 October 2012, applicable rates and holding period for SSD have been adjusted and extended respectively. Transactions of residential property which took place within 20 November 2010 and 26 October 2012 would be subject to the original SSD regime.
- \*6 Effective from 27 October 2012, acquisition of residential property acquired by any person (including a company incorporated) except a Hong Kong Permanent Resident would be subject to BSD at a flat rate of 15%.

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