



2015/16 Hong Kong Budget (Proposed)

Issued on March 2015

Hong Kong Budget 2015/16

"Our economy grew by only 2.3 per cent last year, the third consecutive year with a growth rate lower than the annual average of 3.9 per cent over the past decade," – John Tsang, Financial Secretary

INTRODUCTION

The following are highlights of Hong Kong's budget for the 2015/16 fiscal year starting in April:

- **2014 GDP up 2.3% year-on-year**
- **Forecasts 2015 GDP growth 1-3%**
- **Expects 2015 headline inflation at 3.5%**
- **Forecasts 2015 underlying inflation at 3%**
- **2014 Q4 GDP up 2.2% year-on-year**
- **2104 Q4 GDP up 0.4% quarter-on-quarter**

With regard to tax policy, the Hong Kong Government continues to prioritise the expansion of Hong Kong's network of comprehensive double tax agreements (DTAs) with its major trading and investment partners. Hong Kong has so far concluded 32 DTAs, 11 of which are with its top 20 trading partners. The Hong Kong Government also supports the call from the Organisation for Economic Co-operation and Development's Global Forum to adopt the latest global standard on tax transparency in order to maintain its reputation and competitiveness as an international financial and business centre.

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Hong Kong Budget 2015/16

The Financial Secretary's key mission is to:

- Maintain a favorable business environment
- Promote sustainable economic development
- Make available diverse and quality jobs to enable citizens to lead better, more fulfilling lives.

TAX HIGHLIGHTS

Profits Tax

- Profits tax rates for companies (16.5%) and unincorporated businesses (15%) remain unchanged.
- Consider extending the scope of tax deduction for capital expenditure incurred on the purchase of intellectual property rights to cover more types of intellectual property rights as appropriate.
- Amend the tax law to allow, under specified conditions, interest deductions under profits tax for corporate treasury centres and reduce profits tax for specified treasury activities by 50%.

Salaries Tax

- No change in the standard tax rate, progressive tax rates and the income bands for progressive tax rates.
- Increase the basic and additional child allowances to HKD100,000 (for each child).
- Provide tax concession for subscribers to regulated health/medical insurance products.

TAX HIGHLIGHTS

Government Fees

- Waive the licence fees for travel agents, hotels and guesthouses, restaurants, hawkers and operators with restricted food permits for six months.
- Waive vehicle examination fee once for the renewal of vehicle licences of taxis, light buses, franchised and non-franchised buses, goods vehicles, trailers and special purpose vehicles within a year.

One-off Measures

- Waive 75% of profits tax for 2014/15 (subject to a HK\$20,000 ceiling) to be deducted from the taxpayer's final tax payable for the year.
- Waive 75% of salaries tax and tax under personal assessment for 2014/15, subject to a ceiling of HK\$20,000, to be deducted from the taxpayer's final tax payable for the year.
- Waive rates for the first two quarters of 2015/16, subject to a ceiling of HK\$2,500 per quarter for each rateable property.
- Pay one month's rent for the lower income tenants of public housing, excluding certain wealthier tenants and non-elderly tenants.
- Provide two additional months of Comprehensive Social Security Assistance (CSSA) payment, Old Age Allowance, Old Age Living Allowance and Disability Allowance.

TAX HIGHLIGHTS

Others Measures

- Extend the application period for special concessionary measures under SME Financing Guarantee Scheme to 29 February 2016.
- Inject \$1.5 billion into the SME Export Marketing and Development Funds.
- Inject additional \$400 million into the CreateSmart Initiative to support different sectors of the creative industries.
- Earmark \$23 million in the coming three years for offering intellectual property consultation, manpower training and other services to SMEs.
- Issue iBond (i.e. inflation-linked retail bonds) worth up to \$10 billion.
- Spend \$91 billion to add 2,800 hospital beds and support public-private partnership initiatives.
- Set aside \$50 billion to provide better retirement protection for the elderly in need.
- Establish a Future Fund to serve as long-term savings. The fund will be placed in long-term investments for higher returns.
- The 2015/16 Land Sale Programme will include 29 residential sites (of which 16 are new ones), four commercial/business sites and one site for hotel development.

Proposed Tax Rates 2015/16

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Profits Tax Rates

2015/16

Limited Companies	16.5%
Unlimited Companies	15%

Property Tax Rates

Property Tax	15%
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Salaries Tax and Tax under Personal Assessment ("PA")

Standard Rate	15%
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Progressive Rates:

1 st HKD40,000 at	2%
Next HKD40,000 at	7%
Next HKD40,000 at	12%
For the rest at	17%

Personal Allowances (in HKD)

Basic Allowance	120,000
Married Person's Allowance	240,000
Child Allowance (1 st – 9 th each)	100,000
Additional Child Allowance During The Year	100,000
Single Parent Allowance	120,000
Dependent Parent/Grandparent Allowance (55 - 60)	20,000
Additional Parent/Grandparent Allowance (55 - 60)	20,000
Dependent Parent/Grandparent Allowance (over 60)	40,000
Dependent Parent/Grandparent Allowance (residing with parents)	40,000
Disabled Dependent Allowance	66,000
Dependent Brother / Sister Allowance	33,000

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