

# SYNOPSIS OF HONG KONG 2007/08 BUDGET

## A. HIGHLIGHT OF FINANCIAL INDICATORS IN HONG KONG

- Hong Kong government's financial position has improved markedly as a result of strong economic recovery.
- GDP grew by 6.8% in 2006, higher than the 4% to 5% forecast by the market and the government earlier in the year. This is the third consecutive year of above-trend growth. Inflation was kept at 2%.
- Hong Kong government forecasts the GDP growth in 2007 will be 5.5%.
- Total employment grew by 310,000 over the past 3.5 years to a historical high. Unemployment is at a six-year low rate of 4.4%.
- Fiscal balance in both the operating and consolidated accounts was restored ahead of schedule. Public expenditure has been maintained at below 20% of GDP.

## B. PROPOSED CHANGES IN GOVERNMENT REVENUE AND CHARGES

### 1. TAXATION

#### 1.1 Salaries Tax

- Propose to lower the marginal tax rates and tax bands back to their 2002/03 levels.
- Propose to increase the child allowance from HK\$40,000 to HK\$50,000 and introduce an additional one-off child allowance of HK\$50,000 for each child in the year of birth.
- Propose to increase the maximum amount of deduction for self-education expenses from HK\$40,000 to HK\$60,000 so as to encourage employees to seek continual self-advancement through learning.

#### 1.2 Profits Tax and Property Tax

- Propose no change in tax rate.

#### 1.3 Stamp Duty on Property Transactions

- Propose to reduce the stamp duty on transactions of properties valued between HK\$1 million and \$2 million to a fixed amount of \$100.

#### **1.4 Duty on Alcoholic Beverages**

- Propose to reduce by half the duty rates on wine, beer and other types of liquor containing not more than 30% of alcohol so as to help promote the development of catering industry, tourism and wholesale and retail alcoholic beverage trade, thereby benefiting the community at large.

### **2. TAX AND OTHER CONCESSIONS**

#### **2.1 Salaries Tax and Tax Under Personal Assessment**

- Propose to waive 50% of salaries tax and tax under personal assessment that had been paid for the year 2006/07, subject to a maximum amount of HK\$15,000. The amount waived will be deducted from the taxpayer's final tax payable for that year.

#### **2.2 Rates**

- Propose to waive the rates for the first two quarters of 2007/08, subject to a ceiling of HK\$5,000 for each quarter.

#### **2.3 Additional Social Welfare Assistance**

- Propose to provide one additional month of standard rate payments for recipients of Comprehensive Social Security Allowance and one additional month of allowance for recipients of Old Age Allowance and Disabilities Allowance.

#### **2.4 Duty-free Tobacco and Alcoholic Beverage Allowances**

- Propose to align the duty-free quantities of tobacco and liquor that local residents and visitors are allowed to bring in when entering Hong Kong.

### **C. FURTHER INFORMATION**

- The above information is mainly extracted from the website of the "Hong Kong 2007-08 Budget". Please visit <http://www.budget.gov.hk/2007/eng/speech.htm> for further details.

## D. MAJOR TAX RATES FOR THE YEARS 2006/07 AND 2007/08

### 1. Salaries Tax

#### *Personal tax allowances and deductions:*

	<u>2006/07</u>	<u>2007/08</u>
	HK\$	HK\$
<b>Basic allowances:</b>		
Single person's allowance	100,000	100,000
Married person's allowance	200,000	200,000
<b>Additional allowances:</b>		
Child		
- Basic (each)	40,000	50,000
- Additional (each, in the year of birth)	-	50,000
Dependent parent / grandparent:		
a. Aged 55 to 59		
- Basic	15,000	15,000
- Additional <sup>1</sup>	15,000	15,000
b. Aged 60 or above		
- Basic	30,000	30,000
- Additional <sup>1</sup>	30,000	30,000
Dependent brother / sister <sup>2</sup>	30,000	30,000
Single parent	100,000	100,000
Disabled dependent	60,000	60,000
<b>Additional deductions:</b>		
Self-education expenses <sup>3</sup>	40,000	60,000
Home loan interest	100,000	100,000
Elderly residential care expenses	60,000	60,000
Contributions to retirement schemes	12,000	12,000
Notes:		
1. For dependent living with taxpayer for a continuous period of not less than 6 months.		
2. For whom no child allowance is being claimed.		
3. The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.		



**Standard salaries tax rates:**

	<u>2006/07</u>	<u>2007/08</u>
Standard tax rates	16%	16%

**Progressive salaries tax rates:**

<u>Net Chargeable Income</u>		<u>2007/08</u>
First	HK\$35,000	2%
Next	HK\$35,000	7%
Next	HK\$35,000	12%
Remainder		17%

<u>Net Chargeable Income</u>		<u>2006/07</u>
First	HK\$30,000	2%
Next	HK\$30,000	7%
Next	HK\$30,000	13%
Remainder		19%

**2. Profits Tax**

<u>Business Category</u>	<u>2006/07</u>	<u>2007/08</u>
Unincorporated Business	16%	16%
Corporation	17.5%	17.5%

**3. Property Tax**

<u>Taxpayer</u>	<u>2006/07</u>	<u>2007/08</u>
Property Owner	16%	16%

**4. Stamp Duty****Shares transactions:**

<u>Particular</u>	<u>2006/07</u>	<u>2007/08</u>
Including shares, marketable securities, warrants and options registered in HK	0.200%	0.200%

**Property transactions:**

Sales Consideration	2007/08
Up to HK\$2,000,000	HK\$100
HK\$2,000,001 to HK\$2,176,470	HK\$15,000 + 10% of excess over HK\$2M
HK\$2,176,471 to HK\$3,000,000	1.5%
HK\$3,000,001 to HK\$3,290,320	HK\$45,000 + 10% of excess over HK\$3M
HK\$3,290,321 to HK\$4,000,000	2.25%
HK\$4,000,001 to HK\$4,428,570	HK\$90,000 + 10% of excess over HK\$4M
HK\$4,428,571 to HK\$6,000,000	3.00%
HK\$6,000,001 to HK\$6,720,000	HK\$180,000 + 10% of excess over HK\$6M
HK\$6,720,001 or above	3.75%

Sales Consideration	2006/07
Up to HK\$1,000,000	HK\$100
HK\$1,000,001 to HK\$1,080,000	HK\$100 + 10% of excess over HK\$1M
HK\$1,800,001 to HK\$2,000,000	0.75%
HK\$2,000,001 to HK\$2,176,470	HK\$15,000 + 10% of excess over HK\$2M
HK\$2,176,471 to HK\$3,000,000	1.5%
HK\$3,000,001 to HK\$3,290,320	HK\$45,000 + 10% of excess over HK\$3M
HK\$3,290,321 to HK\$4,000,000	2.25%
HK\$4,000,001 to HK\$4,428,570	HK\$90,000 + 10% of excess over HK\$4M
HK\$4,428,571 to HK\$6,000,000	3.00%
HK\$6,000,001 to HK\$6,720,000	HK\$180,000 + 10% of excess over HK\$6M
HK\$6,720,001 or above	3.75%

**Leases:**

Leasing period	2006/07	2007/08
Not defined or is uncertain	0.25%	0.25%
Specified in the lease as not exceeding 1 year	0.25%	0.25%
Exceeding 1 year but not exceeding 3 years	0.50%	0.50%
Exceeding 3 years	1.00%	1.00%

**5. Estate Duty**

- ◆ The Government had abolished the Estate Duty with effect from 11-02-2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005.