



SYNOPSIS OF HONG KONG 2010/11 BUDGET

[Tax & Business Advisory Division]

A. HIGHLIGHT OF FINANCIAL INDICATORS IN HONG KONG

- Economic outlook is cautiously optimistic. Uncertainties and potential pitfalls remain in the external environment.
- GDP fell by only 2.7% for 2009 as a whole.
- With strong growth in the Mainland economy, GDP forecast to grow 4% to 5% for the year 2010. It is forecasted that the underlying inflation rate for 2010 as a whole will be at average of 1.5% while the average rate of headline inflation will be 2.3%.
- Consolidated accounts in 2010/11 forecast to incur a HK\$25.2 billion deficit, which would achieve balance by 2013/14.

B. PROPOSED CHANGES IN GOVERNMENT REVENUE AND CHARGES

1. TAX CONCESSIONS AND OTHER MEASURE

1.1 Investment Incentives

- Propose to set up a "R&D Cash Rebate Scheme" with approved funding of HK\$200 million to increase investment in R&D and strengthen co-operation with R&D institutions.
- Propose to extend the existing tax deduction arrangement under profits tax to the capital expenditure by enterprises to purchase registered trademarks, copyrights and registered designs to promote the wider application of intellectual property by enterprises and the development of creative industries.
- Increase the amount of the Patent Application Grant under the Innovation and Technology Fund from HK\$100,000 to HK\$150,000 to provide funding support to Hong Kong companies and inventors in their first patent applications so as to help the intellectual work capitalized and protected.

1.2 Salaries Tax and Tax Under Personal Assessment

- Propose to offer a one-off rebate of 75% of salaries tax and personal assessment tax that had been paid for the year 2009/10, subject to a ceiling of HK\$6,000. The amount waived will be deducted from the taxpayer's final tax payable for that year.

1.3 Rates

- Propose to waive the rates for the year 2010/11, subject to a ceiling of HK\$1,500 per quarter for each rateable tenement.

1.4 Business Registration Fee

- Propose to waive the business registration fee for one year.

1.5 Tobacco Duty

- Propose to abolish the duty-free concessions on tobacco products for incoming passengers.

1.6 Stamp Duty Concession

- Propose to extend the stamp duty concession in respect of the trading of exchange traded funds (“ETFs”) with Hong Kong stocks regardless of the weightings.
- Propose to extend the concession to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks.
- Propose to extend the concessionary profits tax rate at 50% of the normal rate to the interest income and profits derived from qualifying debt instruments with a maturity period of less than three years.

1.7 Strengthening Regional Co-operations and Promoting Businesses

- Strengthen regional co-operations and exchanges with Guangdong, Shenzhen, Taiwan and Macao.
- Promote the development of innovation and knowledge-based industries, including the four traditional pillar industries, namely financial services, tourism, trading and logistics, and professional services, and six industries where we enjoy clear advantages – namely medical services, education services, environmental industries, testing and certification, innovation and technology, and cultural and creative industries.
- Develop offshore Renminbi business in Hong Kong for promoting its use and circulation outside the Mainland in an orderly manner.

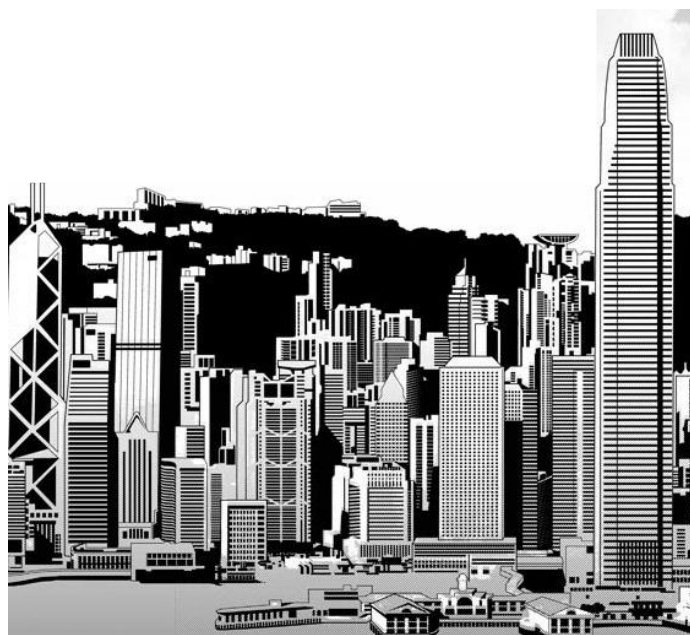
1.8 Additional Social Welfare Assistance

- Propose to give a subsidy of HK\$1,300 for Internet access charges in the 2010 school year to each family receiving Comprehensive Social Security Assistance (“CSSA”) with children studying in primary or secondary schools.
- Propose to waive the rental of around 700,000 public housing tenants for 2 months. For non-elderly tenants of the Hong Kong Housing Society's Group B estates, the Government will pay two-thirds of their rent.

- Propose to provide an extra allowance to CSSA recipients, equal to one month of the standard rate CSSA payments; and an extra allowance to Old Age Allowance and Disability Allowance recipients, equal to one month of the allowances.
- Provide an allowance of HK\$1,000 in the next school year to students in kindergartens, primary and secondary schools and tertiary institutions receiving CSSA or student financial assistance, so as to ease the financial burden on their parents of paying the expenses for the new school year.

C. FURTHER INFORMATION

- The above information is mainly extracted from the website of the “Hong Kong 2010-11 Budget”. Please visit <http://www.budget.gov.hk/2010/eng/speech.html> or contact us for further details.



D. MAJOR TAX RATES FOR THE YEARS 2009/10 AND 2010/11

1. Salaries Tax

Personal tax allowances and deductions:

	<u>2009/10 and 2010/11</u>
	HK\$
Basic allowances:	
Single person's allowance	108,000
Married person's allowance	216,000
Additional allowances:	
Child	
- Basic (each)	50,000
- Additional (each, in the year of birth)	50,000
Dependent parent / grandparent:	
a. Aged 55 to 59	
- Basic	15,000
- Additional ¹	15,000
b. Aged 60 or above	
- Basic	30,000
- Additional ¹	30,000
Dependent brother / sister ²	30,000
Single parent	108,000
Disabled dependent	60,000
Additional deductions:	
Self-education expenses ³	60,000
Home loan interest	100,000
Elderly residential care expenses	60,000
Contributions to retirement schemes	12,000
Approved charitable donations ⁴	35%
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.	
4. The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowance.	

Standard salaries tax rates:

	<u>2009/10 and 2010/11</u>
Standard tax rates	15%

Progressive salaries tax rates:

<u>Net Chargeable Income</u>	<u>2009/10 and 2010/11</u>
First HK\$40,000	2%
Next HK\$40,000	7%
Next HK\$40,000	12%
Remainder	17%

2. Profits Tax

<u>Business Category</u>	<u>2009/10 and 2010/11</u>
Unincorporated Business	15%
Corporation	16.5%

3. Property Tax

<u>Taxpayer</u>	<u>2009/10 and 2010/11</u>
Property Owner	15%

4. Stamp Duty**Shares transactions:**

<u>Particular</u>	<u>2009/10 and 2010/11</u>
Including shares, marketable securities, warrants and options registered in HK	0.200%

Property transactions:

Sales Consideration	2009/10 and 2010/11
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%

Leases:

Leasing period	2009/10 and 2010/11
Not defined or is uncertain	0.25%
Specified in the lease as not exceeding 1 year	0.25%
Exceeding 1 year but not exceeding 3 years	0.50%
Exceeding 3 years	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.