

SYNOPSIS OF HONG KONG 2012/13 BUDGET

1 Feb 2012

A. ECONOMIC REVIEW AND OUTLOOKS

- The first quarter of 2011 recorded a year-on-year growth of 7.6%. Since then, however, as the external environment deteriorated rapidly, our exports plunged, affecting the overall economy. For 2011 as a whole, GDP grew by 5% in real terms.
- GDP forecasted to grow 1-3% in real terms for 2012. Headline inflation forecasted at 3.5%.

B. PROPOSED MEASURES

- Waive property rates for 2012/13, capped at HK\$1,500 per tenement per quarter.
- Offer a one-off rebate of 75% of profits tax, salaries tax and personal assessment tax that had been paid for the year 2011/12, subject to a ceiling of HK\$12,000. The amount will be deducted from the taxpayer's final tax payable for that year.
- Provide electricity subsidy of HK\$1,800 to each residential electricity account.
- Pay two months' rent for public housing tenants.
- Provide one more month of CSSA payment, Old Age Allowance and Disability Allowance.
- Extend and improve short-term food assistance services through the additional funding.
- Provide all student loan borrowers who complete their studies in 2012 the option to start repaying their student loans 1 year after completion of studies
- Raise basic and single parent allowances from HK\$108,000 to HK\$120,000.
- Increase married person's allowance from HK\$216,000 to HK\$240,000.
- Increase dependent parent / grandparent allowances from HK\$36,000 to HK\$38,000 (For those dependent aged between 55 and 59, the allowance shall be increased from HK\$18,000 to HK\$19,000).
- Raise deduction ceiling for elderly residential care expenses from HK\$72,000 to HK\$76,000.
- Increase the child allowance from HK\$60,000 to HK\$63,000 for each child; and increase the additional one-off child allowance in the year of birth from HK\$60,000 to HK\$63,000 for each child.
- Raise the dependent brother/sister allowance from HK\$30,000 to HK\$33,000.
- Increase the disabled dependant allowance from HK\$60,000 to HK\$66,000.
- Extend the entitlement period for the tax deduction for home loan interest from 10 years of assessment to 15 years while maintaining the current deduction ceiling of HK\$100,000 a year.
- Increase the maximum annual tax deduction for mandatory contributions to Mandatory Provident Fund Scheme from HK\$12,000 to HK\$15,000.

C. MAJOR TAX RATES FOR THE YEARS 2011/12 AND 2012/13
1. Salaries Tax
Personal tax allowances and deductions:

	2012/13 HK\$	2011/12 HK\$
Basic allowances :		
Single person's allowance	120,000	108,000
Married person's allowance	240,000	216,000
Additional allowances :		
Child		
- Basic	63,000	60,000
- Additional (in the year of birth)	63,000	60,000
Dependent parent / grandparent:		
a. Aged 55 to 59		
- Basic	19,000	18,000
- Additional ¹	19,000	18,000
b. Aged 60 or above		
- Basic	38,000	36,000
- Additional ¹	38,000	36,000
Dependent brother / sister ²	33,000	30,000
Single parent	120,000	108,000
Disabled dependent	66,000	60,000
Additional deductions :		
Self-education expenses ³	60,000	60,000
Home loan interest ⁴	100,000	100,000
Elderly residential care expenses	76,000	72,000
Contributions to retirement schemes	15,000	12,000
Approved charitable donations ⁵	35%	35%
Notes:		
1. For dependent living with taxpayer.		
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 entitlement period for tax deduction shall be extended from 10 years to 15 years.		
5. 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>2011/12 and 2012/13</u>
Standard tax rates	15%

Progressive salaries tax rates:

<u>Net Chargeable Income</u>		<u>2011/12 and 2012/13</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>2011/12 and 2012/13</u>
Unincorporated Business	15%
Corporation	16.5%

3. Property Tax

<u>Taxpayer</u>	<u>2011/12 and 2012/13</u>
Property Owner	15%

4. Stamp Duty

Shares transactions:

<u>Particular</u>	<u>2011/12 and 2012/13</u>
Including shares, marketable securities, warrants and options registered in HK	0.200%

Property transactions * :

Sales Consideration	2011/12 and 2012/13
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 to HK\$20,000,000	3.75%
HK\$20,000,001 to HK\$21,739,120	HK\$750,000 + 10% of excess over HK\$20M
Exceeding HK\$21,739,120	4.25%

* On top of the current ad valorem property transaction stamp duty (maximum at 4.5%), a Special Stamp Duty (%SD+) on residential properties of all values at the point of resale if the properties are acquired on or after 20-11-2010 and resold within 24 months after acquisition.

The SSD will have three levels of regressive rates for different holding periods :

- (i) 15% if the property has been held for six months or less;
- (ii) 10% if the property has been held for more than six months but for 12 months or less; and
- (iii) 5% if the property has been held for more than 12 months but for 24 months or less.

Leases:

Leasing period	2011/12 and 2012/13
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.

D. FURTHER INFORMATION

The above information is mainly extracted from the website of the Hong Kong 2012-13 Budget+. Please visit <http://www.budget.gov.hk/2012/eng/speech.html> or contact our PKF Tax and Business Consultants Limited for further details.

Our Contact



Tax & Business
Consultants

PKF Tax and Business Consultants Limited

Tel: +852 2806 3822

Address: 26/F Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

Celia Hui

Tel : +852 2969 4015

Fax : +852 2806 3712

Email : celiahui@pkf-hk.com

Information included in this publication are for general reference only. They are not intended to be used, and cannot be used, for avoiding tax and penalty that may be imposed by any tax authorities. Before conducting business and tax plan, professional advice is always recommended.

We are a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.