



# ***SNAPSHOTS OF HONG KONG BUDGET 2018/2019***

The Financial Secretary of the Hong Kong Special Administrative Region, Mr Paul Chan delivered the 2018/19 Budget speech on 28 February 2018. Having another year of healthy fiscal surplus the initiatives put forward in this Budget underpinned three main objectives:

1. Diversified economy: To diversify Hong Kong’s economy to create wealth for its people and to provide wider and better development opportunities for our young people.
2. Investing for the future: To address the needs for the ageing population and ensure that Hong Kong’s living environment is improved environmentally and technologically, making it an ideal location in which to live and work.
3. Caring and sharing: To better support children and young people with care, protection and opportunities; relief the financial burdens of the middle-class families and support the underprivileged and vulnerable.

This highlight summarised the major proposals in relation to tax and business that was announced:

### ***TAX RELIEF AND SUPPORT MEASURES***

#### ***(a) Salaries tax***

- A one-off reduction of 75% of salaries tax and tax under personal assessment for 2017/2018, subject to a ceiling of HK\$30,000.
- Tax rates and allowances

The tax charge is the lower of:

- a) The standard rate of 15% applying to net chargeable income before allowances and deductions;
- b) The progressive rates applying to net chargeable income with widen marginal bands for salaries tax from current HK\$45,000 to HK\$50,000 are as follows:

Present 2017/2018	Rate	Proposed (From 2018/19 onwards)	Rate
First HK\$45,000	2%	First HK\$50,000	2%
Next HK\$45,000	7%	Next HK\$50,000	6%
Next HK\$45,000	12%	Next HK\$50,000	10%
Balance	17%	Next HK\$50,000	14%
		Balance	17%

**TAX RELIEF AND SUPPORT MEASURES (continued)**

**(a) Salaries tax (continued)**

- Increasing allowances, deductions and introducing a personal disability allowance as follows:

Year of Assessment	Present (2017/18) \$	Proposed (From 2018/19 onwards) \$
<b>Child allowance</b>		
For each of the 1 <sup>st</sup> to 9 <sup>th</sup> child	100,000	120,000
Additional Child Allowance for each child born during the year of assessment	100,000	120,000
<b>Dependent Parent/ Grandparent Allowance (For each dependant)</b>		
Parent/ Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	46,000	50,000
Parent/ Grandparent aged between 55 and 59	23,000	25,000
<b>Additional Dependent Parent/ Grandparent Allowance (For each dependant who is living with the taxpayer continuously throughout the year)</b>		
Parent/ Grandparent aged 60 or above, or is eligible to claim an allowance under the Government's Disability Allowance Scheme	46,000	50,000
Parent/ Grandparent aged between 55 and 59	23,000	25,000
Personal Disability Allowance	Not applicable	75,000
Elderly Residential Care expenses	92,000	100,000

- Making the following changes to personal allowances and deductions:
  - Allow married persons the option to elect personal assessment separately, starting from the year of assessment 2018/19.
  - Provide a tax deduction for qualified premium for taxpayers who purchase eligible health insurance products for themselves or their dependants under the Voluntary Health Insurance Scheme, at the annual ceiling of HK\$8,000 per insured person.
  - Allow tax deduction for voluntary contributions made to the Mandatory Provident Fund (MPF) and contributions made to deferred annuity products under the Life Annuity Scheme.

**TAX RELIEF AND SUPPORT MEASURES (continued)**

**(b) Profits tax**

Tax Rate:

The tax rate remains unchanged. A one-off reduction of 75% profits tax for 2017/18, subject to a ceiling of HK\$30,000 has been proposed. The reduction will be reflected in the taxpayer's final tax payable for 2017/18.

Subject to enactment of the two tier profits tax regime, the profits tax rate for corporations will remain at 16.5% and for unincorporated businesses, it will remain at 15%. The proposed regime will reduce the current rate by 50% for the first HK\$ 2 million of taxable profits as illustrated below:

	Present (2017/18)	Proposed (From 2018/19 onwards) <sup>1</sup>
Companies		
• First HK\$2,000,000	16.5%	8.25%
• On the remainder	16.5%	16.5%
Unincorporated businesses		
• First HK\$2,000,000	15%	7.25%
• On the remainder	15%	15%

Note:

1. A bill proposing the above two-tiered profits tax rates system was gazette on 29 December 2017. The bill is currently under the consideration of the Legislative Council and has not yet enacted into law. Once enacted, the two-tiered tax rates will be effective from the year of assessment 2018/2019.

**TAX MEASURES TO SUPPORT BUSINESS GROWTH AND INDUSTRY DEVELOPMENT**

- To encourage Research and Development ("R&D"), enterprises will enjoy a 300% tax deduction for the first HK\$2 million qualifying expenditure on R&D, and a 200% deduction for the remainder.
- To amend the qualifying debt instrument scheme to include debt securities listed on the Hong Kong Stock Exchange and extending the scope of tax exemption from debt instruments with an original maturity of not less than seven years to instruments of any duration.
- To review the existing tax concession arrangements applicable to the fund industry with regard to international requirements on tax co-operation, and to examine the feasibility of introducing a limited partnership regime for private equity funds and the related tax arrangements.

### ***INTERNATIONAL TAX COOPERATION***

- To actively seek to sign Free Trade Agreements (FTAs), Investment Promotion and Protection Agreements (IPPAs), Closer Economic Partnership Arrangement (CEPA) and Comprehensive Avoidance of Double Taxation Agreements (CDTAs) with other economies, including those along the Belt and Road, to fortify Hong Kong's position as an international trade and investment hub.

### ***MEASURES TO SUPPORT ENVIRONMENT PROTECTION***

- To allow one-off tax deduction for capital expenditure incurred by enterprises in procuring eligible energy efficient building installations and renewable energy devices.
- To extend waiver in full the first registration tax (FRT) for electric commercial vehicles, electric motor cycles and electric motor tricycles until 31 March 2021.

Apart from the continuation of the current FRT concession of up to HK\$97,500, a "one-for-one replacement" scheme is introduced today to allow eligible private car owners who buy a new electric private car and scrap an eligible private car they own to enjoy a higher FRT concession of up to HK\$250,000, until 31 March 2021.

### ***OTHER RELIEF MEASURES***

- Waive rates for four quarters of 2018/19, subject to a ceiling of HK\$2,500 per quarter for each rateable tenement.
- Provide two-month extra allowance to recipients of Comprehensive Social Security Assistance (CSSA), Old Age Allowance, Old Age Living Allowance and Disability Allowance.
- Similar arrangements will apply to Low-income Working Family Allowance (LIFA) and Work Incentive Transport Subsidy.
- Provide a one-off grant of HK\$2,000 to each student in need to support learning and pay examination fees for candidates sitting for the 2019 Hong Kong Diploma of Secondary Education Examination.
- Continue the issuance of Silver Bonds in 2018 and 2019, targeting Hong Kong residents aged 65 or above and launch of a green bond issuance with a borrowing ceiling of HK\$100 billion.

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