Acutus

SNAPSHOTS OF HONG KONG BUDGET 2017/2018

Embracing Growth Imperative

The new Financial Secretary of the Hong Kong Special Administrative Region, Mr Paul Chan, delivered his inaugural Budget speech recently. Given that the global economy for year 2016 has been operating in a low gear, the economic outlook for 2017 is likely to be patchy and modest for advanced economies. There remains uncertainties from the political changes in various parts of the world, such as the direction on the economic policy agenda of the new US administration and the developments of Brexit, coupled with rising populist and protectionist sentiments. These events will affect global economic outlook and remains to be seen how they will all pan out.

In view of the above, Acutus is pleased to provide the following which summarised the major proposals in relation to tax and business in the Budget:

TAX RELIEF AND SUPPORT MEASURES

(a) Salaries tax

- Having an one-off reduction of 75% of the salaries tax and tax under personal assessment proposed for 2016/2017 tax year, subject to a maximum reduction of HK$20,000

- Widening the marginal bands for salaries tax from the current HK$40,000 to HK$45,000.

2016/2017	Rate	2017/2018	Rate
First HK$40,000	2%	First HK$45,000	2%
Next HK$40,000	7%	Next HK$45,000	7%
Next HK$40,000	12%	Next HK$45,000	12%
Balance	17%	Balance	17%

- Making the following changes to personal allowances and deductions:

  - The disabled dependant allowance will increase from HK$66,000 to HK$75,000.
  - The dependent brother/sister allowance will increase from HK$33,000 to HK$37,500.
  - The entitlement period for the deduction of home loan interest will be extended from 15 years of assessment to 20 years, with the deduction ceiling remaining unchanged (i.e. HK$100,000 per year of assessment).
  - The deduction ceiling for self-education expenses will increase from HK$80,000 to HK$100,000.
  - Provide tax deduction for the purchase of regulated health insurance products, details of which are being examined by the Government.

TAX RELIEF AND SUPPORT MEASURES (continued)

(b) Profits tax

Having a one-off reduction of 75% of the profit tax proposed for 2016/2017 tax year, subject to a maximum reduction of HK$20,000

(c) Property tax

Rates on properties throughout the territory remain at 5 percent of the rateable value. However, rates for all four quarters will be waived in 2017-18, subject to a ceiling of HK$1,000 per quarter for each rateable property.

SUPPORT FOR SMALL AND MEDIUM ENTERPRISE ("SME")

- Extending the application period for the Dedicated Fund on Branding, Upgrading and Domestic Sales for five years to June 2022 to assist Hong Kong enterprises in furthering their business development in the Mainland;

- Extending the application period for the special concessionary measures under the SME Financing Guarantee Scheme to 28 February 2018 to help enterprises tide over their liquidity needs; and

- Proposing to strengthen the underwriting capacity of the Hong Kong Export Credit Insurance Corporation (ECIC) by raising the cap on the contingent liability of ECIC under contracts of insurance from HK$40 billion to HK$55 billion

The Government will also explore the enhanced deduction of Innovation and Technology expenditure.

CONSOLIDATING PILLAR INDUSTRIES

- Introducing tax concession to promote aircraft leasing and financing business in Hong Kong;

- Extending the profits tax exemption to onshore privately-offered open-ended fund companies so as to attract more funds to domicile in Hong Kong

- Launching the following measures to support the tourist industry:

  - ➢ Waive the licence fees for 1,800 travel agents for one year
  - ➢ Waive the licence fees for 2,000 hotels and guesthouses for one year
  - ➢ Waive the licence fees for restaurants and hawkers and fees for restricted food permits for one year

INTERNATIONAL TAX COOPERATION

- Signing trade agreements with various economies as a separate customs territory, and continuously to expand its Free Trade Agreement (FTA) and Investment Promotion and Protection Agreement (IPPA) networks.

- Joining the inclusive framework set up by the international community for implementing the "base erosion and profit shifting" (BEPS) package.

- Expanding the network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) with other jurisdictions continuously.

OTHER RELIEF MEASURES

- Provide one 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

- Lower the eligibility age for Elderly Health Care Vouchers from 70 to 65

- Launch 2nd scheme to issue Silver Bond for 2017/18 with appropriate issuance terms, including the issuance size and tenure, which will be formulated in the light of market environment

First Registration Tax of electric commercial vehicles, motor cycles and motor tricycles will continue to be fully waived from 1 April 2017 to 31 March 2018; and the First Registration Tax waiver for electric private cars will be capped at HK$97,500

TAX POLICY UNIT

Due to the global competitive environment, countries are using tax concession as measures to attract investments and promote the development of certain industries. In order to keep up with Hong Kong's competitiveness, a tax policy unit in the Financial Services and the Treasury Bureau will be set up to examine these tax issues from a macro perspective. This is done with a view to align Hong Kong's tax practices with international standards, enhance Hong Kong's tax regime and explore broadening the tax base.

If you wish to understand more on the budget, please feel free to approach:

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