

Press release

LCQ18: Home loan interest

Wednesday, February 1, 2012

Following is a question by the Hon Frederick Fung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 1):

Question:

Regarding the existing arrangement under which home loan interest paid is deductible from a taxpayer's assessable income under Salaries Tax or from a taxpayer's total income under Personal Assessment, will the Government inform this Council:

(a) of the number of taxpayers who have benefited from the aforesaid tax deduction arrangement and the amount of deductions in respect of their expenses on home loan interest in each year of assessment since the implementation of the arrangement in the year of assessment 1998-1999; the amount of tax revenue thus foregone in each year of assessment; whether the authorities had conducted any review of the arrangement in the past (including its effectiveness in alleviating the financial burden of the middle class, as well as its impact on the local property market and government revenue, etc); and

(b) given that there are suggestions in the community requesting that the Government should further extend the entitlement period for home loan interest deduction, increase the maximum limit of the amount of deduction and introduce a home rental deduction, etc, whether the authorities have conducted any study on these suggestions (including the level of difficulty in implementing these suggestions, as well as their positive and negative effects on the middle class and the Government's financial position, etc); if they have, of the outcome; whether they will consider adopting such suggestions and putting forward corresponding measures in the 2012-2013 Budget; if not, of the reasons for that?

Reply:

President,

(a) To alleviate the burden of tax-paying families arising from home mortgage payments, the Government introduced in the year of assessment 1998-99 a tax deduction for home loan interest (HLI) of up to \$100,000 a year for an aggregate period of five years. The computer system of the Inland Revenue Department (IRD) started to collect data of HLI deductions since the year of assessment 2001-02. The number of persons who have been granted HLI deductions under salaries tax and tax under personal assessment as well as the amount of such deductions for the years of assessment 2001-02 to 2009-10 are set out below:

Year of Assessment (Remark)	Number of persons who have been granted HLI deductions	Total HLI deductions granted (\$ million)
2001-02	350 000	13,800
2002-03	340 000	10,300
2003-04	360 000	9,000
2004-05	350 000	8,100
2005-06	380 000	11,500
2006-07	370 000	12,800
2007-08	330 000	10,600
2008-09	270 000	6,000
2009-10	240 000	4,900

Remark: As the assessing work for the year of assessment 2010-11 has not yet completed, the statistics for the said year are not available.

Since the IRD has not collected breakdown figures on revenue forgone by deduction types, we could not provide statistical data on revenue forgone as a result of HLI deductions.

Since the introduction of HLI deduction in the year of assessment 1998-99, the Government has reviewed the arrangement from time to time. Having considered factors such as people's burden arising from home mortgage payments and the Government's fiscal position, we have made the following adjustments to the arrangement previously:

(1) raising the annual deduction ceiling from \$100,000 to \$150,000 for a period of two years for the years of assessment 2001-02 and 2002-03;

(2) extending the maximum deduction period from five years to seven years from the year of assessment 2003-04 and onwards; and

(3) extending the maximum deduction period for three more years to the present 10 years from the year of assessment 2005-06 and onwards, with the annual deduction ceiling remaining at \$100,000.

(b) During the Budget consultation, members of the public have raised various tax-related suggestions, hoping that the Government would be sympathetic to their livelihood burden. We fully understand their requests and have carefully considered the suggestions. The outcome of our deliberations is reflected in the 2012-13 Budget delivered by the Financial Secretary on February 1.

Ends