

Press release

Tax measures proposed in 2012-13 Budget

Wednesday, February 1, 2012

In his Budget delivered today (February 1), the Financial Secretary, Mr John C Tsang, proposed a package of tax measures. One of the measures is a 75 per cent reduction of profits tax, salaries tax and tax under personal assessment for the year of assessment 2011-12, subject to a ceiling of \$12,000 per case.

The tax reduction will benefit taxpayers paying profits tax, salaries tax and tax under personal assessment in the year. In total, 1.62 million taxpayers will enjoy the tax reduction. The measure will cost the Government \$10.02 billion in the financial year 2012-13.

The tax reduction will reduce the amount of tax payable by taxpayers in the coming year. Taxpayers should file their profits tax returns and individuals tax returns for the year of assessment 2011-12, which will be issued in the coming April and May respectively, as usual. Upon enactment of the relevant legislation, the Inland Revenue Department will effect the reduction in the final assessment. Most taxpayers will receive their tax bills, with the reduction duly reflected, starting from late July 2012. As in last year, profits tax and personal assessment bills will fall due from November this year onwards, and salaries tax in January 2013.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2011-12, but not to the provisional tax of the same year. Therefore, taxpayers are still required to pay their provisional tax for the year of assessment 2011-12 on time despite the proposed reduction. The provisional tax paid will, in accordance with the Inland Revenue Ordinance, be applied in payment of the final tax for the year of assessment 2011-12 and provisional tax for the year of assessment 2012-13. The excess balance, if any, will be refunded.

The proposed tax reduction is not applicable to property tax. Individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment. Businesses making profits will benefit from the tax reduction whether personal assessment is chosen or not. However, the amount of tax reduction they will get might be different under personal assessment. The exact position will need to be evaluated case by case. Individuals having business and rental income may elect for personal assessment in their tax returns for the year of assessment 2011-12. The department will check if the election will reduce the amount of tax payable in each case, and assess each taxpayer in the way most advantageous to him.

In addition to the above 75 per cent tax reduction, the Financial Secretary has also proposed to waive business registration fees for 2012-13, to increase the personal allowances, to increase the deduction ceiling for elderly residential care expenses, to extend the number of years of deduction for home loan interest, and to increase the maximum amount of deduction for mandatory contributions to Mandatory Provident Fund schemes. These measures will take effect from the year of assessment 2012-13 subject to the passing of the relevant legislation.

Details of the proposed tax measures and examples of tax calculations are available on the department's website (www.ird.gov.hk) and can also be obtained through the fax hotline 2598 6001.

Ends