

Press release

Tax measures proposed in 2013-14 Budget

Wednesday, February 27, 2013

In his Budget delivered today (February 27), the Financial Secretary proposed a number of tax measures.

The Financial Secretary proposed a 75 per cent reduction of profits tax, salaries tax and tax under personal assessment for the year of assessment 2012-13, subject to a ceiling of \$10,000 per case. This measure will cost the Government \$9.4 billion, benefiting about 1.65 million taxpayers.

The tax reduction will reduce the amount of tax payable by taxpayers for the year of assessment 2012-13. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2012-13, to 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 2013. As usual, profits tax and personal assessment bills will fall due starting from November this year, and salaries tax in January 2014.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2012-13, 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 2012-13 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 2012-13 and provisional tax for the year of assessment 2013-14. 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 a reduction under personal assessment. Businesses making profits will benefit from the tax reduction whether personal assessment is elected 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 make election for personal assessment in their tax returns for the year of assessment 2012-13. 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.

For personal allowances, the Financial Secretary proposed to increase the basic and additional child allowances from the current \$63,000 to \$70,000 for each child, effective from the year of assessment 2013-14 upon enactment of the relevant legislation. After the increase, the total allowance for each baby born in 2013-14 will be \$140,000 for the year.

The Financial Secretary also proposed to raise the deduction ceiling for expenses of self-education from \$60,000 to \$80,000. This measure will be effective from the year of assessment 2013-14 upon enactment of the relevant legislation.

To help enterprises, apart from the above 75 per cent tax reduction, the Financial Secretary also proposed to waive the business registration fees for 2013-14.

On profits tax, the Financial Secretary proposed to extend the profits tax exemption for offshore funds to allow private equity funds to enjoy the same tax exemption and to reduce the profits tax on the offshore insurance business of captive insurance companies, such that they will enjoy the same tax concessions as those currently applicable to reinsurance companies.

The above proposed tax measures will be effected by amending the relevant ordinances. 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.

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