

Press release

Tax measures proposed in 2015-16 Budget

Wednesday, February 25, 2015

In his Budget delivered today (February 25), 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 2014-15, subject to a ceiling of \$20,000 per case. This measure will cost the Government \$17.7 billion, benefitting about 1.95 million taxpayers.

The tax reduction will reduce the amount of tax payable by taxpayers for the year of assessment 2014-15. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2014-15, 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. Tax bills, with the reduction duly reflected, will be issued starting from about late July 2015. As usual, profits tax and personal assessment bills will fall due starting from November this year, and salaries tax in January 2016.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2014-15, but not to the provisional tax of the same year. Therefore, taxpayers are still required to pay the provisional tax on time as stipulated in the demand notes that have been issued to them 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 2014-15 and provisional tax for the year of assessment 2015-16. Excess balance, if any, will be refunded.

The proposed tax reduction is not applicable to property tax. Nevertheless, individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment.

For taxpayers electing for personal assessment, the reduction will be based on their tax payable under personal assessment. It might be different from the amount of reduction they would get if they were not assessed under

personal assessment. The exact position will need to be evaluated case by case. Individuals having business or rental income may make election for personal assessment in their tax returns for the year of assessment 2014-15. 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 one-off tax reduction, the Financial Secretary proposed to increase the child allowance and the additional child allowance in the year of birth to alleviate taxpayers' burden of raising children. These measures will benefit about 370 000 taxpayers, costing the Government about \$2 billion a year. They will be effective from the year of assessment 2015-16 upon enactment of the relevant legislation.

On profits tax, the Financial Secretary proposed to amend the Inland Revenue Ordinance to allow, under specified conditions, interest deductions under profits tax for corporate treasury centres and reducing profits tax for specified treasury activities by 50 per cent. Furthermore, the Government plans to table a bill in the Legislative Council later to allow private equity funds to enjoy profits tax exemption available to offshore funds.

The above proposed tax measures will be effected by amending the Inland Revenue Ordinance. Details of the proposals and examples of tax calculations are available on the website of the Inland Revenue Department (www.ird.gov.hk) for the public's reference. They can also be obtained through the fax hotline 2598 6001.

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