

Press Release

Tax measures proposed in 2016-17 Budget

Wednesday, February 24, 2016

In his Budget delivered today (February 24), 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 2015-16, subject to a ceiling of \$20,000 per case. This measure will cost the Government \$18.9 billion, benefiting about 2.09 million taxpayers.

The tax reduction will reduce the amount of tax payable by taxpayers for the year of assessment 2015-16. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2015-16, 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 2016. As usual, profits tax and personal assessment bills will fall due starting from November this year, and salaries tax in January 2017.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2015-16, 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 2015-16 and provisional tax for the year of assessment 2016-17. 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 2015-16. 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.

The Financial Secretary also proposed to waive the business registration fees for 2016-17.

In addition to the one-off tax reduction, the Financial Secretary proposed to increase the basic allowance, married person's allowance, single parent allowance, dependent parent/grandparent allowance and additional allowance, and raise the deduction ceiling for elderly residential care expenses. These measures will be effective from the year of assessment 2016-17 upon enactment of the relevant legislation.

On profits tax, to promote Hong Kong as an intellectual property trading hub in the region, the Government will expand the scope of tax deduction for capital expenditure incurred for the purchase of intellectual property rights from five categories to eight. The additions are layout design of integrated circuits, plant varieties and rights in performance.

The above proposed tax measures will be effected by amending the relevant ordinances. 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 fax hotline 2598 6001.

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