

FINANCE & ACCOUNTING IN HONG KONG

Proposed Budget and Summary of Hong Kong Taxes 2018/2019

PROFITS TAX

	2018/2019	2017/2018
Corporations	16.5%	16.5%
Unincorporated business	15%	15%
Capital gains	Nil	Nil
Dividend	Nil	Nil

For 2017/2018, the ceiling for profits tax deduction of 75% has been raised to HKD30,000, from HKD20,000.

SALARIES TAX

- Salaries tax is charged at the lower of net chargeable income (Total Income - Deductions - Allowances) at progressive rates or net total income (Assessable Income - Deductions) at standard rate.
- Standard rate remains the same at 15%.
- Starting from year of assessment 2018/19, allow husband and wife to decide whether to elect for personal assessment
- Progressive rates are as follows:

2018/2019		2017/2018	
First HKD50,000 chargeable income	2%	First HKD45,000 chargeable income	2%
Next HKD50,000	6%	Next HKD45,000	7%
Next HKD50,000	10%	Next HKD45,000	12%
Next HKD50,000	14%	Remainder	17%
Remainder	17%		

For 2017/2018, the salaries tax and tax under personal assessment are proposed to be reduced by 75%, subject to a ceiling of HKD30,000.

ALLOWANCES & DEDUCTIONS

Increase in allowance:

	Proposed 2018/2019	2017/2018
Personal allowance		
Basic	HKD132,000	HKD132,000
Married	HKD264,000	HKD264,000
Single Parent	HKD132,000	HKD132,000
Disabled (New allowance)	HKD75,000	N/A
Child allowances (1st to 9th child)		

CONTACT

For more information on Hong Kong tax-related matters, please contact:

Pierre Gargatte
Client Services Manager
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Consultants

pgargatte@fiducia-china.com
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Year of Birth	HKD240,000	HKD200,000
Other years	HKD120,000	HKD100,000
Dependent parent / grandparent allowances (Age 60+)		
Basic (Age 60+)	HKD50,000	HKD46,000
Additional allowance (for dependant living with taxpayer) (Age 60+)	HKD50,000	HKD46,000
Basic (Age 55-59)	HKD25,000	HKD23,000
Additional allowance (for dependant living with taxpayer) (Age 55-59)	HKD25,000	HKD23,000
Dependent brother / sister allowance	HKD37,500	HKD37,500
Disabled dependant allowance	HKD75,000	HKD75,000
Deductions		
Self-Education expenses	HKD100,000	HKD100,000
Home loan interest	HKD100,000 (entitlement period – 20 years)	HKD100,000 (entitlement period – 20 years)
Approved charitable donations	35% of income	35% of income
Elderly residential care expenses	HKD100,000	HKD92,000
Contributions to recognized retirement schemes	HKD18,000	HKD18,000

PROPERTY TAX

The standard rate (for non-corporate owners) remains at 15% for 2018/2019.

PROPERTY STAMP DUTY

Property consideration	2018/2019* (remain the same)	2017/18
Up to HKD2,000,000	1.5%	1.5%
HKD2,000,001 to HKD3,000,000	3%	3%
HKD3,000,001 to HKD4,000,000	4.5%	4.5%
HKD4,000,001 to HKD6,000,000	6%	6%
HKD 6,000,001 to HKD20,000,000	7.5%	7.5%
HKD20,000,001 and above	8.5%	8.5%

Duty rates are subject to marginal relief

*The above stamp duty rates applied only if the following conditions are met:

- Acquiring first residential property by Hong Kong Permanent Resident;
- Disposing the existing residential property within 6 months after the new residential property is acquired.

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Special Stamp Duty (SSD) remains to impose on transactions of residential properties for all values if the property is acquired by the vendor on or after November 20, 2010 and resold within 24 months after acquisition. The SSD rates are as follows:

- ▣ 15% if the vendor has held the property for 6 months or less;
- ▣ 10% if the vendor has held the property for more than 6 months but for 12 months or less;
- ▣ 5% if the vendor has held the property for more than 12 months but for 24 months or less.

OTHER PROPOSED ONE-OFF RELIEF MEASURES

1. To waive rates for the four quarters of 2018/2019, subject to a ceiling of HKD2,500 per quarter for each rateable property.
2. To provide an extra allowance equivalent to TWO-month payment to recipients of Comprehensive Social Security Assistance (CSSA), Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to Low-income Working Family Allowance and Work Incentive Transport Subsidy.
3. To raise subsidy ceiling of the Continuing Education Fund from HKD10,000 to HKD20,000 per applicant.
4. To provide a one-off grant of HKD2,000 to each student in need to support learning.
5. To pay examination fees for candidates sitting for the 2019 Hong Kong Diploma of Secondary Education Examination

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PROPOSED MEASURES FOR DEVELOPING HK'S ECONOMY

In General

1. To continue the implementation of the small and medium enterprises Financing Guarantee Scheme and the Technology Voucher Program.
2. To continue the support for the initiatives against base erosion and profit shifting (BEPS) by joining the inclusive framework set up by the Organisation for Economic Co-operation and Development (OECD) for implementing the BEPS package.
3. To continue the efforts in expanding the network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) with other jurisdictions in order to foster a more business and investment-friendly environment.

Finance

1. To set aside a dedicated provision of HKD500 million to develop financial service industry.
2. To launch a Pilot Bond Grant Scheme to attract local, Mainland and overseas enterprises to issue bonds in Hong Kong and continue to issue Silver Bonds in 2018 and 2019.
3. To launch a green bond issuance programme for Government green public works projects to promote green finance.
4. To further amend the Inland Revenue Ordinance to attract multinational and Mainland enterprises to establish corporate treasury centres in Hong Kong, the Government will extend the coverage of profits tax concession to specified treasury services provided by qualifying corporate treasury centres to all their onshore associated corporations.
5. To launch a Faster Payment System to provide real-time, round-the-clock, cross-institution payment and fund transfer service.

Trading and Logistics Industry

1. To expand trade, investment and tax treaty networks to open up new markets.
2. To consider redeveloping the Air Mail Centre at the Hong Kong International Airport and set aside HKD5 billion for the project.
3. Cap trade declaration charge at HKD200 to enhance competitive and develop high-value added logistics services.

Innovation and Technology

1. To reserve HKD50 billion for supporting I&T development, including biotechnology, artificial intelligence, smart city and financial technologies (Fintech).
2. To invest HKD20 billion will be used on the first phase of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop.
3. To inject HKD10 billion into the Innovation and Technology Fund (ITF). The ITF will continue to support applied R&D work in Hong Kong with the additional resources.
4. To earmark HKD10 billion to support the establishment of two research clusters on healthcare technologies and on artificial intelligence and robotics technologies.
5. To allocate HKD10 billion to the Hong Kong Science and Technology Parks Corporation (HKSTPC).
6. To allocate HKD200 million to Cyberport to enhance the support for start-ups and promote the development of digital technology ecosystem.
7. To allocate HKD100 million to Cybersport for promoting the development of e-sports.
8. To encourage R&D, enterprises will enjoy a 300% tax deduction for the first HKD2 million qualified R&D expenditure, and a 200% tax deduction for the remainder.
9. To allocate HKD500 million under the ITF to implement the Technology Talent Scheme as announced in the Policy Address. The Scheme will also provide funding to subsidise local companies for training staff on high-end technologies.

Other Industries

1. To inject HKD1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales to boost SME's competitiveness.

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2. To provide a total of HKD250 million to Hong Kong Development Council to assist local enterprises in seizing opportunity arising from the Belt and Road initiative and Bay Area, and to promote development of e-commerce.
3. To set up a HKD1 billion Construction Innovation and Technology Fund to boost the capacities of enterprises and practitioners in the construction industry to adopt new technology, and support the industry to harness innovative technology.
4. To inject HKD1 billion into the CreateSmart Initiative to strengthen support for the development of the creative industries

Note: Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

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