

Hong Kong Budget Summary 2008/09

Introduction

The Financial Secretary, Mr. John Tsang, delivered his first budget speech for the Government of this term to the Legislative Council on 27 February 2008 proposing the Government's revenue and expenditure plan for the fiscal year 2008/09.

Consistent with the approach taken over the past few years, the Government continues to focus on fiscal prudence, balancing its accounts and restricting public expenditure to less than 20% of GDP, while investing in certain key areas such as education, infrastructure and healthcare. The Government continues on maintaining a stable low tax rate regime that minimizes the impact of tax on businesses and enhances Hong Kong's competitiveness.

Attached is a summary of the changes in tax rates and other fees and duties.

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If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

Summary of Tax Changes for 2008/09

Profits Tax

Tax Rate

	Year of assessment	
	2007/08	2008/09
	Tax rate	Tax rate
Incorporated	17.5%	16.5%
Unincorporated	16.0%	15.0%

One-off Measure on Profits Tax

Waiver of 75% of Profits Tax for 2007/08, subject to a ceiling of \$25,000.

Deductions for fixed assets

Capital expenditure on environmentally-friendly machinery and equipment will be eligible for full deduction in the first year of purchase.

Depreciation period for environmentally-friendly installations mainly ancillary to buildings will be shortened from the usual 25 years to 5 years.

Property Tax

Tax Rate

Year of assessment	
2007/08	2008/09
Tax rate	Tax rate
16.0%	15.0%

One-off Measure on Property Tax

Waiver of 75% of Property Tax for 2007/08, subject to a ceiling of \$25,000.

Salaries Tax

Progressive Tax Rates

Year of assessment		Year of assessment	
2007/08		2008/09	
Chargeable income	Marginal tax rate	Chargeable income	Marginal tax rate
First \$35,000	2.0%	First \$40,000	2.0%
Next \$35,000	7.0%	Next \$40,000	7.0%
Next \$35,000	12.0%	Next \$40,000	12.0%
Remainder	17.0%	Remainder	17.0%

Allowances and Deductions

	Year of assessment	Year of assessment
	2007/08	2008/09
Allowances	HK\$	HK\$
Personal Allowances:		
Basic	100,000	108,000
Married	200,000	216,000
Single Parent	100,000	108,000
Child(1st to 9th child):		
Year of birth	100,000	100,000
Other years	50,000	50,000
Dependent Parent/Grandparent		
Aged 60 or above:		
Basic	30,000	30,000
Additional (for dependent living with taxpayer)	30,000	30,000
Aged between 55-59:		
Basic	15,000	15,000
Additional (for dependent living with taxpayer)	15,000	15,000
Dependent Brother/Sister	30,000	30,000
Disabled Dependent	60,000	60,000
Deductions (maximum amount):		
Self-Education Expenses	60,000	60,000
Home Loan Interest	100,000	100,000
Elderly Residential Care Expenses	60,000	60,000
Contributions to Recognised Retirement Schemes	12,000	12,000
Approved Charitable Donations	25% of income	35% of income

Salaries Tax (continued)

Standard Rate

Year of assessment	Year of assessment
2007/08	2008/09
16.0%	15%

One-off Measure on Salaries Tax and Tax under Personal Assessment

Waiver of 75% of Salaries Tax and Tax under Personal Assessment for 2007/08, subject to a ceiling of \$25,000.

Others

Business Registration Fees

Waiver of Business registration Fees for 2008/09.

Rates

Waiver of Rates for 2008/09, subject to a ceiling of \$5,000 per quarter for each rateable tenement.

Hotel Accommodation Tax

Waiver of Hotel Accommodation Tax.

Duties on Liquor

Exemption of duties on wine, beer and all other alcoholic beverages except spirits with immediate effect.

Duties on Environment-Friendly Diesel

Concessionary duty rate of HK\$0.56 per litre for Euro V diesel for two years from 1 December 2007.

Motor Vehicle First Registration Tax

Depending on the types of vehicles, a reduction of 30%, 50% or 100% in the First Registration Tax for commercial vehicles meeting Euro V emissions standards.