

Hong Kong 2011/12

Budget Highlights

The Hong Kong Financial Secretary, Mr. John Tsang presented his budget for the fiscal year 2011/12 on 23 February 2011.

Mr. Tsang forecasts that in 2011, Hong Kong's GDP growth will be 4% to 5% and the inflation rate will average 4.5%. There will be limited room for further significant decline in the unemployment rate as it is now at relatively low level.

Mr. Tsang estimates that in 2011/12, total government expenditure will reach HK\$371.1 billion and total government revenue will be HK\$375 billion. As such, there will be a surplus of HK\$3.9 billion and the fiscal reserves are estimated at HK\$595.5 billion by end of March 2012.

Budget Summary:

1. Profits Tax

The rates of Profits Tax will remain unchanged as follows:

	2011/12
Corporations	16.5%
Persons other than corporations	15.0%

2. Salaries Tax

(a) The standard rate of 15% remains unchanged for 2011/12.

(b) Tax charge :

The tax charged will be the lower of:

- (i) Net assessable income at the standard rate of 15% or;
- (ii) Net assessable income less personal allowances, charged at the progressive rates, as follows:

				Tax(HK\$)
First	\$40,000	@	2%	800
Next	\$40,000	@	7%	2,800
Next	\$40,000	@	12%	4,800
Balance		@	17%	

3. Personal Allowances

The personal allowances and deductions will be as follows:

	2011/12 HK\$	2010/11 HK\$
Personal allowance (single)	108,000	108,000
(married)	216,000	216,000
Single parent allowance	108,000	108,000
Child		
1 st to 9 th child		
- Year of birth	120,000	100,000
- Other years	60,000	50,000
Dependent parent/grandparent		
Aged 60 or above		
- not residing with taxpayer	36,000	30,000
- residing with taxpayer	72,000	60,000
Aged 55 to 59		
- not residing with taxpayer	18,000	15,000
- residing with taxpayer	36,000	30,000
Disabled dependent	60,000	60,000
Dependent brother/sister	30,000	30,000
Deductions:		
- Self education	60,000	60,000
- Home loan interest	100,000	100,000
- Approved charitable donations	35% of assessable income/profits	35% of assessable income/profits
- Elderly residential care expenses	72,000	60,000
- Contributions to recognized retirement schemes	12,000	12,000

4. Rates

Property rate is waived one-off for 2011/12 subject to a ceiling of HK\$1,500 per quarter for each property.

5. Stamp Duty

The rate of stamp duty on share transfers remains unchanged at 0.2%.

The rates of stamp duty on property (residential and non-residential) transactions are subject to the following changes:

Table of Duty Rate:

Property Consideration HK\$	Duty rate	
	2011/12	2010/11
Upto 2,000,000	\$100	\$100
2,000,001 – 3,000,000	1.50%	1.50%
3,000,001 – 4,000,000	2.25%	2.25%
4,000,001 – 6,000,000	3.00%	3.00%
6,000,001 – 20,000,000	3.75%	3.75%
20,000,001 or above	4.25%	4.25%

6. Other new measures

(a) One-off measures for 2011/12:

- (1) Electricity subsidy of HK\$1,800 to each residential electricity account.
- (2) Pay two months' rent for public housing tenants.
- (3) Provide one more month of Comprehensive Social Security Assistance (CCSA) payment, Old Age Allowance and Disability Allowance.

(b) Others:

- (4) Increase tobacco duty by HK\$0.5 per stick.
- (5) Increase the rate of each tax band for the First Registration Tax for private cars by about 15%.
- (6) Issue HK\$5 billion to HK\$10 billion worth of Hong Kong-dollar inflation-linked "iBond", a retail bond serving as an alternative investment for coping with inflation and for promoting local bond market development.

If you wish to discuss the Budget or any taxation matters, please contact in our office or telephone any one of our tax team below:

Victor Heng Tel: +852 3111 4343 victorheng@morisonhk.com

Roy Heng Tel: +852 3111 4351 roy.pn.heng@morisonhk.com

Tel: +852 2881 1226

Fax: +852 2577 2293

www.morisonhk.com