

Hong Kong Tax Highlights 2010 / 2011

Salaries and Personal Assessment Tax Rates

	2009/10	Proposed for 2010/11	HK\$
First HK\$40,000	@ 2%	@ 2%	800
Next HK\$40,000	@ 7%	@ 7%	2,800
Next HK\$40,000	@ 12%	@ 12%	4,800
Cumulative tax on first HK\$120,000	-	-	8,400
Balance	@ 17%	@ 17%	
Standard rate	@ 15%	@ 15%	

Allowances and Deductions (cont'd)

	2009/10 HK\$	2010/11 HK\$
Dependent parent/grandparent allowance (each)		
Aged 60 and above residing in Hong Kong:		
Residing with taxpayer	60,000	60,000
Not residing with taxpayer	30,000	30,000
Aged 55 to 59 residing in Hong Kong:		
Residing with taxpayer	30,000	30,000
Not residing with taxpayer	15,000	15,000
Disabled dependant allowance (each)	60,000	60,000
Self-education expenses (maximum)	60,000	60,000
Elderly residential care expenses (maximum)	60,000	60,000
Home loan interest[^] (maximum)	100,000	100,000
Mandatory contributions to recognized retirement schemes (maximum)	12,000	12,000
Approved charitable donations	Up to 35% of assessable income before deduction of donation	Up to 35% of assessable income before deduction of donation
Mortgage loan interest for rented property (personal assessment only)	Limited to the amount of the net assessable value of the property	Limited to the amount of the net assessable value of the property

Allowances and Deductions

	2009/10 HK\$	2010/11 HK\$
Personal allowances:		
Basic allowance (single)	108,000	108,000
Married person's allowance*	216,000	216,000
Single parent allowance	108,000	108,000
Child allowance (each)		
1st to 9th child:		
Child born during the year	100,000	100,000
Child born in other years	50,000	50,000
Dependent brother or sister allowance (each)	30,000	30,000

[^] 10 years of relief in total for each taxpayer.

Note: In the 2010-11 Budget delivered on 24 February 2010, the Financial Secretary proposed a one-off reduction of 75% of the 2009/10 final tax in respect of salaries tax and tax under personal assessment, subject to a ceiling of \$6,000.

Profits Tax

Tax basis:	Accounting profits after adjustments under the tax code
Tax rates (2009/10 & 2010/11):	Corporations – 16.5% Individual, partnership, and other unincorporated business – 15%
Losses:	Carried forward indefinitely subject to restrictions under the anti-avoidance rules of the Inland Revenue Ordinance
Capital gains:	Non taxable
Dividends:	Non taxable, no withholding tax on dividend payment
Approved charitable donations:	Up to 35% of adjusted profits after depreciation allowance but before donations and loss set-off
Qualifying Debt Instruments:	50% of the regular rate to interest income and profits for those with maturity period less than 7 years
Tax deductible capital expenditure:	Includes registered trademarks, copyrights and registered design

Depreciation Allowances:

	Initial	Annual
Plant & machinery	60%	10%, 20% or 30% (depends on the type of plant & machinery, and on the reducing balance)
Industrial building	20%	4%* (on actual or deemed cost of construction)
Commercial building	-	4%* (on actual or deemed cost of construction)
Prescribed manufacturing machinery, certain environmental protection machinery, computer hardware and software, environment-friendly vehicles	100%	-
Expenditure on building refurbishment (non residential buildings only)	-	20% (on cost)

*Special rules to be applied for used buildings

Property Tax

Standard rate of 15%

Charged on 80% of the rent receivable (net of Rates) on owners (non-corporate) of land or buildings in Hong Kong

Corporate owners of property may apply for exemption

Stamp Duty

Hong Kong share transfers:

0.2% per transaction

Instrument of transfer:

HK\$5.00

Sale of land and buildings in Hong Kong:

HK\$	Stamp Duty Rate
Up to 2,000,000	HK\$100
2,000,001 – 2,351,760	HK\$100 + 10% of excess over HK\$2,000,000
2,351,761 – 3,000,000	1.5%
3,000,001 – 3,290,320	HK\$45,000 + 10% of excess over HK\$3,000,000
3,290,321 – 4,000,000	2.25%
4,000,001 – 4,428,570	HK\$90,000 + 10% of excess over HK\$4,000,000
4,428,571 – 6,000,000	3.00%
6,000,001 – 6,720,000	HK\$180,000 + 10% of excess over HK\$6,000,000
6,720,001 – 20,000,000	3.75%
**20,000,001 – 21,739,120	HK\$750,000 + 10% of excess over HK\$20,000,000
Over 21,739,120	4.25%

** Buyers are not allowed to defer stamp duty payment on transactions above HK\$20 million

Lease of land and buildings in Hong Kong:

Term	Stamp Duty Rate
Undefined/uncertain	0.25% of yearly or average yearly rent
< 1 year	0.25% of the total rent payable over the term of the lease
> 1 year but < 3 years	0.5% of the yearly or average yearly rent
> 3 years	1% of the yearly or average yearly rent
Duplicate of counterpart	\$5 each

Shares, land and buildings transfers:

Exempt for intra group ($\geq 90\%$ shareholding) subject to conditions set out in section 45 of the Stamp Duty Ordinance.

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