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HONG KONG TAX NEWS

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HONG KONG BUDGET 2005/06

Salaries Tax

Standard rate

The standard rate will remain at 16% for 2005/06.

Tax charge

The tax charge for 2004/05 and 2005/06 are the lower of :-

- net assessable income less charitable donations and allowable deductions at the standard rate, or
- net assessable income less charitable donations and allowable deductions and personal allowances, charged at progressive rates as follows :-

2004/05	Tax	HK\$
First \$30,000	2%	600
Next \$30,000	8%	2,400
Next \$30,000	14%	4,200
Balance	20%	

2005/06	Tax	HK\$
First \$30,000	2%	600
Next \$30,000	8%	2,400
Next \$30,000	14%	4,200
Balance	20%	

Personal allowances

The personal allowances for 2004/05 and 2005/06 are:-

	2004/05	2005/06
	HK\$	HK\$
Personal allowances (single)	100,000	100,000
(married)	200,000	200,000
Single parent allowance	100,000	100,000
Child allowances: 1st and 9th child (each)	30,000	30,000
Dependent parent allowance	30,000	30,000*
Dependent grandparent allowance	30,000	30,000*
Additional dependent parent & grandparent allowances	30,000	30,000*
Disabled dependant (spouse/child/parent/grandparent/ brother/sister) allowance	60,000	60,000
Dependent brother/sister allowance	30,000	30,000

* The dependent parent/grandparent allowance (basic or additional) for dependents aged 60 or above will remain at HK\$30,000 per annum. It is proposed that a dependent parent/grandparent allowance of HK\$15,000 will be introduced in respect of dependent parents/grandparents aged 55 and 59. An additional allowance of the same amount is available if the dependent parent/grandparent is residing with the taxpayer.

Tax deductions

Mortgage relief

Home mortgage interest payments are deductible against income subject to Salaries Tax. Owner-occupiers may claim a deduction for mortgage interest payments up to a maximum of HK\$100,000 per year for 2005/06 for one property. The deduction can be claimed for seven tax years.

Caring for the elderly

A deductible expense (maximum of HK\$60,000 each year) is available for expenses of a dependent parent/grandparent in residential care.

Contributions to retirement schemes

A deduction up to the maximum of HK\$12,000 each year will be available for contributions made by employees to recognized retirement schemes and Mandatory Provident Fund schemes.

Self-education costs

A maximum deduction of HK\$40,000 per year for training courses run by approved institutions is available.

Charitable Donations

To encourage private donations to educational and other charitable organisations, it is proposed that the ceiling for tax-exempted donations to approved charitable organizations is increased from 10% of assessable income to 25% of assessable income.

Property Tax

Property Tax is charged on the owner of any land or buildings situated in Hong Kong at the standard rate on the "net assessable value" of such land or buildings. Generally, the net assessable value means the amount of rent receivable by the owner of the subject land or buildings after deducting the rates which are paid by the owner **less** a statutory allowance (20%) for repairs and maintenance.

The standard property tax rate will remain at 16% for 2005/06.

Rates

Rates on properties remain at 5% of the ratable value throughout the territory.

Profits Tax

Any person who carrying on business in Hong Kong is liable to Profits Tax on profits arising in or derived from Hong Kong.

The profits tax rate for corporations will remain at 17.5% for 2005/06.

The profits tax rate for unincorporated businesses will remain at 16% for 2005/06.

The rate of deeming assessable profits from royalty type payments for the use in Hong Kong of intellectual property will remain at 30% of the payment. The effective tax rate on such payments will therefore remain at 5.25% for 2005/06.

Charitable Donations

The Government will raise the existing ceiling for tax exempted donations from 10% of assessable profits to 25%.

Capital allowances

The depreciation allowance for plant and machinery remain unchanged at:-

Initial allowance : 60% of qualifying expenditure in the year expenditure is incurred.

Annual allowance : 10%, 20% or 30% on written down value depending on the category to which the asset belongs.

Industrial Building Allowances remain unchanged at:-

Initial allowance : 20% of qualifying expenditure.

Annual allowance : 4% of qualifying expenditure.

The Commercial Building Allowance on qualifying expenditure remains at 4% per annum.

A full deduction is available for certain expenditure on computer hardware and software.

Further information

For further information regarding the Hong Kong Budget 2005/06, please contact us at (852) 2351 4806 or send mail to info@ajmcs.com.hk with questions.