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## HONG KONG TAX NEWS

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### HONG KONG BUDGET 2002/2003

#### Salaries Tax

No changes were proposed to Salaries Tax for 2002/2003:

##### Standard rate

The standard rate remains at 15% for the fiscal year 2002/2003.

##### Tax charge

The tax charge for 2002/2003 is the lower of :-

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

<b>2002/2003</b>	<b>Tax</b>	<b>HK\$</b>
First \$35,000	2%	700
Next \$35,000	7%	2,450
Next \$35,000	12%	4,200
Balance	17%	

#### Personal allowances

There has been no change to the personal allowances. The personal allowances for 2002/2003 is:-

	<b>HK\$</b>
Aggregate personal allowances (single)	108,000
(married)	216,000
Single parent allowance	108,000
Child allowances: 1st and 2nd child (each)	30,000
3rd to 9th child (each)	15,000
Dependent parent allowance	30,000
Dependent grandparent allowance	30,000
Additional dependent parent & grandparent allowances	30,000
Disabled dependant (spouse/child/parent/grandparent/ brother/sister) allowance	60,000
Dependent brother/sister allowance	30,000

#### 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\$150,000 per year for 2002/2003 for one property. The deduction can be claimed for five 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.

## Property Tax

Property Tax is charged on the owner of any land or buildings situated in Hong Kong at the standard rate of 15% 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.

### Rates

Rates on properties remain at 5% of the ratable value throughout the territory. General revaluation of the ratable value of properties will be conducted annually. The Government has increased the maximum amount of rates which may be waived for each ratable tenement from \$2,000 to \$5,000.

## 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 tax rate of Profits Tax payable by corporations and unincorporated entities remains at 16% and 15% for 2002/2003 respectively.

### 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.

### Business Registration Fee

In order to reduce operating costs of business, the Financial Secretary announced that the Business Registration Fee shall be waived for one year.

### Further information

For further information regarding the Hong Kong Budget 2002/2003, please contact us at (852) 2351 4806 or send mail to [info@ajmcs1.com.hk](mailto:info@ajmcs1.com.hk) with questions.