

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2012–13	Original estimate 2013–14	Revised estimate 2013–14	Estimate 2014–15
				\$'000
010 Bets and sweeps tax	16,564,757	16,443,490	18,099,687	18,937,680
030 Earnings and profits tax—				
(020) Profits tax	125,638,364	131,000,000	119,500,000	117,570,000 †
(030) Personal assessment	4,078,198	4,900,000	4,400,000	4,400,000 †
(040) Property tax	2,258,216	2,500,000	2,500,000	2,700,000
(050) Salaries tax	50,466,999	51,000,000	55,000,000	52,860,000 †
Sub-total	182,441,777	189,400,000	181,400,000	177,530,000 †
050 Estate duty	137,644	70,000	390,000	70,000
070 Stamp duties.....	42,879,744	40,000,000	37,700,000	43,800,000 †
080 Air passenger departure tax	2,029,188	2,062,480	2,255,782	2,263,208
Total.....	<u>244,053,110</u>	<u>247,975,970</u>	<u>239,845,469</u>	<u>242,600,888</u>

† After Budget revenue measures but subject to the passage of the relevant legislation by the Legislative Council.

Description of Revenue Sources

This revenue head covers direct taxes on earnings and profits, which include profits tax, property tax and salaries tax. A range of indirect taxes is also included.

Bets and sweeps tax is charged on horse racing bets, lotteries and football betting.

Profits tax is levied on individuals, corporations, bodies of persons and partnerships in respect of assessable profits arising in or derived from Hong Kong. The rate is 16.5% for corporations. The rate for non-corporate persons is 15%.

Property tax is charged on the owner of land and/or buildings at the standard rate of 15% on the net assessable value of the property for each year of assessment.

Salaries tax is charged on all income arising in or derived from Hong Kong from any office or employment or any pension. The total salaries tax payable by an individual is restricted to an amount not exceeding the standard rate of 15% on his total income.

An individual may elect for *personal assessment* of his total income which provides for the deduction of all probable personal allowances, and would, in appropriate circumstances, reduce the total tax liability of the individual.

Estate duty is charged on assets situated in Hong Kong valued at more than \$7.5 million according to a schedule scaled from 5% on estates of value up to \$9.0 million to 15% on estates of value over \$10.5 million. The duty was abolished on 11 February 2006 with retrospective effect to estates of persons who passed away on or after 15 July 2005.

Stamp duties are charged at a fixed rate on certain documents, and *ad valorem* on others. Fixed duties vary from \$3 to \$100, whereas *ad valorem* duties range from 0.1% to 4.25%. The *ad valorem* duties on stock transactions are 0.1% for each side per transaction. The Government has introduced a special stamp duty on residential properties at the point of resale if the properties are acquired on or after 20 November 2010 and resold within 24 months after acquisition.

Air passenger departure tax is charged at a fixed rate of \$120 for a passenger 12 years of age or above departing from Hong Kong International Airport, or by helicopter from Hong Kong at the Hong Kong Macau Ferry Terminal Heliport.

Revenue from internal revenue generated 70.4% of total revenue in 2013–14.

Underlying Changes in Revenue Yield

The **2013–14** revised estimate of \$239,845,469,000 reflects a net decrease of \$8,130,501,000 (3.3%) against the original estimate.

Under *Subhead 010 Bets and sweeps tax*, the increase of \$1,656,197,000 (10.1%) is due to the higher-than-expected receipts of betting duty from horse racing bets, lotteries and football betting.

Under *Subhead 050 Estate duty*, the increase of \$320,000,000 (457.1%) is mainly due to some exceptionally large duty payments made in 2013–14.

The **2014–15** estimate of \$242,600,888,000 reflects a net increase of \$2,755,419,000 (1.1%) over the revised estimate for 2013–14.

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Under *Subhead 050 Estate duty*, the decrease of \$320,000,000 (82.1%) is mainly due to exclusion of some exceptionally large payments received in 2013–14.

Under *Subhead 070 Stamp duties*, the increase of \$6,100,000,000 (16.2%) is mainly due to the anticipated collection of the enhanced special stamp duty and buyer's stamp duty for property transactions in 2014–15 following passage of the relevant legislation.