

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2008–09	Original estimate 2009–10	Revised estimate 2009–10	Estimate 2010–11
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax	12,620,289	12,388,000	12,642,000	13,175,000
030 Earnings and profits tax—				
(020) Profits tax	104,151,492	71,000,000	75,500,000	78,500,000
(030) Personal assessment	2,151,110	3,200,000	3,600,000	3,180,000†
(040) Property tax	832,547	1,200,000	1,600,000	1,500,000
(050) Salaries tax	39,007,872	35,190,000	39,000,000	39,810,000†
Sub-total	146,143,021	110,590,000	119,700,000	122,990,000†
050 Estate duty	175,973	80,000	170,000	70,000
060 Hotel accommodation tax	222,870	—	—	—
070 Stamp duties	32,162,101	25,000,000	40,500,000	30,000,000
080 Air passenger departure tax	1,625,470	1,593,588	1,597,032	1,669,243
Total	<u>192,949,724</u>	<u>149,651,588</u>	<u>174,609,032</u>	<u>167,904,243</u>

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

Description of Revenue Sources

To this revenue head are credited 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.

Hotel accommodation tax is levied on charges paid for accommodation in hotels and guest houses at a standard rate of 3%. The rate was reduced to 0% with effect from 1 July 2008.

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 3.75%. The *ad valorem* duties on stock transactions are 0.1% for each side per transaction.

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 69.6% of total revenue in 2009–10.

Underlying Changes in Revenue Yield

The **2009–10** revised estimate of \$174,609,032,000 is a net increase of \$24,957,444,000 (16.7%) over the original estimate.

Under *Subhead 050 Estate duty*, the increase of \$90,000,000 (112.5%) is due to a higher than expected value of estates assessed for persons passed away before abolition of estate duty.

Head 3 — INTERNAL REVENUE

Under *Subhead 070 Stamp duties*, the increase of \$15,500,000,000 (62.0%) is mainly due to a higher than expected turnover in the stock market and the property market.

The **2010–11** estimate of \$167,904,243,000 is a net decrease of \$6,704,789,000 (3.8%) against the revised estimate for 2009–10.

Under *Subhead 050 Estate duty*, the decrease of \$100,000,000 (58.8%) is due to the abolition of estate duty with retrospective effect from 15 July 2005.

Under *Subhead 070 Stamp duties*, the decrease of \$10,500,000,000 (25.9%) is mainly due to the anticipated uncertainties and volatility in the stock market and the property market in 2010–11.