

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2015–16	Original estimate 2016–17	Revised estimate 2016–17	Estimate 2017–18
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax	20,127,199	20,205,303	20,827,217	21,552,423
030 Earnings and profits tax—				
(020) Profits tax	140,226,643	138,080,000	139,300,000	139,000,000 †
(030) Personal assessment	4,789,953	4,770,000	5,200,000	4,800,000 †
(040) Property tax	2,998,035	3,000,000	3,200,000	3,200,000
(050) Salaries tax	57,867,772	60,540,000	60,540,000	61,855,000 †
Sub-total	205,882,403	206,390,000	208,240,000	208,855,000
050 Estate duty	29,990	23,000	32,000	15,000
070 Stamp duties.....	62,680,307	50,000,000	58,000,000	53,000,000
080 Air passenger departure tax	2,516,348	2,574,449	2,570,699	2,719,840
Total.....	291,236,247	279,192,752	289,669,916	286,142,263

† 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 number of indirect taxes are 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 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 8.5%. 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 (for the properties acquired between 20 November 2010 and 26 October 2012) or 36 months (for the properties acquired on or after 27 October 2012) after acquisition. The Government has also introduced a buyer's stamp duty on residential properties acquired on or after 27 October 2012 by any person, except a Hong Kong permanent resident ("HKPR") acting on his or her own behalf. Besides, immovable properties acquired on or after 23 February 2013 are subject to *ad valorem* stamp duty at the higher (Scale 1) rates, unless the property is a residential property and the buyer is a HKPR acting on his or her own behalf and not a beneficial owner of any another residential property in Hong Kong on the date of acquisition. Government announced a further round of demand-side management measure on 4 November 2016 to increase the *ad valorem* stamp duty chargeable on residential property transactions with effect from 5 November 2016 to a new flat rate of 15%, in lieu of the existing rates at Scale 1. The Stamp Duty (Amendment) Bill 2017, which seeks to implement the new flat rate, is still subject to the scrutiny of the Legislative Council. Further, the stamping of *ad valorem* stamp duty for non-residential property transactions carried out on or after 23 February 2013 is advanced from the conveyance on sale to the agreement for sale.

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

Revenue from internal revenue generated 67.0% of total revenue in 2016–17.

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Underlying Changes in Revenue Yield

The **2016–17** revised estimate of \$289,669,916,000 reflects a net increase of \$10,477,164,000 (3.8%) over the original estimate.

Under *Subhead 050 Estate duty*, the increase of \$9 million (39.1%) is mainly due to the higher-than-expected amount of duty receipt in 2016–17.

Under *Subhead 070 Stamp duties*, the increase of \$8 billion (16.0%) is mainly due to the higher-than-expected turnover in the property market.

The **2017–18** estimate of \$286,142,263,000 reflects a net decrease of \$3,527,653,000 (1.2%) against the revised estimate for 2016–17.

Under *Subhead 050 Estate duty*, the decrease of \$17 million (53.1%) is mainly due to the anticipated lower amount of duty receipt in 2017–18.

The 2017–18 estimate of \$53 billion under *Subhead 070 Stamp duties* has not factored in the stamp duty collection upon enactment of the Stamp Duty (Amendment) Bill 2017 which, as described above, is still subject to the scrutiny of the Legislative Council.