

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2000–01	Original estimate 2001–02	Revised estimate 2001–02	Estimate 2002–03
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax	12,630,089	13,590,000	11,382,000	12,605,000
030 Earnings and profits tax—				
(010) Interest tax	29	—	—	—
(020) Profits tax	42,969,426	45,732,000	44,500,000	42,855,000
(030) Personal assessment	3,454,859	3,780,000	3,900,000	3,900,000
(040) Property tax	1,143,070	1,100,000	1,100,000	1,067,000
(050) Salaries tax	26,302,905	27,403,000	28,400,000	30,500,000
Sub-total	73,870,289	78,015,000	77,900,000	78,322,000
050 Estate duty	1,502,576	1,250,000	1,400,000	1,600,000
060 Hotel accommodation tax	222,540	220,375	220,000	232,000
070 Stamp duties	10,911,196	11,188,000	8,832,000	10,971,000
080 Air passenger departure tax	536,994	748,000	654,000	885,000
Total	<u>99,673,684</u>	<u>105,011,375</u>	<u>100,388,000</u>	<u>104,615,000</u>

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 and on lotteries.

Profits tax is levied on individuals, corporations, bodies of persons and partnerships at the rate of 16% in the case of corporations and 15% for other non-corporate persons, in respect of assessable profits arising in or derived from Hong Kong.

Property tax is charged on the owner of land and/or buildings at the standard rate of 15% on the 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.

Hotel accommodation tax is levied on charges paid for accommodation in hotels and guest houses at a standard rate of 3%.

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* duty on stock transactions is 0.1% (one-side per transaction).

Air passenger departure tax is charged at a fixed rate of \$80 for a passenger 12 years of age or above departing from Hong Kong International Airport or the Heliport at the Hong Kong - Macau Ferry Terminal.

Revenue from internal revenue generated 64.5% of general revenue in 2001–02.

Underlying Changes in Revenue Yield

The **2001–02** revised estimate of \$100,388,000,000 is a net decrease of \$4,623,375,000 (4.4%) below the original estimate.

Under *Subhead 010 Bets and sweeps tax* the decrease of \$2,208,000,000 (16.2%) is due to the lower than expected receipts from both horse racing bets and lotteries.

Under *Subhead 050 Estate duty* the increase of \$150,000,000 (12.0%) is due to the higher than expected estate duty payments.

Head 3 — INTERNAL REVENUE

Under *Subhead 070 Stamp duties* the decrease of \$2,356,000,000 (21.1%) is due to the lower than expected turnover in the property market and the stock market.

Under *Subhead 080 Air passenger departure tax* the decrease of \$94,000,000 (12.6%) is due to the lower than expected number of departing passengers.

The **2002–03** estimate of \$104,615,000,000 is a net increase of \$4,227,000,000 (4.2%) over the revised estimate for 2001–02.

Under *Subhead 010 Bets and sweeps tax* the increase of \$1,223,000,000 (10.7%) reflects an anticipated increase in the betting turnover on horse racing and lotteries.

Under *Subhead 050 Estate Duty* the increase of \$200,000,000 (14.3%) reflects an anticipated increase in estate duty payments.

Under *Subhead 070 Stamp Duties* the increase of \$2,139,000,000 (24.2%) is due to an anticipated increase in the turnover of the property market and the stock market.

Under *Subhead 080 Air passenger departure tax* the increase of \$231,000,000 (35.3%) is mainly due to an anticipated increase in the number of departing passengers and the full-year effect of the tax increase from \$50 to \$80 effective from 1 October 2001.