



# Major sources of government revenue

Research Office  
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## Numbers & Figures

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### 1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue<sup>1</sup> and capital revenue<sup>2</sup>. In FY2016-2017, the government revenue is forecast to increase by 11% to HK\$498.3 billion, with HK\$404.5 billion or 81% of this forecast revenue already collected during the period April-December 2016 (see **Table 1**). For the full fiscal year in FY2015-2016, profits tax was the largest item, accounting for 31.2% of the total revenue. This was followed by stamp duties (13.9%), land premium (13.5%), salaries tax (12.9%) and general rates (5.1%). These five items altogether took up 76.6% of the overall government revenue (see **Table 2**).

**Table 1 — Government revenue**

HK\$ billion

	FY2014-2015	FY2015-2016	FY2016-2017 (Budget)	Apr-Dec 2016
Operating revenue	393.9 (82.3%) <sup>(1)</sup>	381.5 (84.8%)	398.2 (79.9%)	295.5 (73.1%)
Capital revenue	84.7 (17.7%)	68.5 (15.2%)	100.1 (20.1%)	109.0 (26.9%)
<b>Government revenue<sup>(2)</sup></b>	<b>478.7 (100%)</b>	<b>450.0 (100%)</b>	<b>498.3 (100%)</b>	<b>404.5 (100%)</b>

Notes: (1) Figures in brackets represent percentage shares of the government revenue.

(2) Individual figures may not add up to the total due to rounding.

Sources: Financial Services and the Treasury Bureau (2016) and The Treasury (2015, 2016 & 2017).

<sup>1</sup> Operating revenue comprises all revenue credited to (a) the General Revenue Account, and (b) the Land Fund. Item (a) includes direct and indirect taxes and excludes those items which are treated as capital revenue such as loan repayments received. Major types of tax and their corresponding rates applicable in FY2016-2017 are set out in **Table 3**.

<sup>2</sup> Capital revenue consists of certain revenue items in the General Revenue Account and all receipts credited to the following seven Funds: the Capital Works Reserve Fund, the Capital Investment Fund, the Civil Service Pension Reserve Fund, the Disaster Relief Fund, the Innovation and Technology Fund, the Loan Fund and the Lotteries Fund.

**Table 2 — Government revenue by item**

HK\$ billion

	FY2014-2015	FY2015-2016	FY2016-2017 (Budget)	Apr-Dec 2016
Profits tax	137.8 (28.8%) <sup>(1)</sup>	140.2 (31.2%)	138.1 (27.7%)	103.3 (25.5%)
Stamp duties	74.8 (15.6%)	62.7 (13.9%)	50.0 (10.0%)	46.0 (11.4%)
Salaries tax	59.3 (12.4%)	57.9 (12.9%)	60.5 (12.2%)	23.2 (5.7%)
General rates	22.3 (4.7%)	22.7 (5.1%)	19.8 (4.0%)	16.3 (4.0%)
Other operating revenue <sup>(2)</sup>	99.6 (20.8%)	98.0 (21.8%)	129.8 (26.0%)	106.8 (26.4%)
<b>Operating revenue<sup>(3)</sup></b>	<b>393.9 (82.3%)</b>	<b>381.5 (84.8%)</b>	<b>398.2 (79.9%)</b>	<b>295.5 (73.1%)</b>
Land premium <sup>(4)</sup>	77.8 (16.3%)	60.9 (13.5%)	67.0 (13.4%)	77.9 (19.3%)
Other capital revenue <sup>(5)</sup>	6.9 (1.4%)	7.6 (1.7%)	33.1 (6.7%)	31.1 (7.7%)
<b>Capital revenue<sup>(3)</sup></b>	<b>84.7 (17.7%)</b>	<b>68.5 (15.2%)</b>	<b>100.1 (20.1%)</b>	<b>109.0 (26.9%)</b>
<b>Government revenue<sup>(3)</sup></b>	<b>478.7 (100%)</b>	<b>450.0 (100%)</b>	<b>498.3 (100%)</b>	<b>404.5 (100%)</b>

Notes: (1) Figures in brackets represent percentage shares of the government revenue.

(2) Including investment income earned from the operating revenue, fees and charges, betting duty, government rents and duties.

(3) Individual figures may not add up to the total due to rounding.

(4) Breakdown of the land premium is shown in **Table 4**.

(5) Including investment income earned from the capital revenue, loan repayments received by the various Funds, and recovery of the land costs for the flats sold under the Home Ownership Scheme from the Hong Kong Housing Authority.

Sources: Financial Services and the Treasury Bureau (2016) and The Treasury (2015, 2016 & 2017).

**Table 3 — Major tax rates for FY2016-2017**

Tax types	Details
Profits tax	<p><u>Corporations</u></p> <ul style="list-style-type: none"> <li>• 16.5%</li> </ul> <p><u>Unincorporated businesses</u></p> <ul style="list-style-type: none"> <li>• 15%</li> </ul>
Salaries tax	<ul style="list-style-type: none"> <li>• Tax payable is calculated at the following rates, whichever is lower:           <ul style="list-style-type: none"> <li>(a) 2%-12% on the first three HK\$40,000 segments of net income (i.e. income less deductions and allowances) and 17% on the remaining net income; or</li> <li>(b) 15% on income after deductions.</li> </ul> </li> </ul>
Stamp duties	<p><u>Sale or transfer of property</u></p> <ul style="list-style-type: none"> <li>• Residential properties are subject to a flat rate of 15% of the transaction value or market value of the property (whichever is higher) as from 5 November 2016<sup>(1)</sup>, unless those specifically exempted under the Stamp Duty (Amendment) (No. 2) Ordinance 2014 which are subject to a stamp duties of HK\$100 - 4.25% of the transaction value or market value of property<sup>(2)</sup>.</li> <li>• For non-residential properties, they are subject to the rate of 1.5%- 8.5% of the transaction value or market value.<sup>(3)</sup></li> </ul> <p><u>Lease of property</u></p> <ul style="list-style-type: none"> <li>• 0.25% - 1 % of the yearly rent depending on the term of lease.</li> </ul> <p><u>Transfer of stock</u></p> <ul style="list-style-type: none"> <li>• 0.1% of the amount of stock traded.<sup>(4)</sup></li> </ul>

Notes: (1) With effect from 5 November 2016, a flat rate of 15% is chargeable on transactions for residential properties acquired by buyers who already owned at least one residential property. The Stamp Duty (Amendment) Bill 2017 was gazetted in January 2017.

(2) The rates apply to Hong Kong permanent resident buyers acquiring residential properties, if they: (a) act on their own behalf; and (b) are not beneficial owners of any other residential property in Hong Kong at the time of acquisition, according to the Stamp Duty (Amendment) (No. 2) Ordinance 2014 gazetted in July 2014.

(3) According to the Stamp Duty (Amendment) (No. 2) Ordinance 2014 gazetted in July 2014, stamp duty rates for non-residential properties ranged from 1.5% to 8.5%.

(4) The Stamp Duty (Amendment) Ordinance 2015 was gazetted in February 2015 in an effort to foster Hong Kong's position as an asset management centre and promote the development, management and trading of exchange traded funds (ETFs) in Hong Kong. The Ordinance provides for stamp duty waiver payable on the transfer of all ETF shares or units, so that the transaction costs of ETFs can be reduced.

**Table 3 — Major tax rates for FY2016-2017 (cont'd)**

Tax types	Details
Special Stamp Duty ("SSD")	<p><u>SSD for resale of residential property acquired on or after 27 October 2012</u><sup>(5)</sup></p> <ul style="list-style-type: none"> <li>• 20% if the property has been held for six months or less;</li> <li>• 15% if the property has been held for more than six months but 12 months or less; and</li> <li>• 10% if the property has been held for more than 12 months but 36 months or less.</li> </ul>
Buyer's Stamp Duty	<ul style="list-style-type: none"> <li>• 15% on residential property acquired by any person except a Hong Kong permanent resident.<sup>(5)</sup></li> </ul>
Betting duty	<p><u>Horse races bets</u></p> <ul style="list-style-type: none"> <li>• 72.5%-75% on the net stake receipts, depending on the amount of receipts.</li> </ul> <p><u>Football matches bets</u></p> <ul style="list-style-type: none"> <li>• 50% on the net stake receipts.</li> </ul> <p><u>Mark Six Lottery</u></p> <ul style="list-style-type: none"> <li>• 25% on the amount of proceeds.</li> </ul>
General rates	<ul style="list-style-type: none"> <li>• 5% of the rateable annual rent of landed property.</li> </ul>
Government rents	<ul style="list-style-type: none"> <li>• 3% of the rateable value of landed property.</li> </ul>

Note: (5) The Stamp Duty (Amendment) Ordinance 2014 was gazetted in February 2014 in an effort to cool down the private residential property market. The measures introduced under the Ordinance include: (a) raising the SSD rates and extending the holding period for residential properties; and (b) introducing a new Buyer's Stamp Duty. The Ordinance has retrospective effect from 27 October 2012.

Sources: Inland Revenue Department (2016) and Rating and Valuation Department (2016).



**Table 4 — Breakdown of the land premium**

HK\$ million

	FY2014-2015	FY2015-2016	FY2016-2017 (Budget)	Apr-Dec 2016
Sales by public auction and tender	51,445 (66.1%) <sup>(1)</sup>	40,310 (66.2%)	Not available	63,302 (81.2%)
Modification of existing leases, exchanges and extensions	13,894 (17.9%)	18,373 (30.2%)		11,770 (15.1%)
Fees received in respect of short term waivers <sup>(2)</sup>	642 (0.8%)	769 (1.3%)		617 (0.8%)
Private treaty grants	11,823 (15.2%)	1,440 (2.4%)		2,228 (2.9%)
<b>Total<sup>(3)</sup></b>	<b>77,804 (100%)</b>	<b>60,893 (100%)</b>		<b>67,000<sup>(4)</sup></b>

Notes: (1) Figures in brackets represent percentage shares of the total land premium.

(2) Government leases, under which all private properties in Hong Kong are held, usually contain restrictions to the use of land and buildings. Nevertheless, a leaseholder may apply for a short term waiver from the Lands Department to temporarily relax the restriction(s) under the lease. If the waiver application is approved, the Government will require the leaseholder to pay a fee reflecting the enhanced value of the property for the waiver period.

(3) Individual figures may not add up to the total due to rounding.

(4) The Government only provides the estimate for the total land premium receivable in FY2016-2017 in view of the market-driven nature of the land sales. The total land premium for FY2016-2017 is estimated having regard to the overall performance of the property market under the past and current market conditions.

Sources: Financial Services and the Treasury Bureau (2016) and The Treasury (2015, 2016 & 2017).

Research Office  
Information Services Division  
Legislative Council Secretariat  
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