

## Head 3 — INTERNAL REVENUE

### Details of Revenue

Sub-head (Code)	Actual revenue 2014–15	Original estimate 2015–16	Revised estimate 2015–16	Estimate 2016–17
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax .....	19,479,318	19,785,662	20,023,362	<b>20,205,303</b>
030 Earnings and profits tax—				
(010) Interest tax .....	10	—	—	—
(020) Profits tax .....	137,846,910	133,130,000	142,570,000	<b>138,080,000 †</b>
(030) Personal assessment .....	4,817,202	4,570,000	4,700,000	<b>4,770,000 †</b>
(040) Property tax .....	2,938,653	3,100,000	2,900,000	<b>3,000,000</b>
(050) Salaries tax .....	59,346,764	53,810,000	61,000,000	<b>60,540,000 †</b>
Sub-total .....	204,949,539	194,610,000	211,170,000	<b>206,390,000</b>
050 Estate duty .....	178,168	70,000	30,000	<b>23,000</b>
070 Stamp duties.....	74,844,945	50,000,000	64,000,000	<b>50,000,000</b>
080 Air passenger departure tax .....	2,347,047	2,419,329	2,462,508	<b>2,574,449</b>
Total.....	<u>301,799,017</u>	<u>266,884,991</u>	<u>297,685,870</u>	<u><b>279,192,752</b></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 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. 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 Hong Kong International Airport, or by helicopter from Hong Kong at the Hong Kong Macau Ferry Terminal Heliport.

Revenue from internal revenue generated 76.3% of total revenue in 2015–16.

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#### Underlying Changes in Revenue Yield

The **2015–16** revised estimate of \$297,685,870,000 reflects a net increase of \$30,800,879,000 (11.5%) over the original estimate.

Under *Subhead 050 Estate duty*, the decrease of \$40,000,000 (57.1%) is mainly due to the lower-than-expected rate of recovery from duty in arrears.

Under *Subhead 070 Stamp duties*, the increase of \$14,000,000,000 (28.0%) is mainly due to the higher-than-expected turnover in the stock market and the property market.

The **2016–17** estimate of \$279,192,752,000 reflects a net decrease of \$18,493,118,000 (6.2%) against the revised estimate for 2015–16.

Under *Subhead 050 Estate duty*, the decrease of \$7,000,000 (23.3%) is mainly due to the anticipated lower amount of duty receipt in 2016–17.

Under *Subhead 070 Stamp duties*, the decrease of \$14,000,000,000 (21.9%) is mainly due to the anticipated uncertainties and volatility in the stock market and the property market in 2016–17.