



24 February 2016

Press Release

2016/17 BUDGET COMMENTARIES

The Financial Secretary delivered the 2016/17 Budget (“Budget”) today. The Taxation Institute of Hong Kong (“Institute”) considers that, under the highly volatile global economic environment with a possible trend of economic down turn or slow down, the Budget covers a broad range of measures which address the short, medium and long term needs of Hong Kong economy. In addition, the introduction of measures for development new business sectors surrounding the traditional key industry pillars of Hong Kong enhances the sustainability of its economic growth.

Most of the support measures proposed by the Financial Secretary such as the support to small and medium enterprises (“SMEs”), tax concessionary deductions to businesses and individuals, waiver of rates, extra allowances to the social security recipients in the Budget provide positive impact for economy. Some relief measures implemented also reflect that the voices from the community and the tax sector have been heard and agreed by the Government. The Institute welcomes the following measures which were proposed in its budget submission:

1. Use of tax concession to boost aircraft leasing business so as to explore business opportunities in aerospace financing;
2. Support to SMEs in Hong Kong by profits tax concessionary deduction and waiving business registration fee, which resulting to alleviate their financial burden and maintain their competitiveness;
3. Optimization of the tax deduction on capital expenditure of IP business;
4. Introduction of interest deductions under profits tax for intra-group financing business of corporations and reduce profits tax of qualifying corporate treasury centres by 50 percent;
5. Development of green finance business such as renewable energy technology, waste treatment and sewage treatment;
6. Encouraging the development of start-up businesses and providing financial support to newly incorporated companies as well as nurturing talent; and

7. Increase of allowances for parents and grandparents resulting in less tax burden of taxpayers.

The Institute agrees that the Government shall make use of appropriate financial measures to cope with the needs and development of the Hong Kong economy at different time. In particular, the long term financial measures such as the Future Fund and the Housing Fund would be strategic and visionary in the financial plan going forward. Moreover, the legislation of the international standard on Automatic Exchange of Financial Account Information in tax matters as well as the implementation of the Base Erosion and Profit Shifting initiative have also been addressed in the Budget.

The Institute also suggests that the Government should establish the Forth Inland Revenue Review Committee to modernize the Hong Kong tax legislation and reinitiate the study of broadening the tax base of Hong Kong at the appropriate time.

Overall, the relief measures as proposed in Budget respond to the expectation of the Hong Kong community. In view of the uncertainty in the global economy and for the purpose of satisfying long term financial requirement in Hong Kong, the Institute suggests the Government should consider allocating resources to the certain focused areas to enhance the effectiveness and sustainability of the development of Hong Kong economy.

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