



香港稅務學會
THE TAXATION INSTITUTE OF HONG KONG



25 February 2015

Press Release

2015/16 BUDGET COMMENTARIES

The Financial Secretary delivered the 2015/16 Budget (“Budget”) today. The Taxation Institute of Hong Kong (“Institute”) considers that the relief measures announced in the Budget covers various groups of people and meets the expectation of majority of general public in Hong Kong. The magnitudes of some of those relief measures are higher as compared to prior years.

The Institute also appreciates that the Government proposes different ways, namely containing expenditure, preserving revenue base as well as saving up in a timely manner, to address medium to long term challenges in Hong Kong such as narrowed tax base and the aging population. The proposal of exploring the feasibility of broadening the tax base by the Government is also in line with the long term benefit of Hong Kong for stabilizing the Government revenue. The Institute welcomes the following measures which were proposed by the Institute’s budget submission:

1. Reaffirm the contribution by the small and medium enterprises to the Hong Kong economy and provide financial support to the small and medium enterprises in order to alleviate their financial burden and maintain their competitiveness;
2. Provide corresponding deduction on the interest expenses incurred by Corporate Treasury Centres established in Hong Kong. In addition, the Budget suggests tax incentive which allows that the relevant profits arising from these Corporate Treasury Centres would enjoy a tax rate reduction by 50%; and
3. Adhere to the latest development on the international tax regime. The Government is prepared to adopt the protocol of automatic exchange of information issued by the Organisation for Economic Co-operation and Development which requires financial institutes to report financial account information to the Inland Revenue Department in order to combat cross-border tax evasion arrangement.

Moreover, the Government proposes to provide one-off relief measures to the business sectors that were affected by the Occupied Central movement. As these measures are one-off in nature, they would not increase significant burden to the expenditure of the Government.

Nevertheless, the Institute recommends that a more detailed study should be carried out on some of the points raised in the Budget:

1. When drafting the legislations for the exchange of information with other jurisdictions in 2016, it is also recommended that the Government should conduct a comprehensive review of the Hong Kong tax system. The Institute considers that the Government should make use of this opportunity to establish the Forth Inland Revenue Review Committee to modernize the Hong Kong tax legislations and to review the competitiveness and consistency of the Hong Kong tax system as compared to the international tax standard; and
2. The Government should conduct a study on broadening the tax base in Hong Kong at an appropriate time.

Overall, the Budget is not only consistent with the principle of conservatism but also addresses the short term economic challenges of Hong Kong. The Institute suggests that the Government should progressively explore the solutions to the medium to long term challenges such as aging population and attempt to consolidate views from the community in order to maintain the effectiveness and sustainability of the development of Hong Kong economy.

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