



# Hong Kong Tax Tables

## 2012/13



**BAKER TILLY**  
HONG KONG  
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## TAXATION IN HONG KONG

Hong Kong imposes three separate direct taxes for a year of assessment which ends on 31 March. The taxes are on profits, salaries and property.

Hong Kong adopts a territorial concept of taxation and accordingly the tax are levied primarily on Hong Kong sourced profits and income on a current year basis except for businesses which are assessed on profits of their accounting periods.

Companies are taxed as separate entities. No group relief is available.

Individuals carrying on business as sole proprietors or partners may elect for a Personal Assessment which will have the effect of amalgamating their varied income in a single assessment.

### PROFITS TAX

#### Scope of charge

Persons (including companies, individuals and partnerships) carrying on business in Hong Kong are liable to profits tax on profits (excluding capital profits) arising in or derived from Hong Kong.

#### Basis of assessment

Tax is charged on the assessable profits for a year of assessment. The assessable profits for a business are calculated on the profits of the accounting year ending in the year of assessment.

#### Profits tax rates

	2012/13
Corporations	16.5%
Unincorporated business	15%

#### Profits tax deductions

Expense incurred in the production of chargeable profits in any period are deductible from profits tax.

Capital expenditure incurred in the purchase of rights to patent, industrial know-how, registered trademark, copyrights and registered designs from unrelated parties, for use in Hong Kong, are fully tax deductible.

Capital expenditure incurred in the purchase of environmental protection machinery or eligible environment-friendly vehicles are fully tax deductible in the first year of purchase.

	2012/13
Charitable donations	Up to 35% of assessable profits

## Losses

Tax losses may be carried forward indefinitely to be offset against future profits of the company. A change in shareholding may affect the utilisation of the losses if the sole and dominant purpose of the change is to utilise the tax losses.

No group tax loss relief and tax loss carry-back arrangements are available.

### Exemptions

The following types of income are exempt from profits tax:

Nature	Exemption
Dividends	All. No withholding tax on payment.
Interests on Tax Reserve Certificates	All.
Profits arising from sale of capital assets	All.
Interest income paid or accrued to a person (including a corporation) carrying on a business in Hong Kong, and derived from any deposit placed in Hong Kong with a financial institution, is exempt from profits tax, unless the deposit is used to secure borrowings on which the interest expense is deductible	All. effective from 22 June 1998

### Tax depreciation allowances

Asset	Initial allowance	Annual allowance
Plant and machinery for manufacturing	100%	—
Computer hardware and software	100%	—
Other plant and machinery	60%	10-30% (on reducing cost)
Industrial buildings	20%	4% (on construction costs)
Commercial buildings	—	4% (on construction costs)
Building refurbishment	Refurbishment expenditure to be allowed over five years at 20% per annum.	
Environment protection machinery	100%	—
Environment-friendly vehicles	100%	—
Environment protection installation	Environmental protection installation is allowed over five years at 20% per annum.	

## SALARIES TAX

### Scope of charge

Salaries tax is charged on all income arising in or derived from Hong Kong from any office or employment or any pension.

Employees who have their workbase during the year outside Hong Kong and who do not spend more than 60 days physically in Hong Kong will be exempt from Hong Kong salaries tax.

Employees having a foreign employment as prescribed by the relevant law and who perform their services both within and outside Hong Kong may apply to have a portion of their remuneration excluded from Hong Kong salaries tax on a time apportionment basis.

Employees who perform their services both within and outside Hong Kong and have paid overseas tax on a certain portion of their salary can have that portion of salary exempted from Hong Kong salaries tax.

### Benefits-in-kind

Benefits-in-kind are tax free except:

- Payments provided in cash form or capable of being converted into cash.
- Payments to discharge an employee's personal liability.
- Payments in respect of education of an employee's children.
- Assets gifted or sold to an employee at less than market value.

The tax value of housing benefits is generally computed as 10% of an employee's taxable remuneration. To qualify for this concession, control must be exercised by the employer over the provision of such housing benefits.

The tax exemption for holiday warrants and passage benefits in kind provided to employees has been removed.

### Salaries tax rates

The tax charged is the lower of:

- (a) Net assessable income less approved charitable donation at 15%; or
- (b) Net assessable income less approved charitable donation and personal allowances charged at progressive rates as follows:

	2012/13	
<b>Standard tax rate</b>	15%	
<b>Progressive tax rate</b>	<b>Tax Rate</b>	<b>HKD</b>
First HKD40,000	@ 2%	800
Next HKD40,000	@ 7%	2,800
Next HKD40,000	@ 12%	4,800
Cumulative on first HKD 120,000		8,400
Balance	@17%	

Allowances	2012/13
<b>Personal allowances</b> - Single taxpayer - Married couple	HKD120,000 HKD240,000
<b>Child allowances</b> 1 <sup>st</sup> child to 9 <sup>th</sup> child (each) - Year of birth - Other years	HKD126,000 HKD63,000
<b>Dependent parent / grandparent allowances</b> For age 60 or above - Residing with taxpayer - Not residing with taxpayer	HKD76,000 HKD38,000
For age between 55 and 59 - Residing with taxpayer - Not residing with taxpayer	HKD38,000 HKD19,000
<b>Single supporting parent allowance</b>	HKD120,000
<b>Dependent brother / sister allowance</b> (for whom no child allowance claimed)	HKD33,000
<b>Disabled dependent allowance</b>	HKD66,000
Special deductions	2012/13
<b>Expenses of a dependent parent / grandparent in residential care</b>	Up to HKD76,000
<b>Approved self education expenses</b>	Up to HKD60,000
<b>Contribution to Mandatory Provident Fund Scheme</b>	Up to HKD14,500
<b>Mortgage interest of owner - occupied property incurred since 2003/04</b> (extended from 10 to 15 years of relief in total)	Up to HKD100,000 per year
<b>Charitable donations:</b> Ceiling for tax exempted donations is 35% of assessable income	

## PROPERTY TAX

Charged at the standard rate of 15% on 80% of the actual rental income on non-corporate owners of land and buildings in Hong Kong. Corporate owners are subject to profits tax on their rental income less expenses.

	2012/13
Property tax rate	15%

## FILING DEADLINE

### Profits tax return

Accounting closing date	Filing due date (by extension)
1 Apr to 30 Nov (Code "N" accounts)	30 Apr of the following year
1 Dec to 31 Dec (Code "D" accounts)	15 Aug of the following year
1 Jan to 31 Mar (Code "M" accounts)	15 Nov of the same year

### Composite tax return (Individual salaries tax)

Year end date	Represented / Unrepresented	Filing due date (by extension)
31 Mar	<b>Represented Taxpayer</b> - No sole proprietorship business - With sole proprietorship business	30 Jun of same year
		30 Sep of same year
31 Mar	<b>Unrepresented Taxpayer</b> - No sole proprietorship business - With sole proprietorship business	31 May of same year
		31 Jul of same year

### Property tax return

Year end date	Filing due date
31 Mar	30 Apr of the same year

### Employer's return

Year end date	Filing due date
31 Mar	30 Apr of the same year

## TIME LIMITS

Circumstances	Time limits for notifying the Hong Kong Inland Revenue Department
Chargeability to tax	Within four months after end of the basis period of relevant assessment year
Cessation of business	Within one month of cessation
Departure of taxpayer from Hong Kong for more than one month, other than on business	Not later than one month before departure
Employer commencing to employ an employee	Within three months of commencement
Employer ceasing to employ an employee	No later than one month before cessation

## CAPITAL DUTY

	2012/13
<b>Authorised capital: (Capped at HKD30,000 per case)</b>	0.1% *
*Abolished capital duty on Hong Kong companies with effect from year of assessment 2012/13.	

## STAMP DUTY

	2012/13
<b>Share transfers</b>	0.2%
<b>Property transfers</b>	
Property consideration	
- up to HKD2,000,000	HKD100
- HKD2,000,001 – HKD3,000,000	1.50%
- HKD3,000,001 – HKD4,000,000	2.25%
- HKD4,000,001 – HKD6,000,000	3.00%
- HKD6,000,001 – HKD20,000,000	3.75%
- HKD20,000,001 and above	4.25%
(Marginal relief is available upon entry into each higher rate band)	

Special Stamp Duty (SSD) is levied on disposal of residential properties acquired on or after 20 November 2010 and resold within 24 months after acquisition.

The SSD is calculated based on the property consideration at the following rates for different holding periods:

	2011/12
1. Property held for 6 months or less	15%
2. Property held for more than 6 months but less than 12 months	10%
3. Property held for more than 12 months but less than 24 months	5%
<b>Share and property transfers</b>	
Intra group (at least 90% common shareholding, the consideration for the transfer must not come from a third party and the transferee must stay within the group for 2 years after the transfer)	Exempt

## ESTATE DUTY

Estate duty was abolished effective from 11 February 2006. A nominal duty of HKD100 is charged on the estate of a deceased person who died in the period between 15 July 2005 and 10 February 2006 where the dutiable value of the estate exceeds HKD7,500,000.

Hong Kong Tax Tables are published for clients of

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