

Supplement to PBE Paper IV

Chapter 17 – Overview of Hong Kong Taxation System

1.1 Hong Kong Features

- Individual's tax payable limited to standard rate (15%) under salaries tax and Personal Assessment
- Relatively low tax rate compared with other developed countries (c.f China 45%, Australia 45%, Singapore 20%)

Tax Rates and Allowance (p.194)

Standard rates

Individual	15%
Corporation	16.5%

3.8 (addition) Share Award

Shares award are taxable as perquisite received by an employee during his or her employment depending on the timing of the receipt of such perquisite.

If there is no vesting period required, 'upfront' approach is used. When a vesting period is required, 'back end' approach is then applied.

The chargeability of shares award can be determined by the locality of employment. Taxpayer leaving HK permanently can make a deemed vesting election.

3.10 Concessionary Deductions

(a) Approved Charitable Donations s26C

- Restricted to 35% of the assessable income.....

3.12 Basic allowance s28

Taxpayers subject to salaries tax are entitled to a basic allowance of \$108,000 for 2008/09.....

3.13 Married Person's allowance

MPA of \$216,000 for 2008/09 is granted to a person if.....

3.13 (e) Single parent allowance s32

SPA of \$108,000 for 2008/09 is granted to a person if.....

5.11 (d) Special Deductions under ss.16A to 16K

After explanations 16G, add the followings:

Capital Expenditure on the Provision of an Environment Protection Machinery or Installation – Section 16H-K

Effective from the year of assessment 2008/09 onwards, capital expenditure incurred on provision of environmental protection machinery or its installation is deductible in that year of assessment

Environmental protection machinery (EPM) means:

- Low noise construction machinery or plant registered under the system administered by the Environmental Protection Department;
- Air pollution control machinery in compliance with the Air Pollution Control Ordinance;
- Waste treatment machinery or plant in compliance with the Waste Disposal Ordinance;
- Wastewater treatment machinery or plant in compliance with the Water Pollution Control Ordinance.

An EPM excludes machinery held by a person as a lessee under a lease, or machinery which is acquired under a hire-purchase agreement.

If an EPM is used partly in the production of profits chargeable to profits tax, the deduction allowable shall be such relevant part of the specified capital expenditure.

If the EPM is sold or is destroyed subsequently, sale proceeds or compensation receipts are treated as a trading receipt to the extent that they do not exceed the amount of the deduction granted before.

For qualifying EPM in use before the year of assessment 2008/09, capital expenditure is deemed to have been incurred in 2008/09 as reduced by the aggregate of the amount of initial allowance and annual allowance made in all prior years of assessment.

6.11 (Added) Stamp Duty Administration

Time limit for stamping

Instrument	Time Limit
Conveyance on sale of immovable property in HK	30 days after execution
Lease of immovable property in HK	30 days after execution
Contract notes (bought / sold notes) in	2 days after sale/purchase effected in

HK	HK or 30 days after sale/purchase effected outside HK
Instrument of transfer of HK stock	Before execution or 30 days after execution if execution outside HK
HK bearer instrument	Before issue
Duplicates and counterparts	7 days after execution or such longer period as time for stamping the original document would allow

Penalty for late stamping

Period late for stamping	Penalty
Not exceeding 1 month	2 times the duty
More than 1 month but not exceeding 2 months	Four times the duty
More than 2 months	Ten times the duty

Adjudication

If a person disagree with the amount of stamp duty payable or does not know whether an instrument is chargeable for stamp duty or not, he may apply for adjudication usually by paying a fee for \$50.

Appeal against stamp duty

Any person dissatisfied with the assessment by the Collector of Stamp Revenue after adjudication may, within one month from the date of assessment and by notice served to the Registrar of the District court, appeal against the assessment. The District Court will determine the correctness of the assessment. Further appeal can be made to the Court of Appeal.

7.1 (Added) Employed vs Self – Employed after (a)(b) and (c)

Reproduced from p25 Advanced Taxation in Hong Kong (2007) HK Edition, Pearson Longman

Chapter 18: Tax Computation

1.6 Personal allowances and other deductions under salaries tax and personal assessment

Personal allowances:

Basic allowance increased to \$ \$108,000

Married person's allowance to \$216,000

Single parent allowance to \$108,000

The maximum allowable approved charitable donation is limited to 35% of personal net assessable income.

Self education expenses allowable deduction is limited to \$60,000

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Remark: This PBE Paper IV has been updated for the year of assessment 2008/09.