



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Dear Assignment/News/Business Editor,

New administration's budget heads in right direction but needs bolder vision

Focus on community but light on long-term competitiveness

(Hong Kong, 27 February 2013) – The first budget proposal of the new administration shows progress in the right direction but more could be done to boost Hong Kong's competitiveness, according to the Hong Kong Institute of Certified Public Accountants.

"We support the budget measures that are in line with Institute's recommendations such as the increased child allowance from HK\$63,000 to \$70,000, the rates waiver, and the electricity subsidy," says Florence Chan, chair of the Institute taxation faculty executive committee. "Targeted measures such as the salaries tax rebate, the extra CSSA allowance, the old age living allowance, the two-month rent for public housing tenants, the improved short-term food assistance services, and the student loan repayment option should be well-received by local families and more effective than indiscriminate cash handouts."

The Institute also proposed: widening marginal tax bands from HK\$ 40,000 to HK\$50,000, allowing deductions for voluntary MPF contributions with an annual cap of HK\$60,000, allowing deductions for private healthcare insurance premiums with an annual cap of HK\$12,000, and offering a rental payment deduction as an alternative to the home loan interest deduction.

Wilson Cheng, convenor of the Institute budget proposal subcommittee, says, "While the budget's focus on families deserves to be lauded, the city's overall business competitiveness deserves more attention."

"We welcome the incentives made in the financial services industry including those for private equity funds and the captive insurance business. We also support the business registration fee waiver, the profits tax rebate, and the SME-related measures, but the Institute's recommendations for: a tax waiver on assessable profits up to HK\$500,000, an extension of tax concessions on intellectual property, and tax concessions for regional headquarters and offices were not picked up by the government," says Cheng.

"These measures would have helped to increase Hong Kong's international competitiveness," adds Cheng. "We would also have liked to see more concrete measures for professional services to support Hong Kong's role as an international financial centre."

The budget called for a working group to study and explore more comprehensive planning for public finances to deal with issues such as Hong Kong's ageing population. "We think that this proposal is a positive step as long as there is enough transparency and communication in the process and we hope it will also consider the appropriate level of fiscal reserves for Hong Kong," says Cheng. "Going forward, we hope that the scope of the working group can be expanded to include tax policy, as the Institute proposed a standing tax policy group to look at the city's ongoing tax competitiveness."

"We continue to have concerns about the government's consistent underestimate of budget surpluses which potentially impacts the development of longer-term measures to help the Hong Kong community and bolster the city's international competitiveness," says Chan.

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About the Hong Kong Institute of Certified Public Accountants

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 35,000 members and more than 17,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designatory letters CPA.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of the Global Accounting Alliance – an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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