



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

HKICPA supportive of broad direction of budget – but questions specific measures and effectiveness of existing funds to drive change

The government's budget offers relief to many, but not all

(Hong Kong, 28 February 2018) The government's 2018-19 budget reflects a good year for Hong Kong's economy and offers a positive outlook for the near and medium-term, which is to be welcomed. Still, it could have included more specific measures to improve the competitiveness of the tax system, as well as to help both the less fortunate in society and small and medium sized enterprises (SMEs), according to the Hong Kong Institute of Certified Public Accountants (HKICPA).

"We support the direction the government is heading in as regards investing in the future, but more could be done to make clearer how this will be implemented in practical terms," says Mr. So Kwok Kay, Chairman of the Institute's Taxation Faculty Executive Committee, "We see the budget as carrying forward the policies in Chief Executive Carrie Lam's first policy address last October. However, we hoped the Financial Secretary would offer additional specific measures and a clearer insight into policy implementation."

Money set aside

While there were many measures offered to promote research and development (R&D) and SMEs, much of the funding dedicated to such projects was earmarked for existing funds – which are not easily accessible to those who need the funding. "More should be done to provide direct access to government funding," argues Mr. Curtis Ng, Convenor of Budget Proposals Sub-committee of HKICPA. "The money on offer is important for helping Hong Kong to diversify its economy but the government must reduce the red tape businesses face in obtaining funding," he continued.

"We would also like to have seen greater practical flexibility in the tax incentives for R&D and use of intellectual property to encourage innovation and start-ups in Hong Kong," added Mr. So.

Community efforts

"Widening the tax bands and adding a new band will help reduce the tax burden on the middle income group, a group which has long been calling out for more support," says Mr. Ng. "The increases in some of the salaries tax allowances, including child and dependent parent/ grandparent allowances, and the deduction for elderly residential care expenses, will also be welcomed." However, the HKICPA would like to see a

review and rationalization of all these different allowances and the way in which they are adjusted.

On other community efforts announced, HKICPA is pleased to see measures announced which it has long called for, including tax deductions for private healthcare insurance, supporting voluntary MPF contributions and allowing for married couples to elect individually for personal assessment. "The government must support individuals saving for their future and taking responsibility for their health, so we are glad they have offered measures towards these goals and look forward to seeing the relevant legislation," said Mr. Ng.

HKICPA is also glad to see more support for electric private vehicles, and specifically the higher ceiling on the waiver of first registration tax when owners trade in an internal combustion engine car for a new electric car. "We called for something similar in our pre-budget submission because wider usage of electric vehicles is vital to improving the air quality in Hong Kong," says Mr. So. "By tying the subsidy to the disposal of existing private cars we hope the policy will not lead to an increase in overall traffic on the roads," he continued.

Housing and high property prices remain huge issues for the community, according to HKICPA. We wish the government offered more support to renters of private housing in addition to the announced policy waiving government rates for property owners.

Measures still needed

The HKICPA hoped that the new government would undertake a review of the tax system, and ensure that tax revenues are predictable and that tax rules are clear. "We are disappointed that the Financial Secretary has not proposed a broader review of the tax system, as this is overdue and the HKICPA has long been calling for a review to consider the overall competitiveness of the tax system, and raised issues such as broadening the tax base in Hong Kong," said Mr. So.

There was little offered directly to the so-called "N have-nots households", those low income households not in public housing or receiving Comprehensive Social Security Assistance. "The Financial Secretary expects Hong Kong to go through an extended period of strong growth and we hope that this economic prosperity can improve the lives of all in the community," said Mr. Ng.

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About HKICPA

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the statutory body established by the Professional Accountants Ordinance responsible for the professional training, development and regulation of certified public accountants in Hong Kong. The Institute has more than 42,000 members and 18,000 registered students.

Our qualification programme assures the quality of entry into the profession, and we promulgate financial reporting, auditing and ethical standards that safeguard Hong Kong's leadership as an international financial centre.

The CPA designation is a top qualification recognised globally. The Institute is a member of and actively contributes to the work of the Global Accounting Alliance and International Federation of Accountants.

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