



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

Dear Assignment/News/Business Editor,

Hong Kong Institute of CPAs' budget proposals: Help families and raise business competitiveness

Proposals include ways to help stabilize the housing market and make the Tax regime more attractive

(Hong Kong, 18 January 2012) – The Hong Kong Institute of CPAs today issued its budget proposals, calling on the government to do more to address housing needs and to increase the territory's international competitiveness.

One of Hong Kong people's most pressing needs is a stable housing market as property prices remain very high. The Institute suggests expanding the home loan interest deduction to cover rentals and increasing its duration from 10 years to 15 years, adjusting price thresholds for different stamp duty rates on immovable property and exempting first-time home buyers from stamp duty on their primary residence, if it costs no more than HK\$6 million.

Ayesha M. Lau, the Institute's tax committee chair, says these housing-related measures would make finding a home more affordable, including enabling young families to purchase their first homes.

Recognizing the impact of Hong Kong's ageing population, the Institute's proposals include ideas to help people ease into retirement and deal with disability. "The elderly and disabled are two of Hong Kong's most vulnerable groups," says Florence Chan, convenor of the Institute's budget proposal sub-committee. "Tax breaks to encourage saving for retirement and to support families caring for disabled dependants can make a real difference."

The specific measures proposed include tax deductions for voluntary contributions to mandatory provident funds, for private medical insurance premiums, and for essential in-hospital treatment for those without healthcare cover. Suggestions to help out the disabled include increasing the allowance for disabled dependants by 20 percent, and a offering employers a 150 percent deduction for the salary costs of employing disabled persons.

The Institute also advocates increasing basic salaries tax allowances by 10 percent, retaining rates waivers for 2012-13 and increasing the electricity subsidy. "As the economic outlook remains very uncertain and electricity prices look set to rise, the lower and middle-income groups could find things tougher in the coming year. So these measures will be welcomed," explains Chan

Increasing international competitiveness

The Institute's proposals include using taxation to increase the international competitiveness for three of the city's core sectors -- financial services, innovation and technology, and regional operations. The suggestions include: improved profits tax exemptions for offshore funds, and possible tax benefits for onshore funds and the insurance industry. Existing tax deductions for research and development should be extended to work outsourced to parties outside of Hong Kong, "super deductions" should be provided for onshore research and development expenses, and tax concessions offered for regional offices, trading and treasury operations in Hong Kong.

According to Chan, the Institute views small- and medium-sized enterprises as a vital component of a successful economy, but they face cost pressures. To provide some relief, the proposals suggest cutting the corporate profits tax rate to 15 percent for SMEs with gross profit not exceeding \$2 million. This could also help attract more foreign SMEs to establish a base in Hong Kong, she says

From a tax point of view, Hong Kong needs to build on its advantages. "While we have the commercial and financial strength, Hong Kong's role as a global business hub continues to be challenged by our ambitious regional competitors," says Lau. "This is why we are also proposing that the government consider setting up a tax research and policy unit. A priority for this policy unit should be to review the overall competitiveness of the tax system in Hong Kong compared to the rapidly developing tax regimes of other jurisdictions," she adds.

The Institute's budget proposals are available online at www.hkicpa.org.hk.

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About the Hong Kong Institute of CPAs

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 33,000 members and nearly 16,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation *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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