



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

Assignment/News/Business Assignment Editor
(For immediate release)

Hong Kong Institute of CPAs' budget proposals support the community and boost competitiveness

Institute recommends tax policies and budget measures focusing on helping families and strengthening Hong Kong's international standing

(Hong Kong, 8 January 2015) –The Hong Kong Institute of CPAs' budget proposals call on the government to do more to help families and the community, and to set tax policies that will safeguard the city's long-term position as a leading financial and commercial centre.

For families

The Institute's budget measures, focusing on supporting families and helping to address important community concerns include:

- widening the marginal tax bands from HK\$40,000 to HK\$50,000
- allowing deductions for voluntary contributions to mandatory provident fund schemes, in addition to the compulsory contributions, subject to an annual cap of HK\$60,000
- extending the scope of the deduction for self-education expenses, by allowing taxpayers to claim the deduction for self-education, either for their own self-education expenses or for such expenses incurred by their dependants
- allowing a deduction for private healthcare insurance premiums, subject to an annual cap of HK\$12,000 per taxpayer for the coming year, with additional amounts to cover dependent spouses and children
- allowing deduction of rental payment for the taxpayer's primary residence, as an alternative to the home loan interest deduction, subject to the same annual cap of HK\$100,000
- granting an electricity charge subsidy for 2015-16 of HK\$1,800 to each residential electricity account

Florence Chan, chair of the Institute's taxation faculty executive committee, says, "The Institute has recommended to the government a number of community-focused budget proposals. Factors that we considered included the rising cost of living that families face in Hong Kong, the need for people to develop new skill sets to succeed in a knowledge-based society and, in the medium to longer term, the importance of encouraging individuals to plan better for their retirement."

"A stable, progressive and caring community is essential to Hong Kong's overall development," adds Chan.

Business boost

The Institute's recommendations for boosting businesses and competitiveness of Hong Kong include:

- reducing the profits tax rate to 15 percent for companies whose gross income does not exceed HK\$5 million
- waiving the business registration fee for 2015-16
- allowing greater flexibility in the deduction of costs relating to research and development activities outsourced to external parties and intellectual property provided to third parties to produce goods outside Hong Kong
- granting "super deductions" of 150 percent for expenditure on research and development conducted in Hong Kong
- offering unilateral tax credits for withholding tax on royalties where no double taxation agreement exists

"Hong Kong needs to strengthen and safeguard its long-term position as a leading financial and commercial centre. These measures will assist small and medium-size enterprises, which are the backbone of the economy, and they will also encourage innovation and support Hong Kong's role as an intellectual property hub," says Curtis Ng, convenor of the Institute's budget proposals sub-committee.

"At the policy level, we also have to actively monitor and be more responsive to major developments in international and regional tax and to invest in the resources to be able to do this. The Institute advocates the setting up of a broadly based tax policy unit to conduct ongoing strategic and comparative research into Hong Kong's tax competitiveness, monitor international developments in tax administration, and make appropriate recommendations," adds Ng.

Earth- and people-friendly

As a strong supporter of long term sustainability, the Institute also recommends environmental and social measures among its proposals, such as offering enhanced building allowances for commercial and industrial buildings adopting environmentally-sustainable designs; and, as a measure to minimize food waste and assist the disadvantaged in the community, allowing businesses that donate surplus food stocks to charities engaged in distributing unused food to needy people, to benefit from tax deductions, based on cost plus 20 percent.

"Sustainability cannot just be a buzzword for a modern metropolis like Hong Kong. Actions speak louder than words. Our proposed measures would indicate that, as an international city, Hong Kong is committed to adopting initiatives to foster sustainability," 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 38,000 members and nearly 18,000 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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