



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

Government budget steps in right direction but lacks clear vision

Budget is wide-ranging in initiatives but short on specifics

(Hong Kong, 25 February 2015) – The Hong Kong Institute of Certified Public Accountants commends the government's 2015-16 budget for raising important long-term issues while calling for specifics and clarity.

According to Florence Chan, chair of the Institute's taxation faculty executive committee, the various short-term measures to support taxpayers, such as the salaries tax reduction by 75 percent with a ceiling of \$20,000 and the child allowance of \$100,000, are more-generous-than-expected. Also, the rates waiver for the first two quarters of 2015-16; the extra allowances for Comprehensive Social Security Assistance, old age, old age living, and disability; and the one-month rental payment for tenants of the Hong Kong Housing Authority and the Hong Kong Housing Society should all be well-received.

"The overall package of relief measures and allowances, targeted at low-income households and the middle class, will be seen as a pleasant surprise. But we remain disappointed that our recommendations for structural tax improvements have not been picked up," adds Chan.

The budget's focus on long-time mainstay sectors such as finance should also be considered a positive as progress is being made in terms of Hong Kong serving as a hub for offshore RMB business and policy measures to make the city more attractive as a corporate treasury center and asset management base. Another positive is that Hong Kong's standing as an international business hub is strengthened through more tax deductions for an extended scope of intellectual property rights.

A new emphasis on encouraging start-ups and diversified development such as fashion, film, culture and art should be lauded as these segments tend to be dominated by the younger generations of Hong Kong and they deserve more resources and attention as they are the future of the city. Reaching out to our youth in a sensible and effective way to promote entrepreneurship and creativity is necessary for Hong Kong's growth and development, says Curtis Ng, convenor of the Institute budget proposal subcommittee.

While a number of positives can be taken away from the budget, the primary negative would be the lack of a specific and clear long-term vision. The Institute has repeatedly called for, in its budget recommendations to the government, a tax policy unit to provide a holistic view for all tax-related matters, Chan says.

A tax policy unit serves as a monitor for international tax developments and a gauge for Hong Kong's overall tax competitiveness. Currently, the city's tax measures can be seen as makeshift and reactive.

Ng adds, the budget's bringing up of stabilizing tax revenues, broadening the tax base, and reopening discussion of GST, though in the right direction of thinking for Hong Kong's long-term growth, are not much more than lip service as there is no mention of details or timeframe. According to the financial secretary, timeframe is especially important as the city may run into a structural deficit if the process takes longer than ten years. The situation practically begs for a tax policy unit.

The budget makes reference to setting up fund after fund earmarked for specific purposes but there needs to be more transparency in why these amounts are necessary and how the funds are to be used or invested.

Though the government does not fall short on identifying specific measures addressing the environment and sustainability, such as phasing out diesel vehicles, cleaning up the harbor, and minimizing water loss, it does not propose big-picture measures to create an ecosystem of sustainable development. As an advocate for sustainability, the Institute has recommended environmental and social measures, such as building allowances for environmentally sound structures and tax deductions for food donation, to push Hong Kong toward international good practices.

"While Hong Kong punches well above its own weight in the international arena, we need to delve into the details of tax matters, sustainability, and livability, among other issues, to reinforce the city's status as an international hub of finance and commerce," 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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