

Hong Kong Tax Workbook 2011/12



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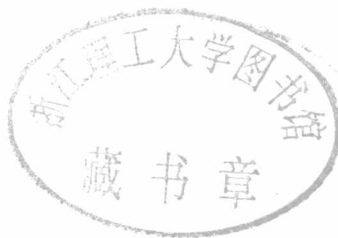
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Foreword

The *Hong Kong Tax Workbook* is a practical guide to taxation in Hong Kong. It discusses in detail the spectrum of taxation issues in Hong Kong and is especially written for candidates sitting for professional taxation examination, undergraduate and post-graduate students, as well as tax professionals.

Features of the Guide include:

- Tax rates and checklists collated in a user-friendly format;
- Each chapter is divided into concise and easy-to-read paragraphs;
- Examples throughout the text illustrate the practical aspects of the law and reinforce understanding;
- Revision questions are provided at the end of each chapter; and
- A comprehensive subject Index, Case Table, Board of Review Decisions table and Section Finding List are provided to enable quick and easy access to information.

The Ordinances covered in the *Hong Kong Tax Workbook*, namely, the *Inland Revenue Ordinance* and *Stamp Duty Ordinance* are all available in full-text in CCH's six-volume loose-leaf publication *Hong Kong Revenue Legislation*. Board of Review and Court cases are also reported in that service. Cases referred to throughout the Guide and cited as follows: (year of report) HKRC ¶ (paragraph), are reported in *Hong Kong Revenue Legislation*.

CCH Tax Editors

June 2011

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TAX RATES AND PERSONAL ALLOWANCES AT A GLANCE

Tax rates and personal allowances at a glance	¶300
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Category	Rate
Income tax	17%
Corporate tax	16.5%
Stamp duty	10%
Land tax	15%
Gift tax	10%
Capital gains tax	10%
Dividend tax	10%
Interest tax	10%
Provisional tax	10%
Other taxes	10%

[¶300] Tax rates and personal allowances at a glance

The tables below incorporate the changes announced in the 2011/12 Budget, which are subject to examination and approval by the Legislative Council.

[¶310] Standard tax rate

Property tax and provisional property tax are charged at the standard rate set out in the First Schedule of the *Inland Revenue Ordinance* (see ¶5-8500 and ¶9-8400). Individuals and unincorporated businesses are also charged to profits tax and provisional profits tax at the standard tax rate (see ¶6-9100 and ¶9-8400).

Year of assessment	Standard tax rate
2008/09 to 2011/12	15%
2004/05 to 2007/08	16%
2003/04	15.5%
1989/90 to 2002/03	15%

[¶320] Graduated salaries tax rates

Salaries tax and provisional salaries tax are charged at the graduated rates specified in the Second Schedule of the Ordinance as set out below (see ¶2-7700 and ¶9-8400). The tax charged must not exceed the amount that would be charged if the standard tax rate (above) was applied to the taxpayer's total income less chargeable deductions: see further ¶2-7700.

Net chargeable income	Salaries tax rates
2008/09 to 2011/12	
Upon the first \$40,000	2%
Upon the next \$40,000	7%
Upon the next \$40,000	12%
Upon the remainder	17%
2007/08	
Upon the first \$35,000	2%
Upon the next \$35,000	7%
Upon the next \$35,000	12%
Upon the remainder	17%
2006/07	
Upon the first \$30,000	2%
Upon the next \$30,000	7%
Upon the next \$30,000	13%
Upon the remainder	19%

Net chargeable income	Salaries tax rates
2004/05 and 2005/06	
Upon the first \$30,000	2%
Upon the next \$30,000	8%
Upon the next \$30,000	14%
Upon the remainder	20%
2003/04	
Upon the first \$32,500	2%
Upon the next \$32,500	7.5%
Upon the next \$32,500	13%
Upon the remainder	18.5%
1998/99 to 2002/03	
Upon the first \$35,000	2%
Upon the next \$35,000	7%
Upon the next \$35,000	12%
Upon the remainder	17%

[¶330] Corporate profits tax rate

Corporations are charged to profits tax and provisional profits tax at the rates set down in Sch 8, as set out below (see ¶6-9100). Individuals and unincorporated businesses are charged to profits tax and provisional profits tax at the standard tax rate set down in the First Schedule (see above).

Year of assessment	Corporate tax rate
2008/09 to 2011/12	16.5%
2004/05 to 2007/08	17.5%
2003/04	17.5%
1998/99 to 2002/03	16%

[¶340] Basic and married persons' allowances

Basic allowance

Year of assessment	Allowance	Additional allowance*
2008/09 to 2011/12	\$108,000	—
2004/05 to 2007/08	\$100,000	—
2003/04	\$104,000	—
1998/99 to 2002/03	\$108,000	—

Married person's allowance

Year of assessment	Initial allowance	Additional allowance*
2008/09 to 2011/12	\$216,000	—
2004/05 to 2007/08	\$200,000	—
2003/04	\$208,000	—
1998/99 to 2002/03	\$216,000	—

[1350]

Child allowance**First and second child**

Year of assessment	Allowance
2011/12	\$60,000 — first child \$60,000 — second child
2007/08 to 2010/11	\$50,000 — first child \$50,000 — second child
2005/06 and 2006/07	\$40,000 — first child \$40,000 — second child
1998/99 to 2004/05	\$30,000 — first child \$30,000 — second child

Further children (up to 9th child)

Year of assessment	Allowance
2011/12	\$60,000 for each subsequent child
2007/08 to 2010/11	\$50,000 for each subsequent child
2005/06 and 2006/07	\$40,000 for each subsequent child
2003/04 to 2004/05	\$30,000 for each subsequent child

Additional child allowance

Year of assessment	Allowance
2011/12	one-off \$60,000 for each child in the year of birth
2007/08 to 2010/11	one-off \$50,000 for each child in the year of birth

[¶360] Single parent allowance

Year of assessment	Allowance
2008/09 to 2011/12	\$108,000
2004/05 to 2007/08	\$100,000
2003/04	\$104,000
1998/99 to 2002/03	\$108,000

[¶370] Dependent parent and dependent grandparent allowances (aged 60 and above)**Dependent parent allowance (per parent)**

Year of assessment	Allowance	Additional allowance
2011/12	\$36,000	\$36,000
1998/99 to 2010/11	\$30,000	\$30,000

Dependent grandparent allowance (per grandparent)

Year of assessment	Allowance	Additional allowance
2011/12	\$36,000	\$36,000
1998/99 to 2010/11	\$30,000	\$30,000

[¶380] Dependent parent and dependent grandparent allowances (aged 55 to 59)**Dependent parent allowance (per parent)**

Year of assessment	Allowance	Additional allowance
2011/12	\$18,000	\$18,000
2005/06 to 2010/11	\$15,000	\$15,000

Dependent grandparent allowance (per grandparent)

Year of assessment	Allowance	Additional allowance
2011/12	\$18,000	\$18,000
2005/06 to to 2010/11	\$15,000	\$15,000

[¶390] Dependent brother or dependent sister allowance

Year of assessment	Allowance
1998/99 to 2011/12	\$30,000
1997/98	\$27,000
1996/97	\$24,500

[¶395] Disabled dependant allowance

Year of assessment	Allowance
1998/99 to 2011/12	\$60,000
1997/98	\$25,000
1996/97	\$15,000
1995/96	\$11,000

TIME LIMITS FOR NOTICES, ELECTIONS, OBJECTIONS AND APPEALS

[¶500] Notification of changed circumstances

Circumstance	Time limit for notifying Commissioner
Chargeability to tax (¶9-1000).	Within four months after the end of the basis period of relevant assessment year.
Cessation of trade, profession or business (¶9-1100).	Within one month of cessation.
Cessation of ownership of land or buildings (¶9-1100).	Within one month of cessation.
Departure of taxpayer from Hong Kong for more than one month, other than on business (¶9-1100).	Not later than one month before departure.
Change of address (¶9-1100).	Within one month of change.
Employer commencing to employ person (¶9-3100).	Within three months of commencement.
Employer ceasing to employ person (¶9-3200).	No later than one month before cessation.

[¶510] Election of assessment method

Election	Time limit
Election for joint assessment to salaries tax (¶2-7100).	Must be made within the relevant assessment year or within the following year; or within one month of the assessment for the relevant year becoming final and conclusive.
Election for personal assessment (¶4-2700).	Must be made no later than two years after the relevant year of assessment; or within one month after an assessment of part of the taxpayer's income becomes final, whichever is later.
Election by insurance corporation to be assessed on adjusted surplus basis (¶6-7460).	Must be made no later than two years after the end of the period for which an actuarial report was made.

[¶520] Objections and appeals

Action	Time limit
Objection against assessment (¶11-0600).	Notice must be lodged within one month after the date of the notice of assessment.
Appeal to Board of Review (¶11-3250).	Appeal must be lodged within one month after the issue of the Commissioner's determination.
Transfer of appeal from Board of Review to Court of First Instance (¶11-5000).	Notice must be given to the other party, and to the Board, within 21 days after the notice of appeal is lodged with the Board. The Board may allow further time upon an application in writing.
Appeal to Court of First Instance (¶11-5250).	Application requiring Board of Review to state a case for the opinion of the Court of First Instance must be made within one month of the Board's decision or within one month of the date on which the appellant is notified of the decision.
Seeking correction of error or omission under sec 70A (¶11-7250).	Application must be made within six years of relevant assessment year, or within six months of the date on which notice of assessment was served, whichever is later.
Seeking holdover of provisional profits tax, provisional salaries tax or provisional property tax (¶9-8900).	Application must be lodged no later than 28 days before the provisional tax is to be paid or 14 days after the date of the notice for payment of provisional tax.

PENALTY LEVELS

[1600]

Penalty levels

Penalty levels for the purposes of the *Inland Revenue Ordinance* and the *Stamp Duty Ordinance* are as follows.

Fine	Amount
Level 1	\$2,000
Level 2	\$5,000
Level 3	\$10,000
Level 4	\$25,000
Level 5	\$50,000
Level 6	\$100,000

These penalty levels are prescribed in Sch 8 of the *Criminal Procedure Ordinance*.

INTRODUCTION TO HONG KONG REVENUE LAW

Scope of this chapter	¶11-0500
Hong Kong Special Administrative Region	¶11-0700
Applicable laws	¶11-0900
Inland Revenue Ordinance	¶11-1500
Stamp Duty Ordinance	¶11-4500