

Hong Kong: 2015/16 budget leaves salaries tax rates intact and includes rebates to taxpayers

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In brief

The Financial Secretary delivered the 2015/16 Hong Kong budget on February 25, 2015. Similar to last year's budget, the 2015/16 budget does not introduce any changes to the standard tax rate, progressive tax rates and income bands for progressive tax rates for Hong Kong salaries tax. However, a generous increase in the basic and additional child allowances was proposed. Also, the budget proposes numerous one-off relief measures to hand back to taxpayers and the public a portion of the huge surplus recorded for fiscal year 2014/15. One of these relief measures is a salaries tax rebate for 2014/15.

Global mobility programs that have settled 2014/15 salaries tax liabilities for expatriate assignees, especially those that have already departed from Hong Kong should ensure refunds in relation to the tax rebate are made available to the company instead of to the individual employees.

In detail

2015/16 Hong Kong salaries tax rates

The salaries tax rates for year of assessment 2015/16 will be the same as those for 2014/15. The standard tax rate will remain at 15% on employment income less allowable deductions (but without deduction of personal allowances). The progressive tax rates and the corresponding income bands are as follows:

	2015/ 16	2014/ 15
First HK\$40,000	2%	2%
Next HK\$40,000	7%	7%
Next HK\$40,000	12%	12%
On the remainder	17%	17%

Increase in basic and additional child allowances

To alleviate taxpayers' burden for taking care of their children, the 2015/16 budget proposes to raise the basic and additional child allowances from HK\$70,000 to HK\$100,000. Other personal allowances will remain unchanged. The table below shows the amounts of personal allowances available for years of assessment 2014/15 and 2015/16 respectively.

	2015/16 (HK\$)	2014/15 (HK\$)
Basic allowance	120,000	120,000
Married person's allowance	240,000	240,000
Child allowance *		
- 1 st to 9 th child (each)	100,000	70,000
Additional child allowance		
- 1 st to 9 th child (each) in the year of birth only	100,000	70,000
Dependent parent/grandparent allowance **		
- Aged 60 or above		
• Not residing with taxpayer	40,000	40,000
• Residing with taxpayer throughout the year	80,000	80,000
- Aged 55 to 59		
• Not residing with taxpayer	20,000	20,000
• Residing with taxpayer throughout the year	40,000	40,000
Dependent brother/sister allowance	33,000	33,000
(for whom no child allowance is claimed)		
Single parent allowance	120,000	120,000
Disabled dependent allowance	66,000	66,000
(in addition to any allowance already granted for the disabled person)		

* The allowance is available for an unmarried child of the taxpayer provided that he/she is (1) under the age of 18 or (2) of or over the age of 18 but under 25 and receiving full time education.

** To qualify for the allowance, the dependent parent/grandparent must at any time during the year be ordinarily resident in Hong Kong and either (1) reside with the taxpayer, without paying full cost for a continuous period of not less than 6

months or (2) has received from the taxpayer not less than HK\$12,000 towards his/her maintenance.

Tax concession for regulated insurance products

To alleviate pressure on the public healthcare system and to encourage people to make more use of medical services from the private healthcare sector, the Financial Secretary mentioned in the budget that tax concessions will be provided to subscribers to regulated

health/medial insurance products. Details of the tax concession have yet to be announced.

One-off relief measures

The following one-off relief measures were proposed in the 2015/16 budget:

1. Waive 75% of salaries tax and tax under personal assessment for 2014/15, subject to a ceiling of HK\$20,000, to be deducted from the taxpayer's final tax payable for the year.

2. Waive rates for the first two quarters of 2015/16, subject to a ceiling of HK\$2,500 per quarter for each rateable property.
3. Pay one month's rent for lower income tenants of public housing, excluding certain wealthier tenants and non-elderly tenants.
4. Provide two additional months of Comprehensive Social Security Assistance payment, Old Age Allowance, Old Age Living Allowance and Disability Allowance.

The takeaway

The tax rebate of up to 75% of the salaries tax payable for 2014/15 or HK\$20,000, whichever is higher, will be automatically reflected in the final tax assessments for 2014/15 to be issued. For taxpayers that have already performed the tax clearance for 2014/15, the Inland Revenue Department (IRD) will revise the 2014/15 tax assessments that have already been issued and refund the tax rebate due to taxpayers where applicable.

Since the IRD's standard practice is to issue refund checks of overpaid taxes to individual taxpayers, companies that have settled the 2014/15 salaries tax payments on behalf of their expatriate assignees should ensure a process is in place to collect the refunds from such assignees, especially those that have already left Hong Kong, or request that the IRD issue the refund checks directly to the company.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your regular PwC Global Mobility engagement team or one of the following representatives from PwC Hong Kong:

Global Mobility Services—Hong Kong

Mandy Kwok
+852 2289 3900
mandy.kwok@hk.pwc.com

Robert Keys
+852 2289 1872
robert.b.keys@hk.pwc.com

Theresa Chan
+852 2289 1887
theresa.ky.chan@hk.pwc.com

Berin Chan
+852 2289 5504
berin.db.chan@hk.pwc.com

Louis Lam
+852 2289 5528
louis.cs.lam@hk.pwc.com

Global Mobility Services – United States

Peter Clarke
+1 (203) 539-3826
peter.clarke@us.pwc.com

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