

FACT SHEET

Major Sources of Government Revenue

(as at 19 May 2005)

Government revenue for 2003-04 (Total : 294.8 billion)		
Items	Value (in HK\$ billion)	Percentage
Transfers from the Land Fund ⁽¹⁾ and the Loan Fund ⁽²⁾	134.0	45.5%
Profits tax (2005-06 tax rates: corporations: 17.5% unincorporated businesses: 16%)	48.8	16.6%
Salaries tax (2005-06 tax rates: 2% - 20% on HK\$30,000 segments of income after deduction of allowances standard tax rate: 16%)	30.7	10.4%
Other revenues (e.g. income from properties and investments, loans and reimbursements, motor vehicle first registration tax, and yields from the Capital Works Reserve Fund and the Capital Investment Fund)	23.4	7.9%

Notes: (1) On 7 May 2003, the Legislative Council (LegCo) passed a motion put forward by the Government, which was: *"Resolved with respect to the Land Fund established by resolution made and passed by the Provisional Legislative Council on 23 July 1997 and published in the Gazette as Legal Notice No. 398 of 1997, that a sum of HK\$120 billion be transferred from the Land Fund to the general revenue."* The Government explained that the purpose of the transfer from the Land Fund was to meet the cash flow requirements of the Government in the medium term.

(2) Under the Resolution of the Loan Fund passed on 1 April 1990, the Financial Secretary may from time to time transfer from the Loan Fund to the general revenue any balance held in the Loan Fund which is not in his opinion reasonably required for the purpose of the Loan Fund. In 2003-04, the transfer of funds from the Loan Fund to the general revenue amounted to HK\$14 billion.

Major sources of government revenue (cont'd)

Government revenue for 2003-04 (Total : 294.8 billion)		
Items	Value (in HK\$ billion)	Percentage
Betting duty (2005-06 tax rates: Horse race standard bets ⁽³⁾ : 12% Horse race exotic bets ⁽³⁾ : 20% Mark Six Lottery: 25% Net stake receipts on football matches: 50%)	11.6	3.9%
Stamp duty (duties on different classes of documents relating to assignments of immovable property, leases and shares transfers)	11.3	3.8%
Rates (2005-06 tax rate: 5% of the rateable annual rent of landed property)	11.2	3.8%
Fees and charges	10.6	3.6%
Duties (four groups of commodities: tobacco, certain types of hydrocarbon oil, alcoholic beverages and certain alcoholic products)	6.4	2.2%

Note: (3) The Government has proposed a package of reforms to the betting duty system on horse race betting. It is proposed that a single set of duty rates will be applied to the net stake receipts irrespective of bet types. A progressive duty system is proposed, with duty to be charged at 72.5% of the net stake receipts up to HK\$11 billion, increasing by half a percentage point for increases of every HK\$1 billion in the receipts up to HK\$15 billion, and at 75% for the receipts exceeding HK\$15 billion. Under the proposal, the Hong Kong Jockey Club guarantees the duty receivable by the Government during each of the four years from implementation will be no less than HK\$8 billion.

Major sources of government revenue (cont'd)

Government revenue for 2003-04 (Total : 294.8 billion)		
Items	Value (in HK\$ billion)	Percentage
Government rent (2005-06 tax rate: 3% of the rateable value of landed property)	4.1	1.4%
Estate duty (2005-06 tax rate: 5% - 15% on estates valued at over HK\$7.5 million) ⁽⁴⁾	1.5	0.5%
Property tax (2005-06 tax rate: 16% on the actual rent received, less an allowance of 20% for repairs and maintenance)	1.0	0.3%
Hotel accommodation tax (2005-06 tax rate: 3% on hotels and guest houses)	0.2	0.1%

Note: (4) On 11 May 2005, the Government introduced the Revenue (Abolition of Estate Duty) Bill 2005 into LegCo to abolish the estate duty announced in the 2005-06 Budget. Under the proposal in the Bill, estates of persons who pass away after the commencement of the Revenue (Abolition of Estate Duty) Ordinance 2005 will not be subject to estate duty.

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References

1. Home Affairs Bureau. (2005) *Proposed Reforms to the Betting Duty System on Horse Race Betting*. Paper submitted to the Panel on Home Affairs of the Legislative Council for discussion on 13 May 2005. LC Paper No. CB(2)1520/04-05(02).
2. *Official Records of Proceedings of the Legislative Council*. (2003) 7 May.
3. *Speech by the Financial Secretary: The 2005-06 Budget*. (2005) Hong Kong, Government Logistics Department.
4. The Government of the Hong Kong Special Administrative Region. (2005) *Estimates for the Year Ending 31 March 2006: Volume II – Fund Accounts*. Hong Kong, Government Logistics Department.
5. The Treasury. (2004) *Accounts of the Government for the Year Ended 31 March 2004*. Hong Kong, Government Logistics Department.