

FACT SHEET

Major Sources of Government Revenue

(as at 18 July 2006)

Government revenue for 2004-05 (Total : 229.6 billion)		
Items	Value (in HK\$ billion)	Percentage
Profits tax (2006-07 tax rates: corporations: 17.5% unincorporated businesses: 16%)	58.6	25.5%
Transfers from the Land Fund ⁽¹⁾ , the Loan Fund ⁽²⁾ and the Capital Investment Fund ⁽³⁾	44.5	19.3%
Salaries tax (2006-07 tax rates: 2% - 19% on HK\$30,000 segments of income after deduction of allowances Standard tax rate: 16%)	37.0	16.1%
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)	24.8	10.8%

- Notes: (1) On 16 June 2004, 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\$40 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 during the course of 2004-05.
- (2) Under the Resolution of the Loan Fund passed on 14 March 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 2004-05, the transfer of funds from the Loan Fund to the general revenue amounted to HK\$2.8 billion.
- (3) Under the Resolution of the Capital Investment Fund passed on 14 March 1990, the Financial Secretary may from time to time transfer from the Capital Investment Fund to the general revenue any balance held in the Capital Investment Fund which is not in his opinion reasonably required for the purpose of the Capital Investment Fund. In 2004-05, the transfer of funds from the Capital Investment Fund to the general revenue amounted to HK\$1.7 billion.

Major sources of government revenue (cont'd)

Government revenue for 2004-05 (Total : 229.6 billion)		
Items	Value (in HK\$ billion)	Percentage
Stamp duty (duties on different classes of documents relating to assignments of immovable property, leases and shares transfers)	15.9	6.9%
Rates (2006-07 tax rate: 5% of the rateable annual rent of landed property)	12.6	5.5%
Betting duty (2006-07 tax rates: Horse race standard bets ⁽⁴⁾ : 12% Horse race exotic bets ⁽⁴⁾ : 20% Mark Six Lottery: 25% Net stake receipts on football matches: 50%)	12.1	5.3%
Fees and charges	10.8	4.7%
Duties (four groups of commodities: tobacco, certain types of hydrocarbon oil, alcoholic beverages and certain alcoholic products)	6.6	2.9%

Note: (4) On 12 July 2006, LegCo passed the Betting Duty (Amendment) Bill 2006 to reform the betting duty system for horse racing bets. The new system, expected to be introduced in the new horse-racing season in September 2006, will replace the current betting duty on turnover with a tax on net stake receipts (or gross margin). A single set of duty rates will be applied to the net stake receipts irrespective of bet types. The Hong Kong Jockey Club guarantees to pay at least HK\$8 billion in betting duty to the Government during each of the first three years of the implementation of the new system.

Major sources of government revenue (cont'd)

Government revenue for 2004-05 (Total : 229.6 billion)		
Items	Value (in HK\$ billion)	Percentage
Government rent (2006-07 tax rate: 3% of the rateable value of landed property)	3.9	1.7%
Estate duty (Abolished for estates of persons who passed away on or after 11 February 2006) ⁽⁵⁾	1.5	0.7%
Property tax (2006-07 tax rate: 16% on the actual rent received, less an allowance of 20% for repairs and maintenance)	1.1	0.5%
Hotel accommodation tax (2006-07 tax rate: 3% on hotels and guest houses)	0.2	0.1%

Note: (5) The Revenue (Abolition of Estate Duty) Bill 2005, which amended the Estate Duty Ordinance (Ordinance) to implement the proposal announced in the 2005-06 Budget to abolish estate duty, was passed on 2 November 2005. The Ordinance came into effect on 11 February 2006. Estates of persons who passed away on or after the commencement date of the Ordinance are not subject to estate duty. The Ordinance has retrospective effect. The estate duty chargeable in respect of deaths occurring on or after 15 July 2005 but before the commencement date is reduced to a nominal duty of HK\$100 for estates of assessed value exceeding HK\$7.5 million. Any estate duty overpaid will be refunded. The nominal duty charged is to ensure that all existing legislative provisions and legal documents making reference to actual charging or payment of estate duty will not be put in doubt.

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References

1. *Official Records of Proceedings of the Legislative Council*. (2004) 16 June.
2. *Speech by the Financial Secretary: The 2006-07 Budget*. (2006) Hong Kong, Government Logistics Department.
3. The Government of the Hong Kong Special Administrative Region. (2005) *Press Release: LegCo Passes the Revenue (Abolition of Estate Duty) Bill 2005*. Available from: <http://www.info.gov.hk/gia/general/200511/02/P200511020261.htm> [Accessed 15 July 2006].
4. The Government of the Hong Kong Special Administrative Region. (2006) *Estimates for the Year Ending 31 March 2007: Volume II – Fund Accounts*. Hong Kong, Government Logistics Department.
5. The Treasury. (2005) *Accounts of the Government for the Year Ended 31 March 2005*. Hong Kong, Government Logistics Department.