

FACT SHEET

Major sources of government revenue

1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue¹ and capital revenue². In the FY2013-2014, the government revenue amounted to HK\$455.3 billion (see **Table 1**). The five major revenue items were profits tax (26.5%), land premium (18.5%), salaries tax (12.2%), stamp duties (9.1%) and investment income³ (8.1%), which together accounted for 74.5% of the government revenue (see **Table 2**).

Table 1 – Government revenue

HK\$ billion

	FY2011-2012	FY2012-2013	FY2013-2014	FY2014-2015 (Estimate)
Operating revenue	339.4 (77.5%) ⁽¹⁾	344.6 (77.9%)	355.3 (78.0%)	348.9 (81.1%)
Capital revenue	98.3 (22.5%)	97.5 (22.1%)	100.0 (22.0%)	81.2 (18.9%)
Government revenue	437.7⁽²⁾ (100%)	442.2 (100%)	455.3 (100%)	430.1 (100%)

Notes: (1) Figures in brackets represent percentage share of the government revenue.

(2) Individual figures may not add up to the total due to rounding.

Sources: Financial Secretary (2014) and the Treasury (2013) & (2014).

¹ Operating revenue comprises all revenue credited to the General Revenue Account (except those items which are treated as capital revenue such as loan repayments received) and the Land Fund. Major types of tax and their corresponding rates applicable in FY2014-2015 are set out in **Table 3**.

² Capital revenue consists of certain revenue items in the General Revenue Account and all receipts credited to the following seven Funds: the Capital Works Reserve Fund, the Capital Investment Fund, the Civil Service Pension Reserve Fund, the Disaster Relief Fund, the Innovation and Technology Fund, the Loan Fund and the Lotteries Fund.

³ Investment income refers to the investment return of the Government's fiscal reserves placed with the Exchange Fund, which is managed by the Hong Kong Monetary Authority under the delegated authority of the Financial Secretary.

Table 2 – Government revenue by item

HK\$ billion

	FY2011-2012	FY2012-2013	FY2013-2014	FY2014-2015 (Estimate)
Profits tax	118.6 (27.1%) ⁽¹⁾	125.6 (28.4%)	120.9 (26.6%)	117.6 (27.3%)
Salaries tax	51.8 (11.8%)	50.5 (11.4%)	55.6 (12.2%)	52.9 (12.3%)
Stamp duties	44.4 (10.1%)	42.9 (9.7%)	41.5 (9.1%)	43.8 (10.2%)
Investment income	31.3 (7.2%)	31.2 (7.0%)	30.1 (6.6%)	22.0 (5.1%)
Other operating revenue ⁽²⁾	93.4 (21.3%)	94.5 (21.4%)	107.2 (23.5%)	112.6 (26.2%)
Operating revenue	339.4⁽³⁾ (77.5%)	344.6 (77.9%)	355.3 (78.0%)	348.9 (81.1%)
Land premium ⁽⁴⁾	84.6 (19.3%)	69.6 (15.7%)	84.3 (18.5%)	70.0 (16.3%)
Investment income	5.9 (1.4%)	6.8 (1.5%)	6.9 (1.5%)	5.0 (1.2%)
Other capital revenue ⁽⁵⁾	7.7 (1.8%)	21.1 (4.9%)	8.8 (1.9%)	6.2 (1.4%)
Capital revenue	98.3⁽³⁾ (22.5%)	97.5 (22.1%)	100.0 (22.0%)	81.2 (18.9%)
Government revenue	437.7⁽³⁾ (100%)	442.2 (100%)	455.3 (100%)	430.1 (100%)

Notes: (1) Figures in brackets represent percentage share of the government revenue.

(2) Including fees and charges, betting duty, general rates, government rents and duties.

(3) Individual figures may not add up to the total due to rounding.

(4) Breakdown of the land premium is shown in **Table 4**.

(5) Including loan repayments received by the various Funds, and recovery of the land costs for the flats sold under the Home Ownership Scheme from the Hong Kong Housing Authority.

Sources: Financial Secretary (2014) and the Treasury (2013) & (2014).

Table 3 – Major tax rates for FY2014-2015

Tax types	Details
Profits tax	<u>Corporations</u> <ul style="list-style-type: none"> • 16.5% <u>Unincorporated businesses</u> <ul style="list-style-type: none"> • 15%
Salaries tax	<ul style="list-style-type: none"> • Tax payable is calculated at the following rates, whichever is lower: <ul style="list-style-type: none"> (a) 2%–12% on the first three HK\$40,000 segments of net income (i.e. income less deductions and allowances) and 17% on the remaining net income; or (b) 15% on income before deductions and allowances.
Stamp duties	<u>Sale or transfer of property</u> <ul style="list-style-type: none"> • Depending on the transaction value or market value of the property (whichever is higher), stamp duties are payable at the following rates: <ul style="list-style-type: none"> (a) 1.5%–8.5% unless specifically exempted or otherwise provided; or (b) HK\$100–4.25% under circumstances specified in the <i>Stamp Duty (Amendment) (No. 2) Ordinance 2014</i>.⁽¹⁾ <u>Lease of property</u> <ul style="list-style-type: none"> • 0.25% of the yearly rent if the term of a lease does not exceed a year. <u>Transfer of stock</u> <ul style="list-style-type: none"> • 0.1% of the amount of stock traded.

Note: (1) The *Stamp Duty (Amendment) (No. 2) Ordinance 2014* was gazetted on 25 July 2014 in an effort to cool down the property market. The Ordinance provides for, among other things, the increase in the stamp duty rates for residential and non-residential properties valued at HK\$2 million or below from HK\$100 to 1.5% effective from 23 February 2013. For properties valued over HK\$2 million, stamp duty rates are doubled to as much as 8.5%. The new rates do not apply to Hong Kong permanent resident buyers acquiring residential properties, if they: (a) act on their own behalf; and (b) are not beneficial owners of any other residential property in Hong Kong at the time of acquisition.

Table 3 – Major tax rates for FY2014-2015 (cont'd)

Tax types	Details
Special Stamp Duty ("SSD")	<p><u>SSD for resale of residential property acquired between 20 November 2010 and 26 October 2012⁽²⁾</u></p> <ul style="list-style-type: none"> • 15% if the property has been held for six months or less; • 10% if the property has been held for more than six months but 12 months or less; and • 5% if the property has been held for more than 12 months but 24 months or less. <p><u>SSD for resale of residential property acquired on or after 27 October 2012⁽³⁾</u></p> <ul style="list-style-type: none"> • 20% if the property has been held for six months or less; • 15% if the property has been held for more than six months but 12 months or less; and • 10% if the property has been held for more than 12 months but 36 months or less.
Buyer's Stamp Duty	<ul style="list-style-type: none"> • 15% on residential property acquired by any person except a Hong Kong permanent resident.⁽³⁾
Betting duty	<p><u>Horse races bets</u></p> <ul style="list-style-type: none"> • 72.5%–75% on the net stake receipts, depending on the amount of receipts. <p><u>Football matches bets</u></p> <ul style="list-style-type: none"> • 50% on the net stake receipts. <p><u>Mark Six Lottery</u></p> <ul style="list-style-type: none"> • 25% on the amount of proceeds.
General rates	<ul style="list-style-type: none"> • 5% of the rateable annual rent of landed property.
Government rents	<ul style="list-style-type: none"> • 3% of the rateable value of landed property.

Notes: (2) SSD was introduced in November 2010 on transactions of residential property acquired on or after 20 November 2010 and resold within 24 months after acquisition.

(3) The Government proposed in the *Stamp Duty (Amendment) Bill 2012* further demand-side management measures to cool down the private residential property market. These measures include: (a) raising the SSD rates and extending the holding period for residential properties acquired on or after 27 October 2012; and (b) introducing a new Buyer's Stamp Duty. The Bill was passed at the Council meeting on 22 February 2014.

Sources: Inland Revenue Department (2014) and Rating and Valuation Department (2014).

Table 4 – Breakdown of the land premium

HK\$ million

	FY2011-2012	FY2012-2013	FY2013-2014	FY2014-2015 (Estimate)
Sales by public auction and tender	63,723 (75.3%) ⁽¹⁾	43,125 (62.0%)	75,262 (89.3%)	Not available
Modification of existing leases, exchanges and extensions	20,000 (23.6%)	24,357 (35.0%)	8,228 (9.8%)	
Fees received in respect of short term waivers ⁽²⁾	591 (0.7%)	569 (0.8%)	574 (0.7%)	
Private treaty grants	331 (0.4%)	1,511 (2.2%)	191 (0.2%)	
Total	84,644⁽³⁾ (100%)	69,563 (100%)	84,255 (100%)	70,000⁽⁴⁾

Notes: (1) Figures in brackets represent percentage share of the total land premium.

(2) Government leases, under which all private properties in Hong Kong are held, usually contain restrictions to the use of land and buildings. Nevertheless, a leaseholder may apply for a short term waiver from the Lands Department to temporarily relax the restriction(s) under the lease. If the waiver application is approved, the Government will require the leaseholder to pay a fee reflecting the enhanced value of the property for the waiver period.

(3) Individual figures may not add up to the total due to rounding.

(4) The Government only provides the estimate for the total land premium receivable in FY2014-2015 in view of the market-driven nature of the land sales. The total land premium for FY2014-2015 is estimated having regard to the overall performance of the property market under the past and current market conditions.

Sources: The Government of the Hong Kong Special Administrative Region (2014b) and the Treasury (2013) & (2014).

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