



Research Office  
Legislative Council Secretariat

## Fact Sheet

# Major sources of government revenue

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## 1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue<sup>1</sup> and capital revenue<sup>2</sup>. In FY2015-2016, the government revenue is forecast to edge down by 0.2% to HK\$477.6 billion, and 15% of this forecast revenue amounting to HK\$72.9 billion was already collected during the period April-June 2015 (see **Table 1**). Profits tax was the largest revenue item in FY2014-2015, accounting for 28.8% of government revenue. This was followed by land premium (16.3%), stamp duties (15.6%), salaries tax (12.4%) and general rates (4.7%). These five items altogether took up 77.8% of the government revenue (see **Table 2**).

**Table 1 – Government revenue**

	HK\$ billion			
	FY2013-2014	FY2014-2015	FY2015-2016 (Estimate)	April – June 2015
Operating revenue	355.3 (78.0%) <sup>(1)</sup>	393.9 (82.3%)	392.6 (82.2%)	61.8 (84.8%)
Capital revenue	100.0 (22.0%)	84.7 (17.7%)	85.0 (17.8%)	11.1 (15.2%)
<b>Government revenue<sup>(2)</sup></b>	<b>455.3 (100%)</b>	<b>478.7 (100%)</b>	<b>477.6 (100%)</b>	<b>72.9 (100%)</b>

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

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

Sources: Financial Secretary (2015) and the Treasury (2014 & 2015).

<sup>1</sup> Operating revenue comprises all revenue credited to (a) the General Revenue Account, and (b) the Land Fund. Item (a) includes direct and indirect taxes and excludes those items which are treated as capital revenue such as loan repayments received. Major types of tax and their corresponding rates applicable in FY2015-2016 are set out in **Table 3**.

<sup>2</sup> 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.

**Table 2 – Government revenue by item**

HK\$ billion

	<b>FY2013-2014</b>	<b>FY2014-2015</b>	<b>FY2015-2016 (Estimate)</b>	<b>April – June 2015</b>
Profits tax	120.9 (26.6%) <sup>(1)</sup>	137.8 (28.8%)	133.1 (27.9%)	5.1 (7.0%)
Stamp duties	41.5 (9.1%)	74.8 (15.6%)	50.0 (10.5%)	23.1 (31.8%)
Salaries tax	55.6 (12.2%)	59.3 (12.4%)	53.8 (11.3%)	7.8 (10.7%)
General rates	14.9 (3.3%)	22.3 (4.7%)	21.7 (4.5%)	3.9 (5.4%)
Other operating revenue <sup>(2)</sup>	122.4 (26.9%)	99.6 (20.8%)	134.0 (28.1%)	21.8 (30.0%)
<b>Operating revenue<sup>(3)</sup></b>	<b>355.3 (78.0%)</b>	<b>393.9 (82.3%)</b>	<b>392.6 (82.2%)</b>	<b>61.8 (84.8%)</b>
Land premium <sup>(4)</sup>	84.3 (18.5%)	77.8 (16.3%)	70.0 (14.7%)	9.3 (12.7%)
Other capital revenue <sup>(5)</sup>	15.8 (3.5%)	6.9 (1.4%)	15.0 (3.1%)	1.8 (2.5%)
<b>Capital revenue<sup>(3)</sup></b>	<b>100.0 (22.0%)</b>	<b>84.7 (17.7%)</b>	<b>85.0 (17.8%)</b>	<b>11.1 (15.2%)</b>
<b>Government revenue<sup>(3)</sup></b>	<b>455.3 (100%)</b>	<b>478.7 (100%)</b>	<b>477.6 (100%)</b>	<b>72.9 (100%)</b>

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

(2) Including investment income earned from the operating revenue, fees and charges, betting duty, 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 investment income earned from the capital revenue, 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 (2015) and the Treasury (2014 & 2015).

**Table 3 – Major tax rates for FY2015-2016**

Tax types	Details
Profits tax	<u>Corporations</u> <ul style="list-style-type: none"> <li>• 16.5%</li> </ul> <u>Unincorporated businesses</u> <ul style="list-style-type: none"> <li>• 15%</li> </ul>
Salaries tax	<ul style="list-style-type: none"> <li>• Tax payable is calculated at the following rates, whichever is lower: <ul style="list-style-type: none"> <li>(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</li> <li>(b) 15% on income before deductions and allowances.</li> </ul> </li> </ul>
Stamp duties	<u>Sale or transfer of property</u> <ul style="list-style-type: none"> <li>• 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"> <li>(a) 1.5%-8.5% unless specifically exempted or otherwise provided; or<sup>(1)</sup></li> <li>(b) HK\$100-4.25% under circumstances specified in the <i>Stamp Duty (Amendment) (No. 2) Ordinance 2014</i>.<sup>(2)</sup></li> </ul> </li> </ul> <u>Lease of property</u> <ul style="list-style-type: none"> <li>• 0.25% of the yearly rent if the term of lease does not exceed a year.</li> </ul> <u>Transfer of stock</u> <ul style="list-style-type: none"> <li>• 0.1% of the amount of stock traded.<sup>(3)</sup></li> </ul>

Notes: (1) The *Stamp Duty (Amendment) (No. 2) Ordinance 2014* was gazetted in 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%.

(2) The rates 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.

(3) The *Stamp Duty (Amendment) Ordinance 2015* was gazetted on 13 February 2015 in an effort to foster Hong Kong's position as an asset management centre and promote the development, management and trading of exchange traded funds (ETFs) in Hong Kong. The Ordinance provides for stamp duty waiver payable on the transfer of all ETF shares or units, so that the transaction costs of ETFs can be reduced.

**Table 3 – Major tax rates for FY2015-2016 (cont'd)**

Tax types	Details
Special Stamp Duty ("SSD")	<p><u>SSD for resale of residential property acquired on or after 27 October 2012</u><sup>(4)</sup></p> <ul style="list-style-type: none"> <li>• 20% if the property has been held for six months or less;</li> <li>• 15% if the property has been held for more than six months but 12 months or less; and</li> <li>• 10% if the property has been held for more than 12 months but 36 months or less.</li> </ul>
Buyer's Stamp Duty	<ul style="list-style-type: none"> <li>• 15% on residential property acquired by any person except a Hong Kong permanent resident.<sup>(4)</sup></li> </ul>
Betting duty	<p><u>Horse races bets</u></p> <ul style="list-style-type: none"> <li>• 72.5%-75% on the net stake receipts, depending on the amount of receipts.</li> </ul> <p><u>Football matches bets</u></p> <ul style="list-style-type: none"> <li>• 50% on the net stake receipts.</li> </ul> <p><u>Mark Six Lottery</u></p> <ul style="list-style-type: none"> <li>• 25% on the amount of proceeds.</li> </ul>
General rates	<ul style="list-style-type: none"> <li>• 5% of the rateable annual rent of landed property.</li> </ul>
Government rents	<ul style="list-style-type: none"> <li>• 3% of the rateable value of landed property.</li> </ul>

Note: (4) The *Stamp Duty (Amendment) Ordinance 2014* was gazetted in February 2014 in an effort to cool down the private residential property market. The measures introduced under the Ordinance include: (a) raising the SSD rates and extending the holding period for residential properties; and (b) introducing a new Buyer's Stamp Duty. The Ordinance has retrospective effect from 27 October 2012.

Sources: Inland Revenue Department (2015) and Rating and Valuation Department (2015).

**Table 4 – Breakdown of the land premium**

HK\$ million

	<b>FY2013-2014</b>	<b>FY2014-2015</b>	<b>FY2015-2016 (Estimate)</b>	<b>April – June 2015</b>
Sales by public auction and tender	75,262 (89.3%) <sup>(1)</sup>	51,445 (66.1%)	Not available	5,509 (59.5%)
Modification of existing leases, exchanges and extensions	8,228 (9.8%)	13,894 (17.9%)		2,094 (22.6%)
Fees received in respect of short term waivers <sup>(2)</sup>	574 (0.7%)	642 (0.8%)		266 (2.9%)
Private treaty grants	191 (0.2%)	11,823 (15.2%)		1,398 (15.1%)
<b>Total<sup>(3)</sup></b>	<b>84,255 (100%)</b>	<b>77,804 (100%)</b>	<b>70,000<sup>(4)</sup></b>	<b>9,266 (100%)</b>

Notes: (1) Figures in brackets represent percentage shares 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 FY2015-2016 in view of the market-driven nature of the land sales. The total land premium for FY2015-2016 is estimated having regard to the overall performance of the property market under the past and current market conditions.

Sources: Financial Services and the Treasury Bureau (2015) and the Treasury (2014 & 2015).

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## References

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