



# Major sources of government revenue

(Data as at 25 May 2018)

Research Office  
Legislative Council Secretariat

## Numbers & Figures

ISSF03/17-18

### 1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue<sup>1</sup> and capital revenue.<sup>2</sup> For the full fiscal year in 2017-2018, the government revenue increased by 8% to HK\$619.8 billion, after the 27% rise in the preceding year (**Table 1**). Land premium was the largest revenue item, accounting for 26.6% of the total revenue, followed by profits tax (22.4%), stamp duties (15.4%), salaries tax (9.8%) and general rates (3.6%). Taken together, these five items took up 77.8% of total government revenue (**Table 2**). Looking ahead, total revenue is forecast to fall by 2% to HK\$604.5 billion in 2018-2019, according to the Budget released in February 2018.

**Table 1 — Government revenue (HK\$ billion)**

	2015-2016	2016-2017	2017-2018	2018-2019 <sup>(1)</sup>
Operating revenue	381.5 (84.8%) <sup>(2)</sup>	411.7 (71.8%)	442.8 (71.4%)	456.1 (75.5%)
Capital revenue	68.5 (15.2%)	161.4 (28.2%)	177.1 (28.6%)	148.4 (24.5%)
<b>Government revenue<sup>(3)</sup></b>	<b>450.0</b> <b>(100%)</b>	<b>573.1</b> <b>(100%)</b>	<b>619.8</b> <b>(100%)</b>	<b>604.5</b> <b>(100%)</b>

Notes: (1) Budget estimates.

(2) Figures in brackets represent percentage shares in the total government revenue.

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

Sources: Financial Services and the Treasury Bureau and The Treasury.

<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 2018-2019 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: Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund.

**Table 2 — Government revenue by item (HK\$ billion)**

	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019<sup>(1)</sup></b>
Profits tax	140.2 (31.2%) <sup>(2)</sup>	139.2 (24.3%)	139.1 (22.4%)	155.1 (25.7%)
Stamp duties	62.7 (13.9%)	61.9 (10.8%)	95.2 (15.4%)	100.0 (16.5%)
Salaries tax	57.9 (12.9%)	59.1 (10.3%)	60.8 (9.8%)	54.8 (9.1%)
General rates	22.7 (5.1%)	21.3 (3.7%)	22.2 (3.6%)	15.0 (2.5%)
Other operating revenue <sup>(3)</sup>	98.0 (21.8%)	130.2 (22.7%)	125.4 (20.2%)	131.1 (21.7%)
<b>Operating revenue<sup>(4)</sup></b>	<b>381.5 (84.8%)</b>	<b>411.7 (71.8%)</b>	<b>442.8 (71.4%)</b>	<b>456.1 (75.5%)</b>
Land premium <sup>(5)</sup>	60.9 (13.5%)	128.0 (22.3%)	164.8 (26.6%)	121.0 (20.0%)
Other capital revenue <sup>(6)</sup>	7.6 (1.7%)	33.4 (5.8%)	12.3 (2.0%)	27.4 (4.5%)
<b>Capital revenue<sup>(4)</sup></b>	<b>68.5 (15.2%)</b>	<b>161.4 (28.2%)</b>	<b>177.1 (28.6%)</b>	<b>148.4 (24.5%)</b>
<b>Government revenue<sup>(4)</sup></b>	<b>450.0 (100%)</b>	<b>573.1 (100%)</b>	<b>619.8 (100%)</b>	<b>604.5 (100%)</b>

Notes: (1) Budget estimates.

(2) Figures in brackets represent percentage shares in the total government revenue.

(3) Including investment income earned from the operating revenue, fees and charges, betting duty, government rents and duties.

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

(5) Breakdown of the land premium is shown in [Table 4](#).

(6) 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 Services and the Treasury Bureau and The Treasury.

**Table 3 — Major tax rates for 2018-2019**

Tax types	Details
Profits tax <sup>(1)</sup>	<p><u>Corporations</u></p> <ul style="list-style-type: none"> <li>• 8.25% for the first HK\$2 million of assessable profits; and</li> <li>• 16.5% for the remaining assessable profits.</li> </ul> <p><u>Unincorporated businesses</u></p> <ul style="list-style-type: none"> <li>• 7.5% for the first HK\$2 million of assessable profits; and</li> <li>• 15% for the remaining assessable profits.</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%-14% on the first four HK\$50,000 segments of net income (i.e. income less deductions and allowances) and 17% on the remaining net income;<sup>(2)</sup> or</li> <li>(b) 15% on income after deductions.</li> </ul> </li> </ul>
Stamp duties	<p><u>Sale or transfer of property</u></p> <ul style="list-style-type: none"> <li>• Residential properties are subject to a flat rate of 15% of the transaction value or market value of the property (whichever is higher) as from 5 November 2016,<sup>(3)</sup> unless those specifically exempted under the Stamp Duty (Amendment) (No. 2) Ordinance 2014 which are subject to a stamp duties of HK\$100 - 4.25% of the transaction value or market value of property.<sup>(4)</sup></li> <li>• For non-residential properties, they are subject to the rate of 1.5%-8.5% of the transaction value or market value.</li> </ul> <p><u>Lease of property</u></p> <ul style="list-style-type: none"> <li>• 0.25%-1% of the yearly rent depending on the term of lease.</li> </ul>

Notes: (1) An amendment bill was gazetted on 29 December 2017 to introduce the two-tiered profits tax rates.

(2) The marginal tax bands have been widened from HK\$45,000 to HK\$50,000 in 2018-2019.

(3) The Government has revised upward the stamp duty rates in an effort to cool down the residential property market on several occasions since 2010. With effect from 5 November 2016, a new flat rate of 15% has been chargeable on the transactions for residential properties acquired by buyers who already owned at least one residential property. Moreover, the time limit for disposal of original property has been extended from within 6 months to within 12 months, which is applicable to Hong Kong permanent resident buyers who change residential property and claim partial refund of the tax. With effect from 12 April 2017, the flat rate of 15% has also been applied to those buyers purchasing more than one residential property under a single instrument, even if they satisfy the exemption criteria.

(4) The rate applies 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, according to the Stamp Duty (Amendment) (No. 2) Ordinance 2014.

**Table 3 — Major tax rates for 2018-2019 (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>(5)</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 6 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>(5)</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: (5) With effect from 20 November 2010, SSD rates has been raised for different holding periods of residential properties, while a new Buyer's Stamp Duty has also been introduced since 27 October 2012.

Sources: Inland Revenue Department and Rating and Valuation Department.

**Table 4 — Breakdown of the land premium (HK\$ billion)**

	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019<sup>(1)</sup></b>
Sales by public auction and tender	40.3 (66.2%) <sup>(2)</sup>	105.1 (82.1%)	114.6 (69.5%)	Not available
Modification of existing leases, exchanges and extensions	18.4 (30.2%)	19.8 (15.5%)	49.3 (29.9%)	
Fees received in respect of short term waivers <sup>(3)</sup>	0.8 (1.3%)	0.8 (0.6%)	0.8 (0.5%)	
Private treaty grants	1.4 (2.4%)	2.2 (1.8%)	0.1 (0.05%)	
<b>Total<sup>(4)</sup></b>	<b>60.9</b> <b>(100%)</b>	<b>128.0</b> <b>(100%)</b>	<b>164.8</b> <b>(100%)</b>	

Notes: (1) Budget estimates.

(2) Figures in brackets represent percentage shares in the total land premium.

(3) 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.

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

(5) The Government only provides the estimate for the total land premium receivable in 2018-2019 in view of the market-driven nature of the land sales. The total land premium for 2018-2019 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 and The Treasury.

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30 November 2017  
Updated on 30 May 2018  
Tel: 2871 2145

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