



Major sources of government revenue

(Data as at 24 May 2019)

Research Office
Legislative Council Secretariat

Numbers & Figures

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1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue¹ and capital revenue.² For the full fiscal year in 2018-2019, government revenue decreased by 3.2% to HK\$599.8 billion (**Table 1**), due mainly to lower-than-expected revenues from land premium and stamp duties. In 2018-2019, profits tax was the largest revenue item, accounting for 27.8% of total revenue, followed by land premium (19.5%), stamp duties (13.3%) and salaries tax (10.0%). Taken together, these four items took up 70.6% of total government revenue (**Table 2**). Looking ahead, total revenue is forecast to increase by 4.4% to HK\$626.1 billion in 2019-2020, according to the Budget released in February 2019.

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

	2016-2017 (Actual)	2017-2018 (Actual)	2018-2019 (Actual)	2019-2020 (Budget Estimates)
Operating revenue	411.7 (71.8%)	442.8 (71.4%)	454.4 (75.8%)	467.0 (74.6%)
Capital revenue	161.4 (28.2%)	177.1 (28.6%)	145.3 (24.2%)	159.1 (25.4%)
Government revenue⁽²⁾	573.1 (100%)	619.8 (100%)	599.8 (100%)	626.1 (100%)

Notes: (1) Figures in brackets shown in the table represent percentage shares in the total government revenue.

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

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

¹ Operating revenue comprises revenue credited to the General Revenue Account, which 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 2019-2020 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: 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)⁽¹⁾

	2016-2017 (Actual)	2017-2018 (Actual)	2018-2019 (Actual)	2019-2020 (Budget Estimates)
Profits tax	139.2 (24.3%)	139.1 (22.4%)	166.6 (27.8%)	159.6 (25.5%)
Stamp duties	61.9 (10.8%)	95.2 (15.4%)	80.0 (13.3%)	76.0 (12.1%)
Salaries tax	59.1 (10.3%)	60.8 (9.8%)	60.1 (10.0%)	66.6 (10.6%)
General rates	21.3 (3.7%)	22.2 (3.6%)	17.2 (2.9%)	19.9 (3.2%)
Other operating revenue ⁽²⁾	130.3 (22.7%)	125.4 (20.2%)	130.5 (21.8%)	144.9 (23.1%)
Operating revenue⁽³⁾	411.7 (71.8%)	442.8 (71.4%)	454.4 (75.8%)	467.0 (74.6%)
Land premium ⁽⁴⁾	128.0 (22.3%)	164.8 (26.6%)	116.9 (19.5%)	143.0 (22.8%)
Other capital revenue ⁽²⁾	33.4 (5.8%)	12.3 (2.0%)	28.5 (4.7%)	16.1 (2.6%)
Capital revenue⁽³⁾	161.4 (28.2%)	177.1 (28.6%)	145.3 (24.2%)	159.1 (25.4%)
Government revenue⁽³⁾	573.1 (100%)	619.8 (100%)	599.8 (100%)	626.1 (100%)

Notes: (1) Figures in brackets shown in the table represent percentage shares in the total government revenue.

(2) Other operating revenue includes investment income earned under the General Revenue Account, fees and charges, betting duty, government rents and duties. Other capital revenue includes investment income earned under the Capital Account, 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. According to the Government, the sum in the Housing Reserve (over HK\$80 billion) will be brought back to the Government's accounts over four years from 2019-2020 to 2022-2023 as investment income.

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

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

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

Table 3 — Major tax rates for 2019-2020

Tax types	Details
Profits tax ⁽¹⁾	<p><u>Corporations</u></p> <ul style="list-style-type: none"> • 8.25% for the first HK\$2 million of assessable profits; and • 16.5% for the remaining assessable profits. <p><u>Unincorporated businesses</u></p> <ul style="list-style-type: none"> • 7.5% for the first HK\$2 million of assessable profits; and • 15% for the remaining assessable profits.
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%-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;⁽²⁾ or (b) 15% on income after deductions.
Stamp duties	<p><u>Sale or transfer of property</u></p> <ul style="list-style-type: none"> • 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,⁽³⁾ unless those specifically exempted under the Stamp Duty (Amendment) (No. 2) Ordinance 2014 which are subject to stamp duties of HK\$100 - 4.25% of the transaction value or market value of property.⁽⁴⁾ • For non-residential properties, they are subject to the rate of 1.5%-8.5% of the transaction value or market value. <p><u>Lease of property</u></p> <ul style="list-style-type: none"> • 0.25%-1% of the yearly rent depending on the term of lease.

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, for Hong Kong permanent resident buyers who change residential property and wish to claim partial refund of the tax, the time limit for disposal of original property has been extended from within 6 months to within 12 months. 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 2019-2020 (cont'd)

Tax types	Details
Special Stamp Duty ("SSD")	<p><u>SSD for resale of residential property acquired on or after 27 October 2012⁽⁵⁾</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 6 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.⁽⁵⁾
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.

Note: (5) With effect from 20 November 2010, SSD rates have 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)⁽¹⁾

	2016-2017 (Actual)	2017-2018 (Actual)	2018-2019 (Actual)	2019-2020 (Budget Estimates)
Sales by public auction and tender	105.1 (82.1%)	114.6 (69.5%)	84.3 (72.1%)	Not available
Modification of existing leases, exchanges and extensions	19.8 (15.5%)	49.3 (29.9%)	31.7 (27.2%)	
Fees received in respect of short term waivers ⁽²⁾	0.8 (0.6%)	0.8 (0.5%)	0.8 (0.7%)	
Private treaty grants	2.2 (1.8%)	0.1 (0.05%)	0.1 (0.06%)	
Total⁽³⁾	128.0 (100%)	164.8 (100%)	116.9 (100%)	143.0⁽⁴⁾ (100%)

Notes: (1) Figures in brackets shown in the table represent percentage shares in 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 2019-2020 without breakdown in view of the market-driven nature of the land sales. The total land premium for 2019-2020 is estimated having regard to both the overall performance of the property market and the prevailing market conditions.

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

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