

# MAZARS PROPOSAL HONG KONG BUDGET 2013-2014

*Press release - 17 January 2013*

The Financial Secretary estimated a budget deficit of HK\$ 3.4 billion for 2012/2013 financial year. Mazars expects a budget surplus of HK\$ 29.7 billion mainly contributed by land premium and tax revenue by March this year.

## **2013 is another challenging year**

Worldwide economy such as the Eurozone sovereign debt crisis and US fiscal policy continues to impact the Hong Kong economy. Excess liquidity and effective negative interest rate push up property prices and rental rates. Minimum wages and appreciation of RMB against the Hong Kong dollars further accelerate rising cost of living. Unemployment rate may go up gradually during 2013.

Mazars proposes the Financial Secretary to implement measures to alleviate the burden of the general public and help businesses tide over the challenging time. Mazars suggests the focus be on:

- Improving the people's livelihood
- Sustaining and developing economic growth, and
- Improving the air quality

Amongst other things, **Mazars recommends:**

### **1. Reduce corporate tax rate to 15% and 10% for SMEs**

To help business and maintain Hong Kong's competitiveness, Mazars proposes to reduce corporate tax rate from 16.5% to 15% and offer preferential rate of 10% for SMEs.

### **2. Provide 200% tax deduction to vehicle owners to replace air-polluting commercial vehicles**

Road transport is a major source of pollution. The recommendation is to provide tax incentive to vehicle owners such that they are encouraged to replace their air-polluting vehicles.

### **3. Increase personal and other allowances by 5% for salaries tax and personal assessment; and widen the tax band to HK\$ 50,000 from HK\$ 40,000**

Mazars proposes this to relieve burden of inflation and rising cost of living.

### **4. Adjust stamp duty band to HK\$ 100 for property below HK\$ 3,000,001**

It is the government's priority to tackle the housing problem. Mazars proposes to reduce the transaction costs for non-luxury properties in order to make acquisition of property more affordable for home-buyers.

### **5. Allow tax deduction for rental payments for principal residence**

People who are not eligible for public and subsidized housing and cannot afford to purchase their own residence have moved to the rental market. To relieve the burden of rising rentals, we propose to grant deduction for rental payment such that tenants can enjoy benefit of home buyers.


### **6. Allow tax deduction for contributions to MPF and private medical insurance up to 15% of remuneration**

Hong Kong has an aging population. To encourage taxpayers to plan their retirement and take out private medical insurance, contribution to mandatory and voluntary MPF and contribution to private medical insurance should be allowed up to 15% of the taxpayer's remuneration.

### **7. Waive rates, subject to a cap at HK\$ 2,500 per quarter per rateable property.**

### **8. Provide a HK\$ 2,000 subsidy on electricity per quarter.**

### **9. Pay two months' rent for public housing tenants.**



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*In Greater China, Mazars has 600 highly-qualified professionals based in Beijing, Guangzhou, Hong Kong and Shanghai. They are fully committed to serving the growing and diversified needs of both Chinese companies and international firms.*

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