



Hong Kong Institute of CPAs says government's budget wins marks for community care but lacks measures on business

Housing and environment, two top issues, get short shift

(Hong Kong, 23 February 2011) – The government's budget for 2011-12 is solid in tax measures for helping out families but weak in strengthening the city's business competitiveness, according to the Hong Kong Institute of Certified Public Accountants.

"The budget's short-term measures are good, such as accepting our recommendation to increase by 20 percent the dependants' allowances for parents, grandparents and children," says Ayesha Macpherson, chair of the Institute's taxation committee. "The budget's initiatives in education and support for the elderly, disabled, new immigrants and ethnic minorities are necessary as these groups are vulnerable and need our help."

Since inflation is a concern for the government, the budget attempts to tackle it through inflation-linked retail bonds, which pay inflation-based interest, but the total amount available for the bond programme could be larger, continues Macpherson.

The Institute's earlier-submitted proposal urges more government support for middle class housing through inflation-adjusted stamp duty rates, a home rental tax deduction, and stamp duty exemption for first-time home buyers when the property is their primary residence and costs less than \$6 million.

"The impact of changes to land supply, as proposed in the government's budget, will take longer," says Florence Chan, deputy chair of the Institute's taxation committee, "while our proposals would give immediate relief to the territory's younger generation and middle class families."

The \$6,000 injection into MPF accounts is welcome but it would be better had it been targeted at lower and middle-income groups, says Chan.

Business environment

The lack of tax measures to enhance Hong Kong's international competitiveness is a disappointment, Chan says. "The only business-related measures in the budget are the rates waiver and the increased commitment to the small- and medium-sized enterprise loan guarantee scheme," she points out. "While the budget mentions the need to expand Hong Kong's double taxation network and to strengthen the city's pillar industries, it doesn't propose enough specific measures."

Expanding Hong Kong's network of double taxation agreements would encourage trade, according to tax experts. Singapore now has 67 DTAs, the mainland has 93 and Hong Kong has 18, which means there is considerable room for improvement, Chan says.

Reinforcing Hong Kong's pillar and new industries, such as financial services, innovation and technology, and regional operations can be done with the right tax measures, according to Macpherson. She says not enough measures were introduced in the budget, nor was the Institute's call to lower taxes for small companies with gross revenue of less than \$2 million. "Hong Kong's competitors are making good use of their tax systems to attract business; so we cannot afford to be complacent," she says.

The environment

Measures in the budget to clean up the environment are lacking, according to Chan. "In our submission, we proposed tax breaks for green buildings and higher taxes for polluting vehicles. The tax system should be better used to support government policies in these areas."

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About the Hong Kong Institute of CPAs

The Hong Kong Institute of CPAs is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has nearly 31,000 members and more than 14,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designatory letters *CPA*.

The Hong Kong Institute of CPAs evolved from the Hong Kong Society of Accountants, which was established on 1 January 1973.

The Institute operates under the Professional Accountants Ordinance and works in the public interest. The Institute has wide-ranging responsibilities, including assuring the quality of entry into the profession through its postgraduate CPA qualification programme and promulgating financial reporting, auditing and ethical standards in Hong Kong. The Institute has responsibility for regulating and promoting efficient accounting practices in Hong Kong to safeguard its leadership as an international financial centre.

The Hong Kong Institute of CPAs is a member of The Global Accounting Alliance - an alliance of the world's leading professional accountancy bodies, which was formed in 2005. The GAA promotes quality services, collaborates on important international issues and works with national regulators, governments and stakeholders.

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