



## **U-turn by Financial Secretary on Hong Kong Budget**

In response to criticism of the Hong Kong Government's 2011-12 Budget proposals by legislators and the public, the Financial Secretary, John Tsang Chun-wah, surprisingly announced additional measures on 2 March 2011. These changes are aimed at sharing the benefit of the record Budget surplus with the needy and the middle class, amongst others.

Under revised budget proposals by the Financial Secretary, all permanent Hong Kong residents aged 18 or over will receive a HKD6,000 handout from the Government.

The HKD 6,000 handout will not be given directly to recipients, but will be allocated through a new platform yet to be announced. Under the proposal, people may choose to withdraw the full amount depending on their needs, but there will be incentives to encourage them to save.

The new measure will replace the highly unpopular plan to inject HKD 6,000 into Mandatory Provident Fund accounts.

In addition, the Financial Secretary also announced a proposal to reduce 75 percent of Salaries Tax and tax under Personal Assessment, subject to a cap of HKD 6,000. The Inland Revenue Department will prepare the implementation of this proposal and will announce details in due course.

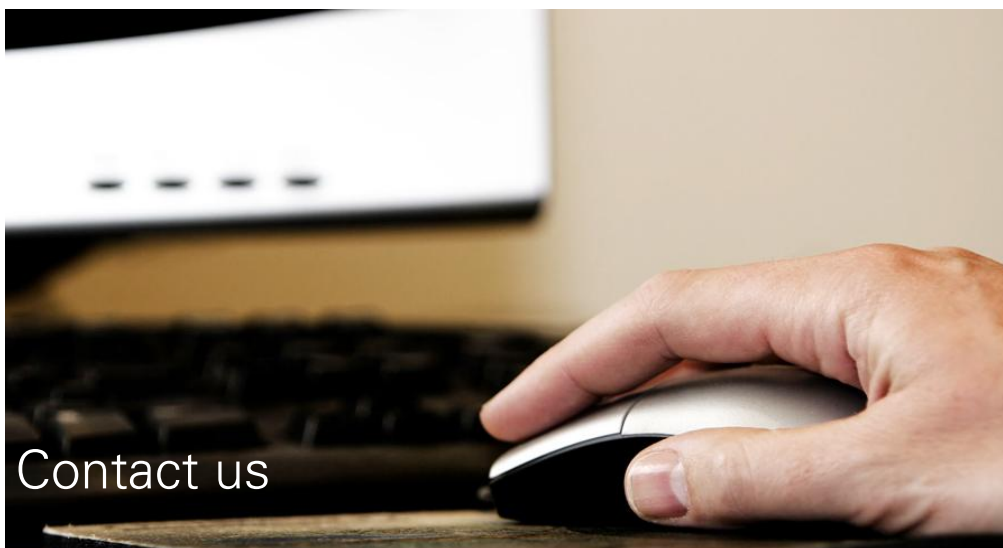
The Financial Secretary noted that this measure should be able to benefit most people in Hong Kong, including civil servants, housewives and retirees.

A separate sum (of an unspecified amount) will be set aside to provide relief for the needy who will not benefit from this new measure.

## Comment

This decision by the Financial Secretary to dramatically amend the Budget proposals is unprecedented. It was, however, a response to the level of dissatisfaction of the proposals offered in the Budget, which followed a Budget surplus of HKD 71.3 billion on the back of a robust economic recovery. Despite the initial concerns that cash hand-outs could have on inflation in the economy, the Government has responded to the demands from many in the public over the need to pass on some of the benefits of the surplus to the citizens of Hong Kong.

As yet, there have been very few details provided over the mechanism of the Government's HKD 6,000 handout to permanent residents. However, Hong Kong residents who are not permanent residents, including Hong Kong's sizeable population of domestic helpers will not benefit from the new measures. One might also question whether permanent residents who reside overseas should be entitled to the handout.



Contact us

For more information, please contact:

### **Corporate Tax, KPMG China**

#### **Khoon Ming Ho**

Partner in Charge, Tax  
China and Hong Kong SAR  
Tel: +86 10 8508 7082  
khoonming.ho@kpmg.com

#### **Vaughn Barber**

Partner  
Tel: +852 2826 7130  
vaughn.barber@kpmg.com

#### **Charles Kinsley**

Principal  
Tel: +852 2826 8070  
charles.kinsley@kpmg.com

#### **Jennifer Wong**

Partner  
Tel: +852 2978 8288  
jennifer.wong@kpmg.com

#### **Ayesha Macpherson**

Partner in Charge, Tax – Hong  
Kong SAR  
Tel: +852 2826 7165  
ayesha.macpherson@kpmg.com

#### **Darren Bowdern**

Partner  
Tel: +852 2826 7166  
darren.bowdern@kpmg.com

#### **Curtis Ng**

Partner  
Tel: +852 2143 8709  
curtis.ng@kpmg.com

#### **Garry Laird**

Senior Tax Advisor  
Tel: +852 2143 8795  
garry.laird@kpmg.com

#### **Chris Abbiss**

Partner  
Tel: +852 2826 7226  
chris.abbiss@kpmg.com

#### **Nigel Hobler**

Partner  
Tel: +852 2143 8784  
nigel.hobler@kpmg.com

#### **John Timpany**

Partner  
Tel: +852 2143 8790  
john.timpany@kpmg.com

#### **International Executive Services, KPMG China**

Barbara Forrest  
Principal  
Tel: +852 2978 8941  
barbara.forrest@kpmg.com

[kpmg.com/cn](http://kpmg.com/cn)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2011 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. © 2011 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.