



2016/17 Hong Kong Budget

KPMG survey highlights and proposals

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In December 2015 and January 2016, KPMG conducted a survey of over 300 senior business executives about their concerns for business in Hong Kong and expectations regarding the 2016/17 Hong Kong Budget. We greatly appreciate their participation in the survey. Our key survey findings are highlighted below:

- With a view to improving the standards of living for the general public, 30 percent of respondents suggest that the government should halve the Stamp Duty rate for Hong Kong permanent residents purchasing their first residential property for their own use. 45 percent support tax deductions for life and family medical insurance expenses.
- Respondents have divergent views regarding the best approach for a Hong Kong retirement scheme. 30% prefer the introduction of a new retirement protection scheme, whereas 27% support an additional tax deduction for voluntary MPF contributions. Those in favour of extending the conditions for an early withdrawal of (part of the) MPF contributions and introducing a government-managed retirement fund each constituted 20% of the total respondents.
- The majority of respondents believe that the biggest opportunity for Hong Kong under the 'Belt and Road' initiative, is its role as an international financial centre, and its ability to help raise funds.

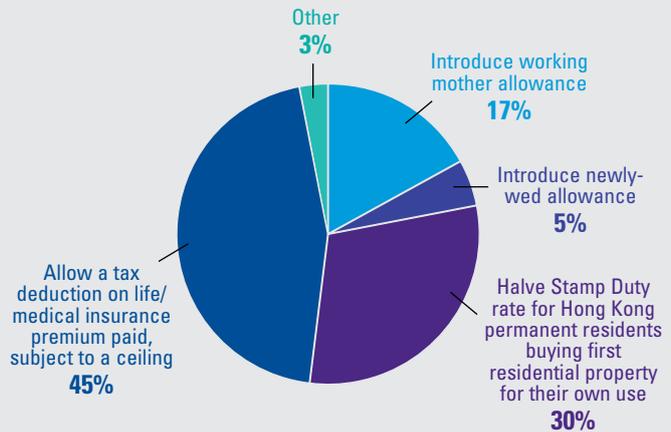
Other KPMG proposals are:

- In the face of an ageing population, the government can offer tax incentives such as enhanced deductions for companies employing older employees, and thereby preserving this valuable resource.
- To encourage individuals to plan and prepare for their retirement needs, we propose that the government provide tax deductions for voluntary MPF contributions made for employees and their non-working spouses.
- Tax can also play a role in supporting technological advancements and innovations in Hong Kong. Currently, research and development (R&D) incentives in Hong Kong are far behind most jurisdictions in the Asia Pacific region. We therefore propose that the government introduce a super deduction for R&D, and also allow the super deduction for R&D expenses paid to group companies and/or incurred overseas.
- The government can also promote Hong Kong's bond market to attract more bond financing for infrastructure projects in the 'Belt and Road' area. From a tax perspective, we propose that the government broaden its double tax agreement network and promote cross-border consultancy services and trading activities with the 'Belt and Road' countries.



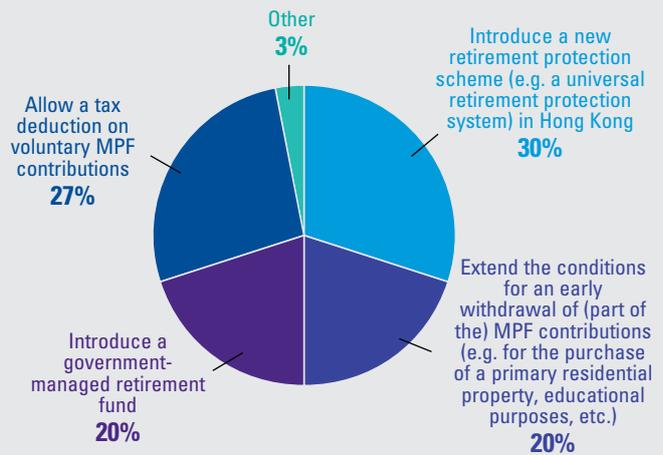
In your opinion, which of the following new tax incentives targeting the middle class in Hong Kong should be considered by the HKSAR Government?

In terms of tax incentives for the middle class in Hong Kong, 75% of 303 respondents either want a tax deduction on life/medical insurance premiums paid or a halving of the Stamp Duty rate for Hong Kong permanent residents purchasing their first residential property.



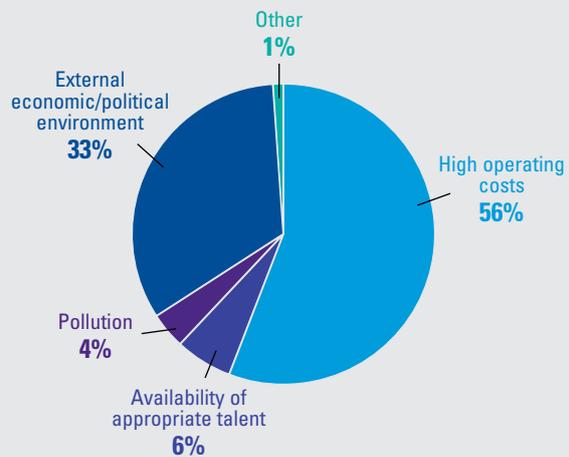
In your opinion, what would be the best approach for the retirement scheme in Hong Kong?

Respondents have divergent views regarding the best approach for a Hong Kong retirement scheme. Of the 303 respondents, 30% prefer the introduction of a new retirement protection scheme, whereas 27% support a tax deduction for voluntary MPF contributions. Those in favour of extending the conditions for an early withdrawal of (part of the) MPF contributions and introducing a government-managed retirement fund each constituted 20% of the total respondents.



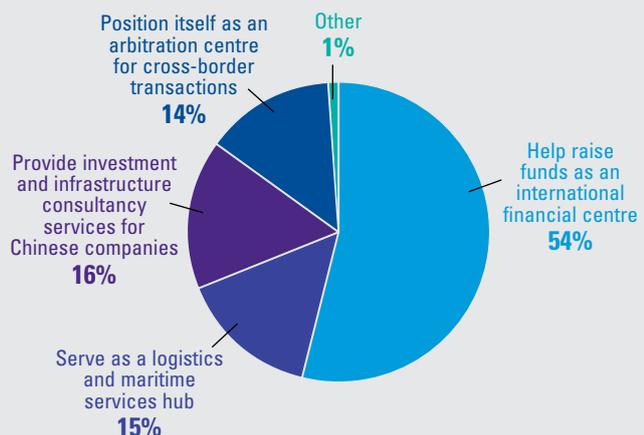
In your opinion, which of the following has the most negative impact on business carried out in Hong Kong?

56% of 303 respondents stated that high operating costs have the most negative impact on their business in Hong Kong.

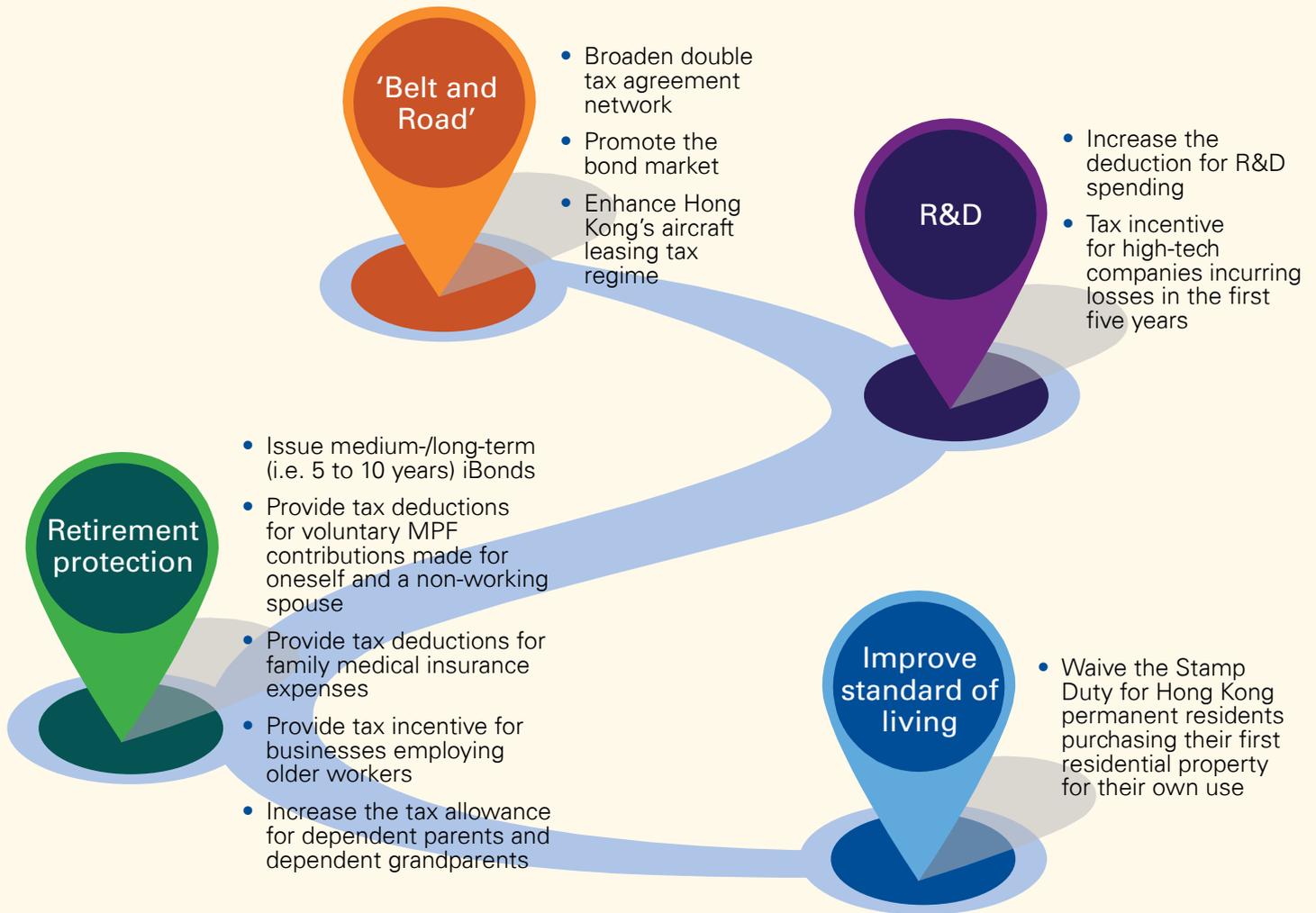


What do you think is the biggest opportunity/ role for Hong Kong under the 'Belt and Road' policy?

54% of 303 respondents said the biggest opportunity for Hong Kong under the 'Belt and Road' policy is to help raise funds as an international financial centre.



Proposed new measures for 2016/17 Budget



Details of KPMG Proposals

Proposed relief measures	Details	Purpose
Waive Stamp Duty for Hong Kong permanent residents buying first residential property for their own use	Waive the applicable Stamp Duty for property transactions at or below HKD 4 million	To help the younger generation buy their first residential property
Super deduction for businesses employing older workers	150% deduction on qualifying remuneration expenditure (capped at HKD 180,000 per aged worker per year) for workers aged over 65	To encourage businesses to employ older workers
MPF contributions deduction	Allow tax deductions for voluntary MPF contributions made for oneself (capped at HKD 18,000 per year) and a non-working spouse (capped at HKD 18,000 per year)	To encourage residents to plan for retirement needs
Medical insurance premiums deduction	Allow a tax deduction for medical insurance premiums paid (capped at HKD 20,000 per household per year)	To encourage residents to plan for health needs
Dependent parent and dependent grandparent allowance	For taxpayers who contribute more than HKD 24,000 to their parent/grandparent, the dependent parent/grandparent allowance to increase from HKD 40,000 to HKD 80,000	To encourage working adults to provide financial support to their older family members
Super deduction on R&D expenditure	300% deduction on qualifying R&D expenditure (capped at HKD 3 million)	To provide an incentive for innovation and technology development
Enhancement of Hong Kong's aircraft leasing tax regime	Levy tax on net profits rather than gross profits	To promote Hong Kong's attractiveness as an aircraft leasing hub

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