Reviewing and renovating Hong Kong's revenue regime

From the perspective of public perceptions

Why a (pilot) public opinion survey?

How was it done?

Limitations

The survey instrument

Asks about:

- welfare provisions
- understanding / perceptions of the current revenue regime
- expectations related to public policies and public expenditure over the next 20 years
- options for reform of revenue regime

About welfare provisions

From strongly disagree (1) to strongly agree (5)	1	2	3	4	5	Mean
a) The primary means by which the government should help the poor is through direct monthly cash payments	12.8%	18.2%	29.1%	24.8%	12.7%	3.07
	31.0%			37.5%		
b) Family rather than the government should be the primary support system for individuals	1.3%	5.5%	26.9%	31.3%	25.3%	3.82
	6.8%			56.6%		
c) If a person resigns from job because the pay/conditions are bad, the government should provide direct financial support for up to 1 year until the person finds a better job	35.2%	28.6%	14.2%	14.5%	6.9%	2.29
	63.8%			21.4%		
d) Whether you are rich, middle class or poor, it is always good to work hard	3.3%	0	5.6%	29.1%	62.0%	4.46
	3.3%			91.1%		

About the current revenue regime

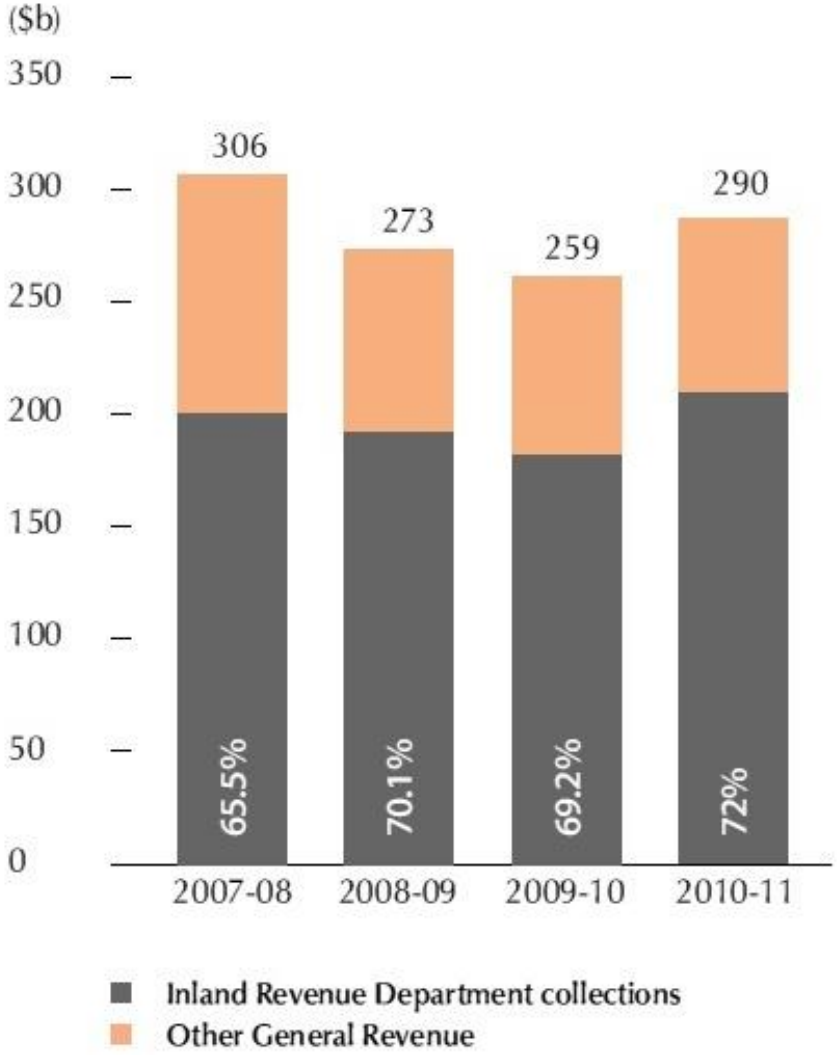
From strongly disagree (1) to strongly agree (5)	1	2	3	4	5	Mean
a) Overall, the tax system is fair	8.3%	9.5%	35.7%	25.7%	18.5%	3.37
b) Large corporations pay their fair share of tax	16.3%	14.3%	33.9%	18.5%	9.6%	2.90
c) I would agree to pay higher taxes if that resulted in higher level of government services	10.2%	13.1%	24.8%	30.2%	17.4%	3.33
d) Overall, the way in which the government spends taxpayers' money is reasonable and appropriate	10.3%	15.2%	36.7%	28.8%	5.3%	3.04
e) Taxation regulations are easy to understand	1.8%	9.9%	31.6%	26.1%	22.9%	3.64
f) Taxation regulations are easy to comply with	2.1%	4.9%	30.2%	37%	20.5%	3.73
g) Because the government has relied heavily on revenues from land sales rather than from taxation, HK has comparatively low taxes but expensive housing	4.4%	6.3%	13.1%	40.3%	34.3%	3.95
[Only those answered 3-5 in g) above] This trade-off is acceptable to me	18.7%	17.7%	20.9%	27.1%	11.2%	2.94

Revenue Collected by Tax Type

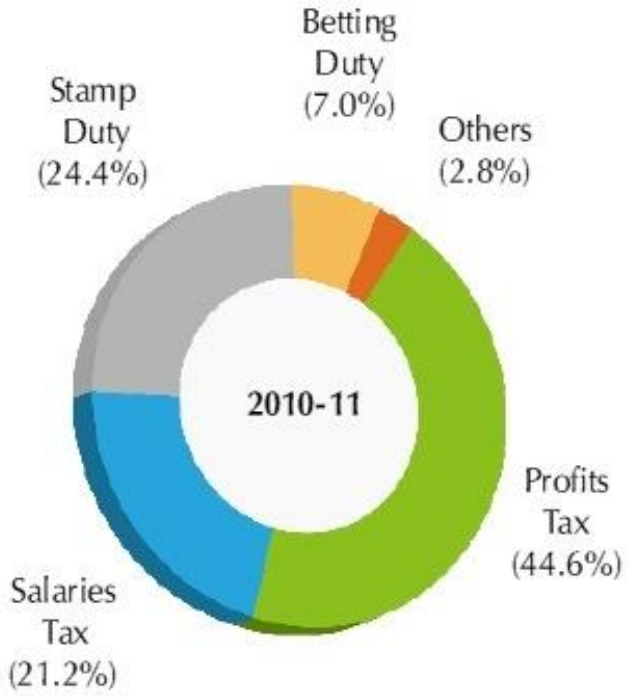
Type of Tax	2009-10 ($m)	2010-11($m)	2011-12 ($m)	2012-13 ($m)	2013-14 ($m)	2014-15 ($m)
Profits Tax						
Corporations	72,224.3	88,191.4	113,798.6	120,727.2	116,097.5	132,683.8
Unincorporated	4,381.1	4,991.7	4,801.3	4,911.2	4,784.3	5,163.1
Salaries Tax	41,245.4	44,254.7	51,761.3	50,467.0	55,620.3	59,346.8
Property Tax	1,677.6	1,,647.1	1,948.4	2,258.2	2,583.8	2,938.6
Personal Assessment	3,655.8	3,921.8	4,512.2	4,078.2	4,420.0	4,817.2
Total Earnings & Profit Tax	**123,184.2**	**143,006.7**	**176,821.8**	**182,441.8**	**183,505.9**	**204,949.5**
Estate Duty	185.1	212.8	94.2	137.6	388.4	178.2
Stamp Duty	42,382.6	51,005.1	44,355.9	42,879.7	41,514.7	74,844.9
Betting Duty	12,767.1	14,759.1	15,760.6	16,564.8	18,066.4	19,479.3
Business Registration Fees	578.7	35.7	1,292.9	122.9	73.5	2,480.6
Total Revenue Collected	**179,097.7**	**209,019.4**	**238,325.4**	**242,146.8**	**243,548.9**	**301,932.5**
% change over previous years	**-6.5%**	**16.7%**	**14.0%**	**1.6%**	**0.6%**	**24.0%**

Source: http://www.ird.gov.hk/eng/ppr/are14_15.htm

Government General Revenue



Composition of the revenue collection



Source: http://www.ird.gov.hk/dar/2010_11/table/eng/revenue.pdf

Figure 2 Government General Revenue

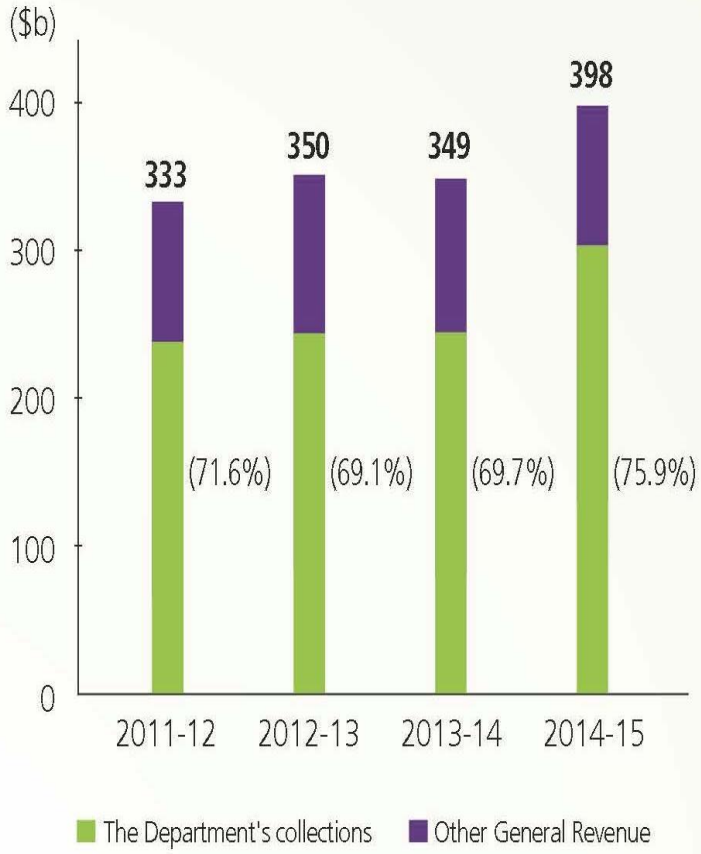
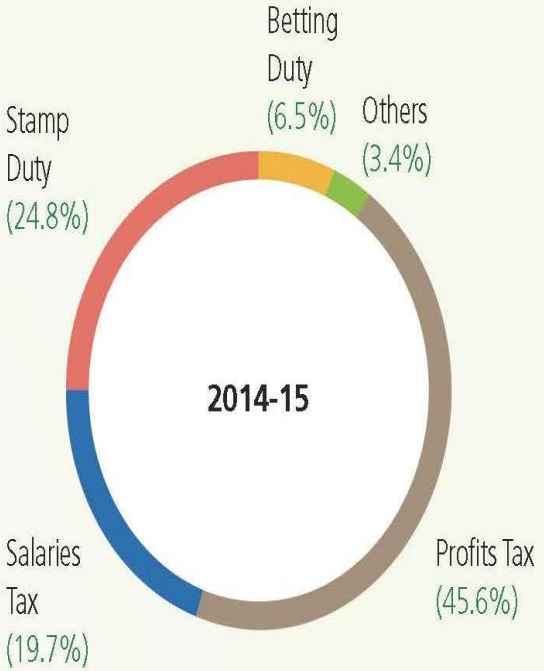


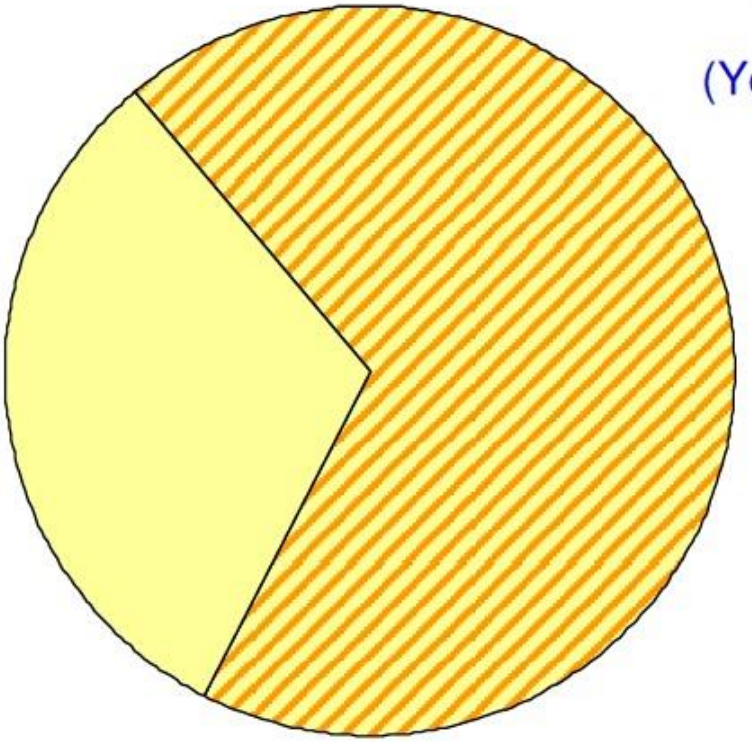
Figure 3 Composition of the revenue collections



Source: http://www.ird.gov.hk/eng/ppr/are14_15.htm

Actual Revenue 2009-10

Profits Tax :
$76.6 billion (24% of total government revenue)



Contribution from tax-paying corporations
(Year of assessment 2009-10)

- Top 1 100 corporations paying profits tax
- Remaining 81 700 corporations paying profits tax

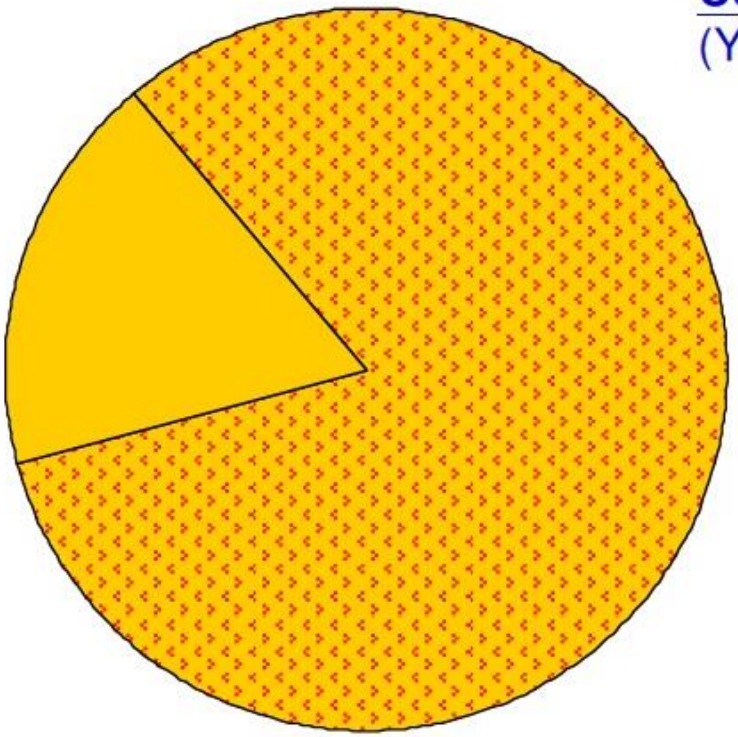
Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing-e.pdf

Net Assessable Profits ($)	No. of Registered Corporations	Average Tax ($)
1 – 500,000	49,200	24,390
500,001 – 1,000,000	9,900	121,210
1,000,001 – 2,000,000	8,100	234,570
2,000,001 – 3,000,000	3,700	405,410
3,000,001 – 5,000,000	3,700	648,650
5,000,001 – 7,500,000	2,200	1,045,460
7,500,001 – 10,000,000	1,300	1,384,620
10,000,001 – 20,000,000	2,100	2,285,710
20,000,001 – 30,000,000	800	3,875,000
30,000,001 – 50,000,000	700	6,571,430
50,000,001 – 100,000,000	500	12,000,000
Over 100,000,000	600	80,166,670
Total	**82,800**	**952,900**

Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing-e.pdf

Actual Revenue 2009-10

Salaries Tax :
$41.2 billion (13% of total government revenue)



Contribution from taxpayers
(Year of assessment 2009-10)

- Top 200 000 people paying salaries tax
- Remaining 1 226 000 people paying salaries tax

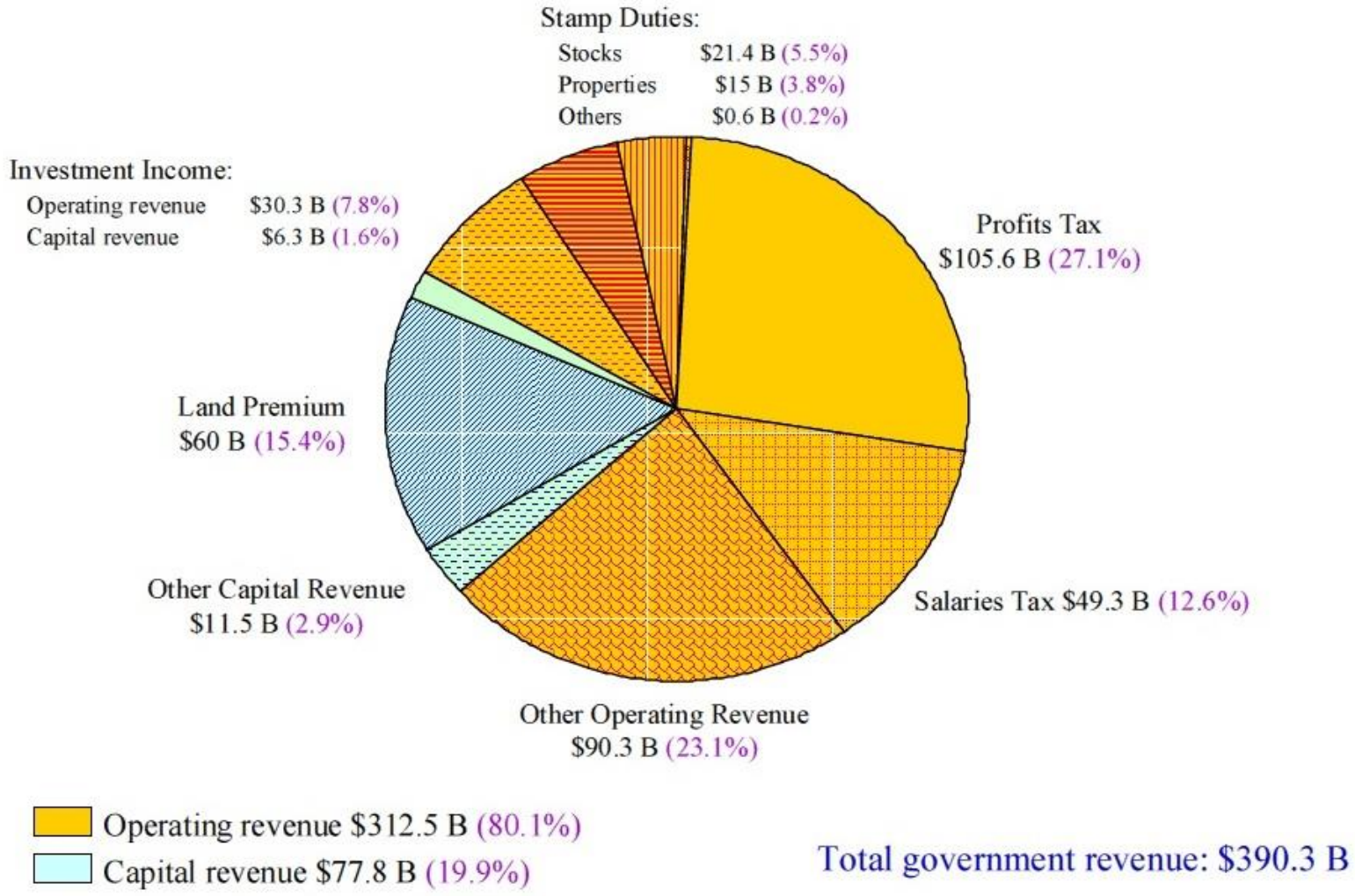
Source: www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing-e.pdf

Annual Income ($)	No. of Taxpayers	Average Effective Tax Rate * (%)	Average Tax * ($)
108,001 – 150,000	211,000	0.3	350
150,001 – 300,000	577,000	1.8	4,030
300,001 – 600,000	436,000	5.2	21,490
600,001 – 900,000	99,000	9.7	69,740
900,001 – 1,500,000	62,000	12.2	137,350
1,500,001 – 3,000,000	29,000	14.1	284,680
Over 3,000,000	12,000	14.8	1,022,450
Total	**1,426,000**	**7.8**	**33,440**

* Before the one-off tax reduction of up to $6,000

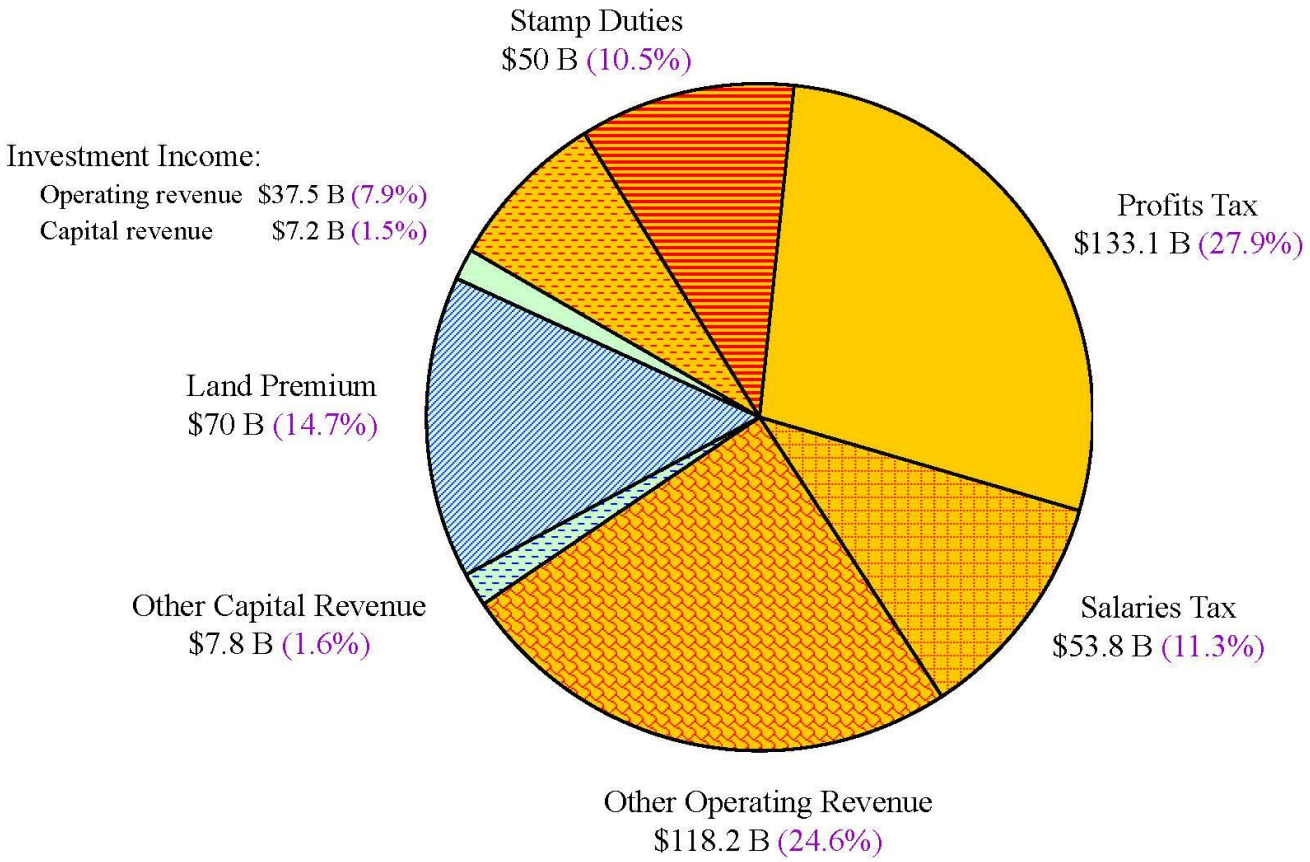
Source: www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing-e.pdf

2012-2013 Revenue Estimates



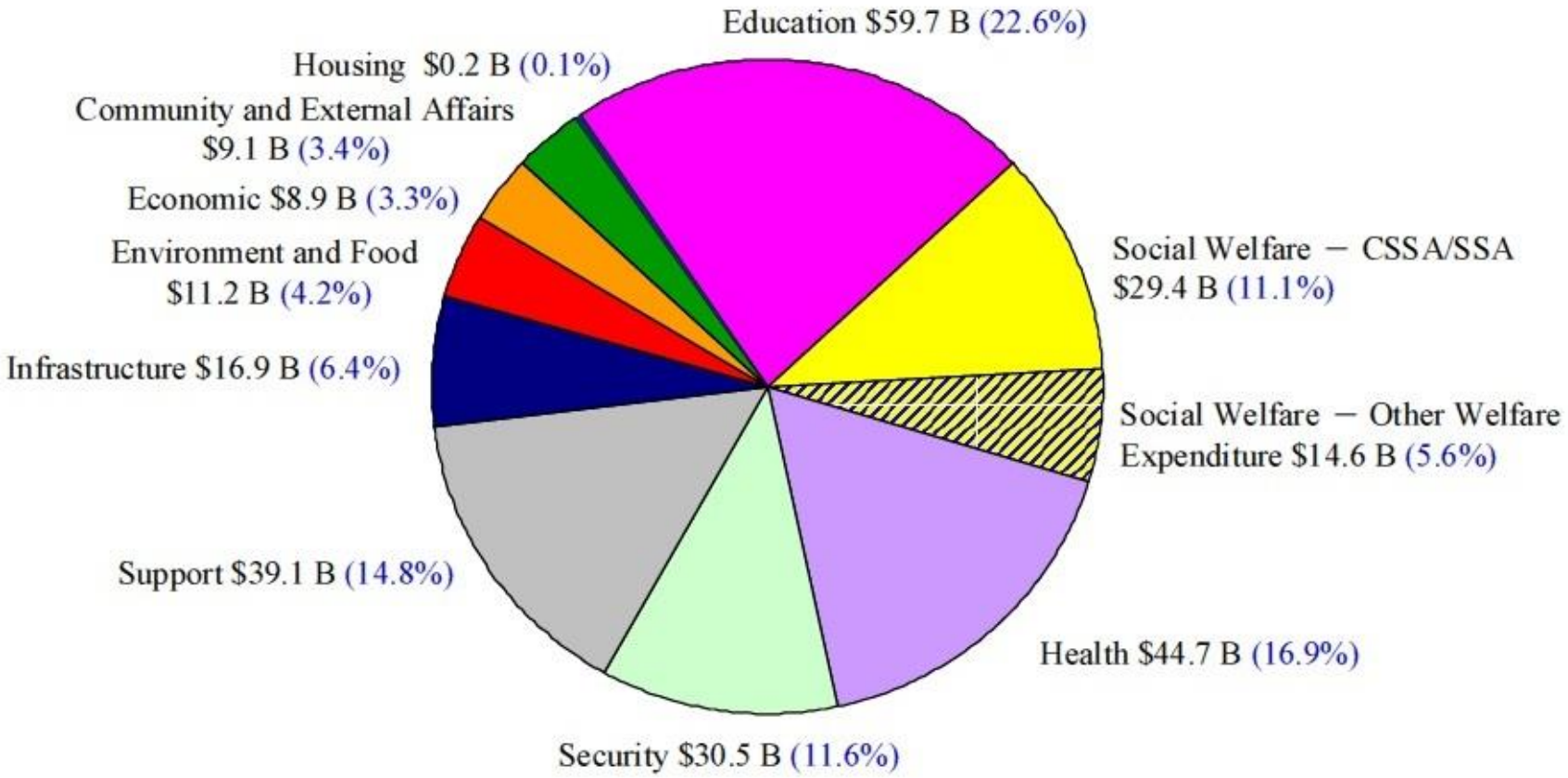
Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing020212-e.pdf

2015-16 Revenue Estimates



Source: http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf

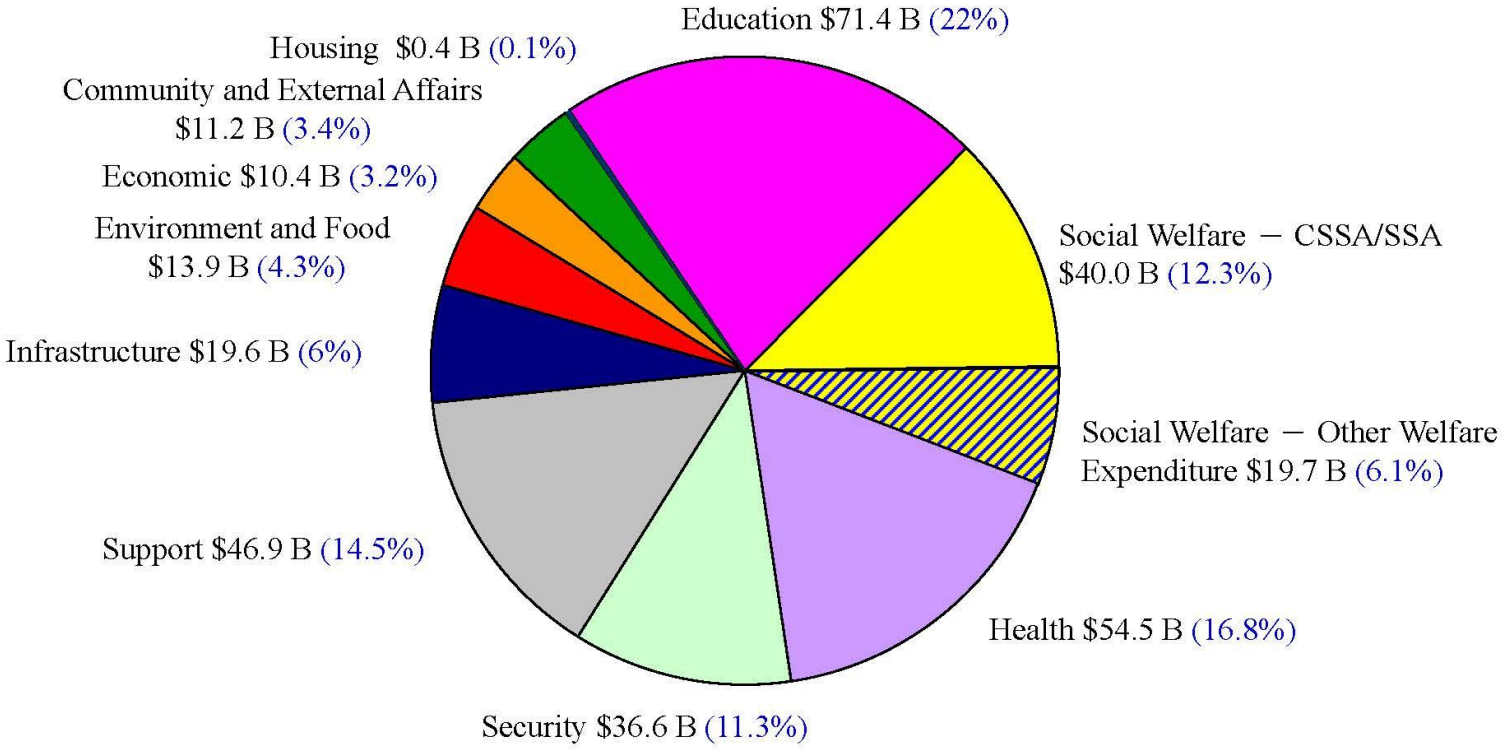
2012-2013 Recurrent Expenses Estimates



Recurrent government expenditure: $264.3 billion (67.1% of total government expenditure of $393.7 billion)

Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing020212-e.pdf

2015-16 Recurrent Expenditure Estimates



Recurrent government expenditure: $324.6 billion (73.6% of total government expenditure of $440.8 billion)
(Increase of 6% against 2014-15 Revised Estimate)

Source: http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf

Recurrent Expenditures

	2012-2013 ($ billion)	Against 2011-2012 Revised Estimate
Education	59.7	**+7%**
Health	44.7	**+8%**
Social Welfare	44.0	**+9%**

Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing020212-e.pdf

	2015-2016 ($ billion)	Against 2014-2015 Revised Estimate
Education	71.4	**+4.7%**
Social Welfare	59.7	**+0.8%**
Health	54.5	**+9.5%**

Source: http://www.budget.gov.hk/2015/eng/pdf/e_appendices_b.pdf

About expectations related to public policies and public expenditure in future

From strongly disagree (1) to strongly agree (5)	1	2	3	4	5	Mean
a) Ageing population	1.4%	0.7%	10.7%	38.7%	46.7%	4.31
	2.1%			85.4%		
b) Affordable housing	6.7%	5.6%	19.3%	33.9%	31%	3.80
	12.3%			64.9%		
c) Poverty and inequality	3.5%	2.9%	22.4%	34.5%	27.8%	3.88
	6.4%			62.3%		
d) Environmental protection and enhancement	1.0%	1.2%	22.2%	34.9%	37.4%	4.10
	2.2%			72.3%		
e) Infrastructure improvement (e.g. transport/communications)	2.2%	6.5%	30.2%	39.3%	17.8%	3.67
	8.7%			57.1%		
f) Education improvement	3.3%	3.1%	20.5%	35.4%	35.4%	3.99
	6.4%			70.8%		

Any other matter: Health care (9/29)

Most important three: 1st – ageing population; 2nd – education improvement; 3rd (tie) – affordable housing & poverty and inequality

Population Pyramid

- http://www.census2011.gov.hk/flash/dashboards/population-pyramid-db-102-en/population-pyramid-db-102-en.html

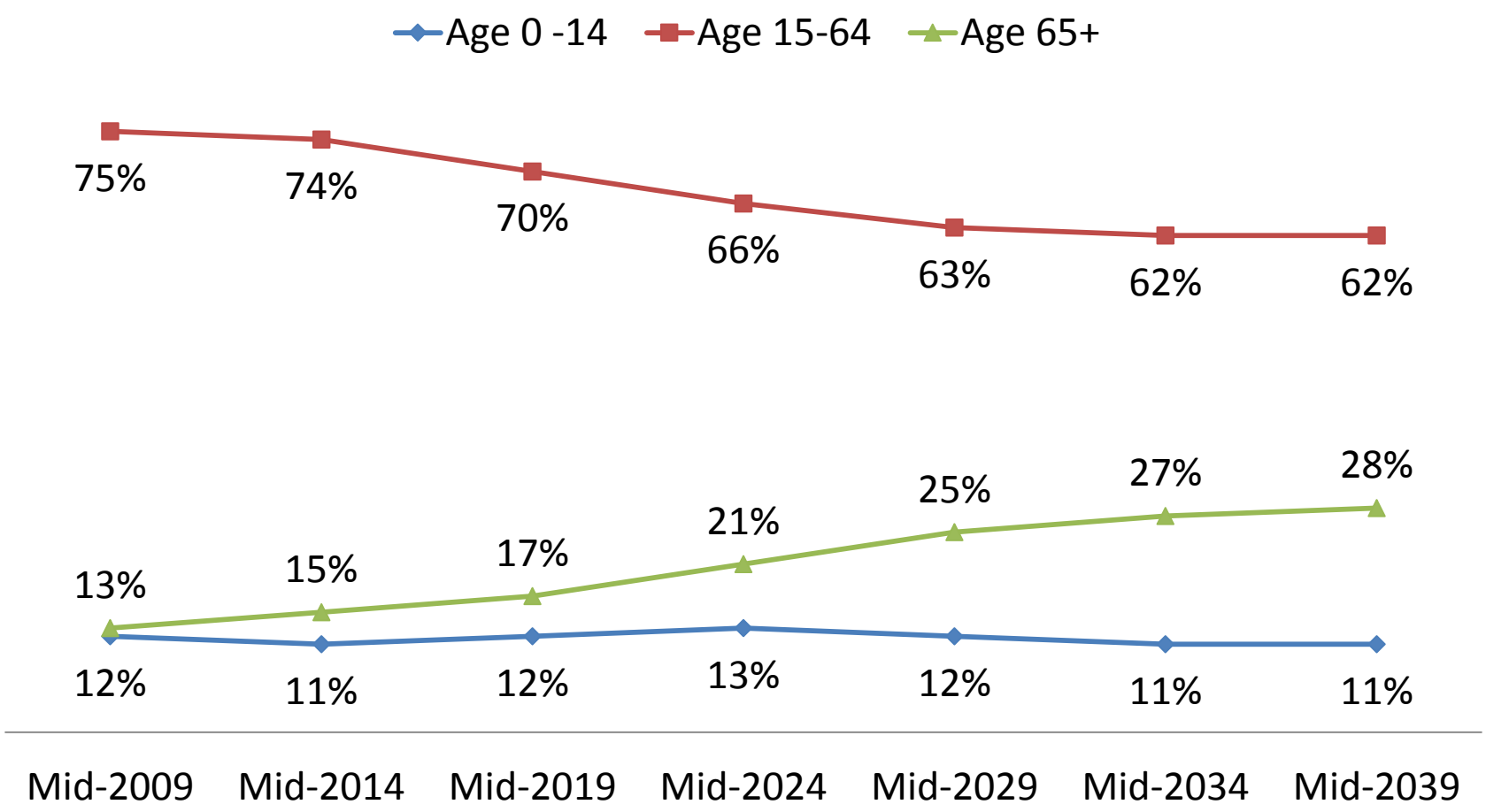
Dependency Ratio

	1961	1971	1981	1991	2001	2011
Child (1)	724	599	362	296	229	155
Elderly (2)	50	76	95	124	154	177
Overall	774	675	457	420	383	333

(1) The number of persons aged under 15 per 1,000 persons aged 15 and 64.
(2) The number of persons aged 65 and over per 1,000 persons aged 15 and 64.

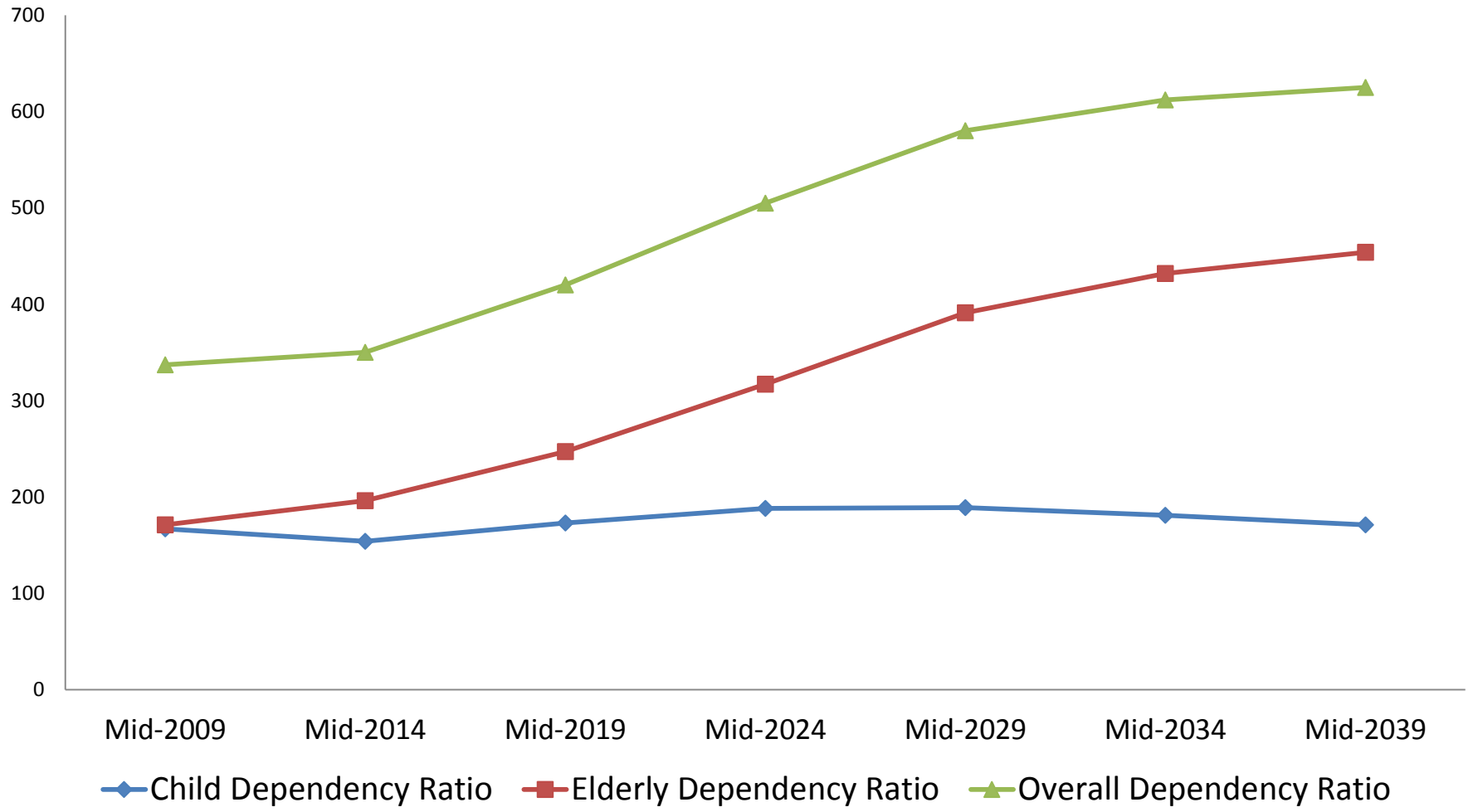
Source: http://www.statistics.gov.hk/pub/B11200642013XXXXB0100.pdf

Percentage of Population



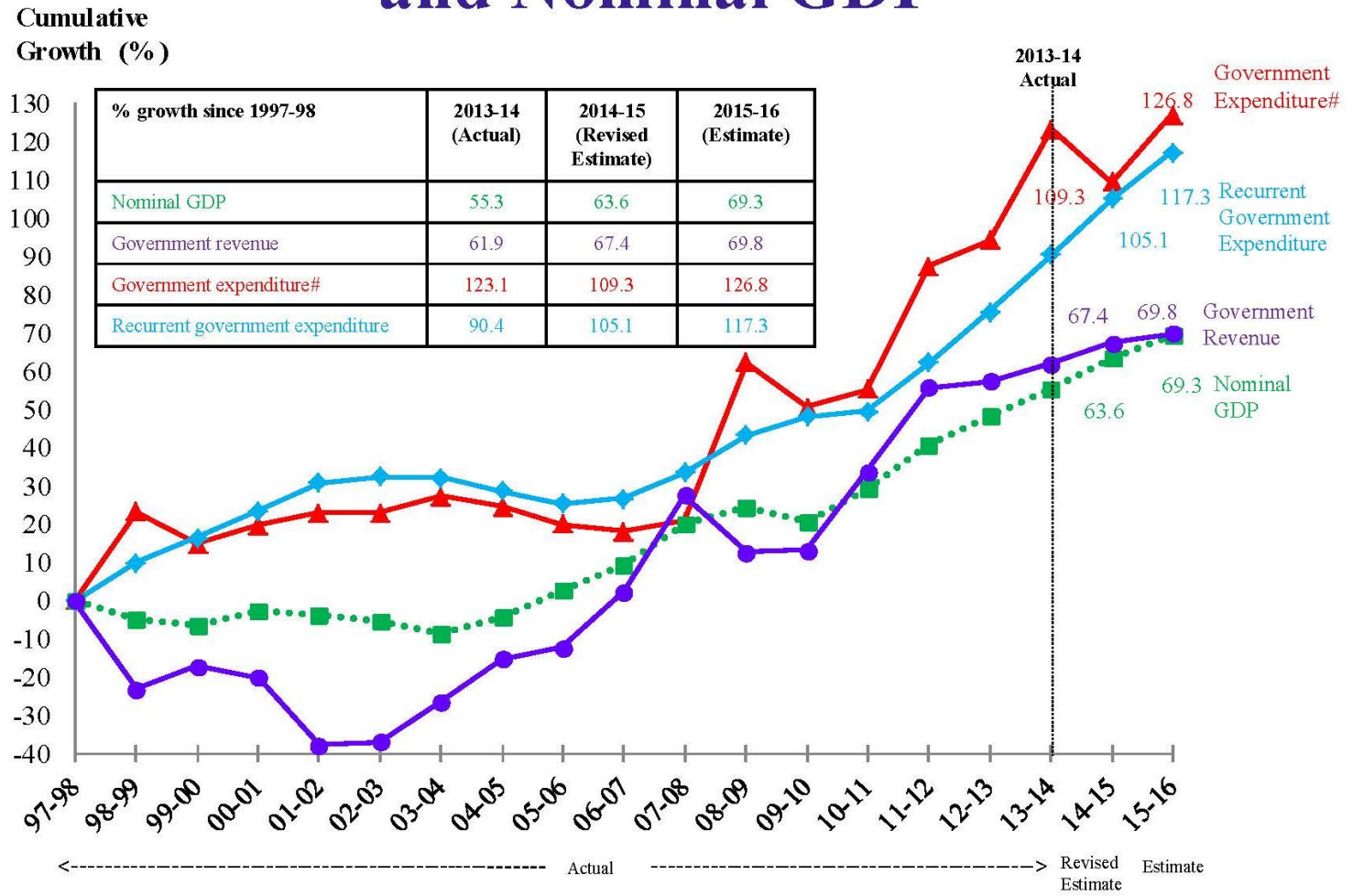
Source: http://www.statistics.gov.hk/publication/stat_report/population/B1120015042010XXXXB0100.pdf

Dependency Ratio



Source: http://www.statistics.gov.hk/publication/stat_report/population/B1120015042010XXXXB0100.pdf

Growth of Government Revenue, Expenditure and Nominal GDP



% growth since 1997-98	2013-14 (Actual)	2014-15 (Revised Estimate)	2015-16 (Estimate)
Nominal GDP	55.3	63.6	69.3
Government revenue	61.9	67.4	69.8
Government expenditure#	123.1	109.3	126.8
Recurrent government expenditure	90.4	105.1	117.3

Government expenditure includes repayment of bonds and notes.

Source: http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf (Chart 14)

About reform of revenue regime

From strongly disagree (1) to strongly agree (5)	1	2	3	4	5	Mean
a) Capital gain tax	8.1%	6.6%	21.6%	35.7%	15.4%	3.51
	14.7%			51.2%		
b) Tax on dividend income	9.7%	15.2%	24.7%	25.7%	16%	3.25
	24.9%			41.7%		
c) Tax on world-wide income	11.2%	12.6%	24.1%	27.2%	17.4%	3.29
	23.8%			44.6%		
d) Goods and services tax	21.5%	20.1%	24.6%	24.9%	4.8%	2.70
	41.6%			29.7%		
e) Hong Kong's low tax system should be maintained	5.7%	9.8%	19.4%	39.1%	25.2%	3.69
	15.5%			64.3%		
f) Government is not doing enough to address environmental concerns through the tax system (i.e. through 'green' taxes)	2.8%	10.9%	24.8%	39.2%	19.3%	3.63
	13.7%			58.5%		

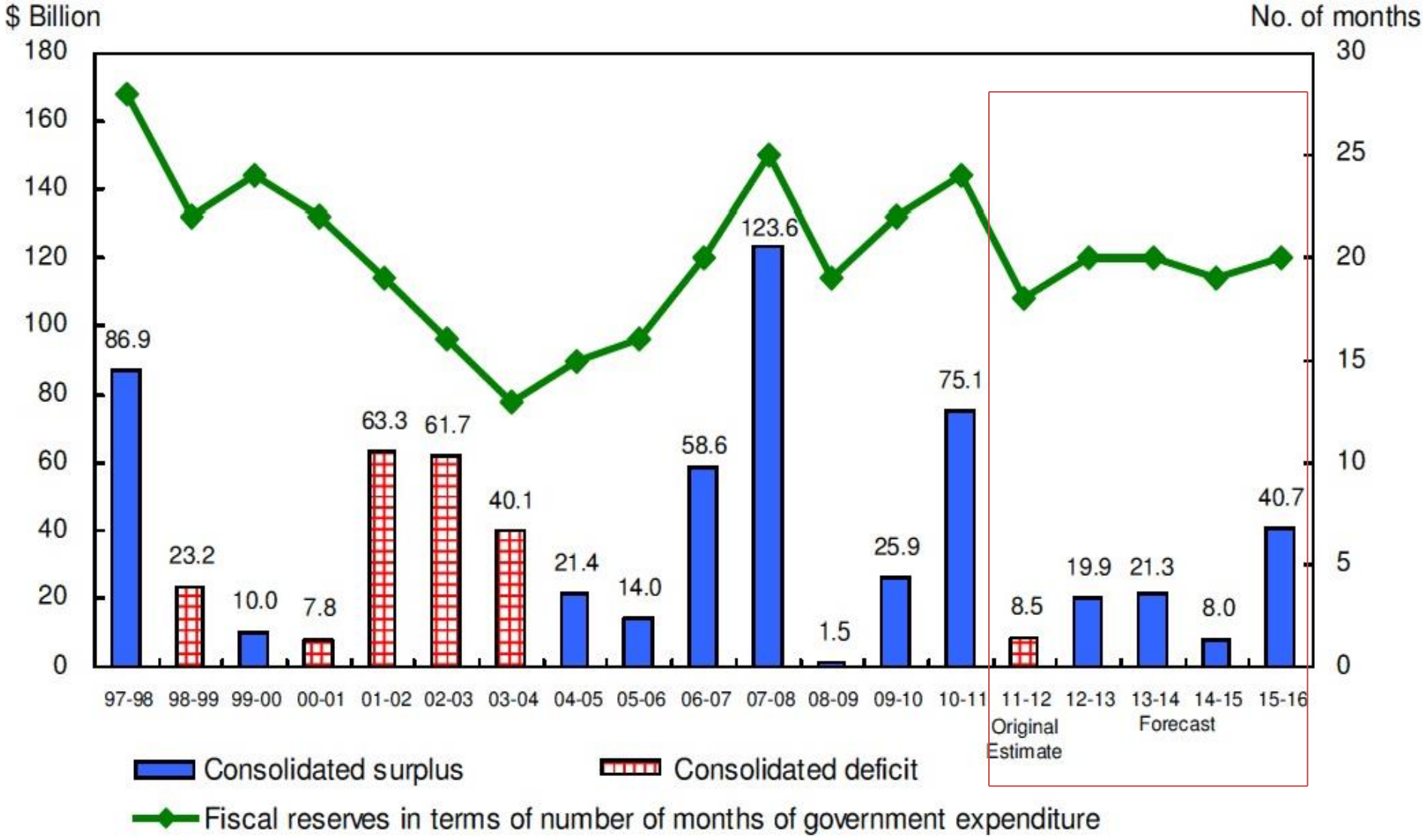
Estimates

	2012-13	2015-16
	$ Billion	
Government revenue	390.3	477.6
Government expenditure	(393.7)	(440.8)
Consolidated surplus/(deficit)	(3.4)	36.8
Forecast Balance of Fiscal Reserves as at end of fiscal year	659.7	856.3

Sources: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing020212-e.pdf
http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf

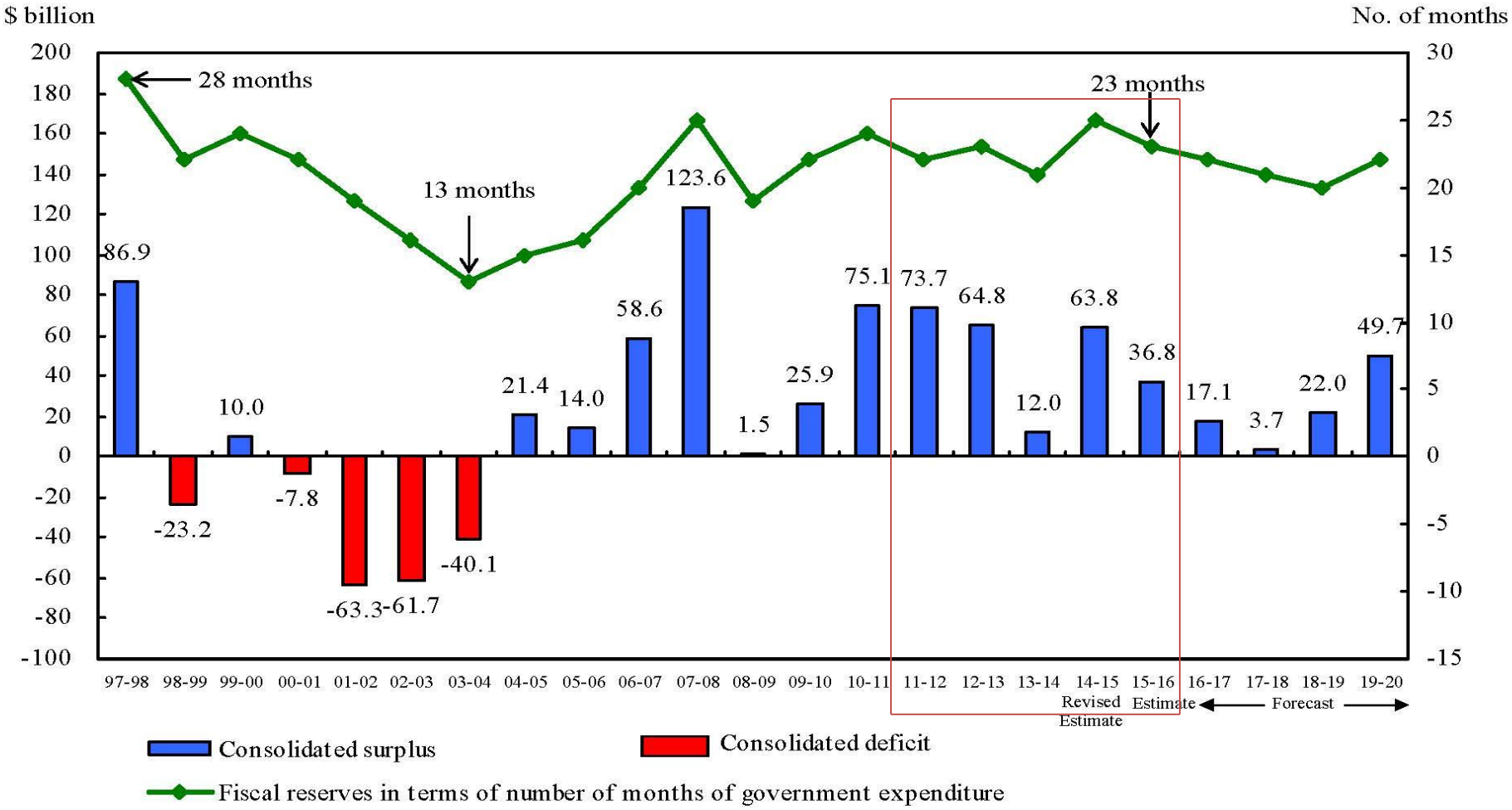
Fiscal Reserves

* Fiscal reserves comprises: General Revenue Account; Capital Works Reserve Fund; Capital Investment Fund; Civil Service Pension Reserve Fund; Disaster Relief Fund; Innovation and Technology Fund; Land Fund; Loan Fund and Lotteries Fund



Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing-e.pdf

Fiscal Reserves



Source: http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf

Medium Range Forecast

($billion)	2012-13	2013-14	2014-15	2015-16	2016-17
Operating Surplus/(Deficit)	(2.5)	47.4	55.6	16.6	62.2
Capital Deficit	(0.9)	(43.6)	(43.0)	(42.8)	(30.9)
Consolidated surplus/ (deficit) after repayment of bonds and notes	(3.4)	3.8	2.8	(26.2)	31.3
Fiscal Reserves	658.7	662.5	665.3	639.1	670.4
number of months of government expenditure	20	20	19	16	18
in terms of percentage of GDP	33.7%	31.9%	30.3%	27.4%	27.1%

Source: http://www.budget.gov.hk/2012/eng/pdf/12LegCo_briefing020212-e.pdf

($billion)	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Surplus/(Deficit)	38.3	46.4	36.2	55.8	79.7
Capital Deficit	(1.5)	(29.3)	(32.5)	(33.8)	(28.5)
Consolidated surplus/ (deficit) after repayment of bonds and notes	36.8	17.1	3.7	22.0	49.7
Fiscal Reserves	856.3	873.4	877.1	899.1	948.8
number of months of government expenditure	23	22	21	20	22
in terms of percentage of GDP	36.8%	35.8%	34.2%	33.4%	33.6%

Source: http://www.budget.gov.hk/2015/eng/pdf/2015-16_Budget_Presentation.pdf

Has the public opinion changed and if so how?

Thank you!