



Dear Assignment/News/Business Editor,

Hong Kong Institute of CPAs welcomes government's short-term budget measures given uncertain outlook for 2012

Lack of new and long-term initiatives disappoints

(Hong Kong, 1 February 2012) – The government's budget for 2012-13 is solid in short-term measures but light on long-term initiatives, according to the Hong Kong Institute of Certified Public Accountants.

"Given global economic uncertainty, we welcome the government's short-term measures, such as the rates waiver, the personal allowance increases, the electricity subsidy, the increased payments to comprehensive social security assistance recipients, the public housing rental waiver, and the extension of the home loan interest deduction from 10 to 15 years, which was one of the Institute's recommendations," says Ayesha M. Lau, chair of the Institute's taxation committee. "The budget offers a lot of near-term relief for the city's families, but doesn't do enough to tackle long-term issues."

The Institute, in a proposal submitted to the government, recommended tax deductions for voluntary mandatory provident fund contributions and for private medical insurance premiums, a stamp duty waiver for first-time home-buyers whose primary residence costs no more than HK\$6 million, and an extended home loan interest deduction to cover rentals, among other suggestions.

Florence Chan, convenor of the Institute's budget proposal subcommittee, says, "The Institute's suggestions for innovative and longer term measures to address community issues have been largely overlooked. The government is only relying on measures repeated from previous years."

The elderly and the disabled are two groups who still need additional targeted measures to make life easier for them and those who take care of them, adds Chan. For example, the Institute recommended a deduction for essential in-patient hospital treatment for taxpayers without health insurance and super deductions for the salary costs of the disabled.

Boost for business

According to Lau, the Institute supports the government's loan guarantee scheme for small- to medium-size enterprises but thinks that more can be done to help. The Institute suggested the government cut the corporate profits tax rate to 15 percent for companies with a gross profit of less than HK\$2 million.

Another Institute proposed measure not taken up by the government was the setting up of a tax and policy research unit. "Many of Hong Kong's regional competitors offer a more focused tax system to attract business, and even though the financial secretary mentioned this competition in his speech, he did not offer a substantial way to reinforce the city's status as a regional commercial and financial hub," says Lau. "But we do applaud the government's efforts to finalize legislation for Islamic financing to bring Hong Kong on par with its global financial hub counterparts."

Chan adds that the uncertain business outlook demands more visionary measures. For example, the Institute suggested improved profits tax exemptions for offshore funds and tax concessions for regional headquarters located in Hong Kong.

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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 more than 33,000 members and nearly 16,000 registered students. Members of the Institute are entitled to the description *certified public accountant* and to the designation *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 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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