



Dear Assignment/News/Business Editor,

## **Ballooning Surplus Allows Pragmatic Concessions**

### ***Budget Gives Relief Across the Community***

(Hong Kong, 27 February 2008) — The one-off tax breaks, broader tax bands and lower standard rates on salaries tax will benefit a big group of Hong Kong people without compromising the government's prudent fiscal policies, according to the Hong Kong Institute of CPAs.

"The concessions and tax cuts are going to be welcomed by many," says David H. Southwood, chairperson of the Institute's tax committee, "and the idea of subsidizing electricity shows an innovative approach to returning wealth to the community."

"The government had a lot of money to give away and by and large, it has given it wisely," says Southwood. "The Institute would have liked to see new tax policies that look into the future and pay for, for example, the investments in health care or that narrow the wealth gap."

Speaking on behalf of the Institute, Ayesha Macpherson, deputy chair of the tax committee, says lowering the marginal tax rates rather than increasing the personal allowance would be preferable. She says the government's budget will knock around 100,000 people out of the already narrow salaries tax net.

For many years, the Institute has advocated tax concessions for environment-friendly machinery and equipment and Southwood says the Institute welcomes these measures.

"We would have liked more specific measures to boost Hong Kong's overall competitiveness," says Paul M.P. Chan, chair of the Institute's current issues task force.

Two such measures proposed by the Institute that were not adopted were group or loss relief and "loss carry back". Loss carry back refers to losses incurred in the year of assessment that could be used to offset assessable profits from the previous year.

Despite the huge surplus, Southwood says the government has not taken the opportunity to address tax reform. "We have been proponents of broadening the tax base for years and during times of prosperity, we need to reconsider and rethink how to broaden the tax base. If we keep on postponing, the impact of a narrow tax base may be magnified."

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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 close to 27,000 members and more than 12,000 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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