Gazettal of Inland Revenue (Amendment) (Tax Concessions and Two-tiered Standard Rates) Bill 2024

The Inland Revenue (Amendment) (Tax Concessions and Two-tiered Standard Rates) Bill 2024 will be gazetted on March 8. The Bill seeks to implement the one-off tax concessions and two-tiered standard rates regime as proposed in the 2024-25 Budget, and to give effect to the measure announced in the 2023 Policy Address to increase the deduction ceiling amounts for home loan interest and domestic rents for eligible taxpayers to provide support to families with new born children.

The Budget has proposed one-off reductions of salaries tax, tax under personal assessment and profits tax for the year of assessment 2023/24 by 100 per cent, subject to a ceiling of $3,000 per case. The reductions will be reflected in taxpayers' final tax payable for the year of assessment 2023/24. The proposals will benefit 2.06 million taxpayers chargeable to salaries tax and tax under personal assessment as well as 160 000 tax-paying businesses. The total government revenue forgone in 2024-25 is estimated to amount to about $5,531 million.

The Budget has also proposed implementing a two-tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024/25. In calculating the amount of tax for taxpayers whose net income exceeds $5 million and whose salaries tax or tax under personal assessment is to be charged at a standard rate, the first $5 million of their net income will continue to be subject to the standard rate of 15 per cent, while the portion of their net income exceeding $5 million will be subject to the standard rate of 16 per cent. It is expected that about 12 000 taxpayers will be affected, accounting for 0.6 per cent of the total number of taxpayers chargeable to salaries tax and tax under personal assessment. The government revenue will increase by about $905 million each year.

In addition, the 2023 Policy Address has announced raising the deduction ceiling amounts for home loan interest and domestic rents to provide support to families with new born children. Starting from the year of assessment 2024/25, the deduction ceiling for home loan interest or domestic rents will be raised from $100,000 to $120,000 for eligible taxpayers under salaries tax and tax under personal assessment who are residing with children born on or after October 25, 2023. The additional deduction ceiling amount (i.e. $20,000) can be claimed for a maximum of 19 years of assessment. The proposed measure will reduce government revenue by about $5.6 million in the first year of implementation. The revenue forgone will gradually increase to about $106 million per annum in the 19th year after implementation and beyond.

The Bill will be introduced into the Legislative Council on March 20.