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

The Government welcomed the passage of the Inland Revenue (Amendment) (Tax Concessions and Two-tiered Standard Rates) Bill 2024 by the Legislative Council today (May 22). The Bill gives effect to the Government's proposals announced in the 2024-25 Budget and the 2023 Policy Address, which include:

1. 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 salaries tax or tax under personal assessment at standard rates, the first $5 million of net income will continue to be subject to the standard rate of 15 per cent while the portion exceeding $5 million will be subject to the standard rate of 16 per cent;

2. reducing 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; and

3. allowing an additional deduction ceiling amount of $20,000 for home loan interest or domestic rents, on top of the basic deduction ceiling ($100,000), for a taxpayer if specified conditions (including the taxpayer should reside with his/her newborn child in Hong Kong for a continuous period of not less than six months, or a shorter period that the Commissioner of Inland Revenue considers reasonable in the circumstances) are met starting from the year of assessment 2024/25. Each taxpayer may be allowed an additional deduction ceiling amount for a maximum of 19 years of assessment.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "The Government takes into account various factors when adjusting different tax measures. In addition to balancing economic and social needs, we are also committed to maintaining the competitive advantage of a low and simple tax regime. The proposed two-tiered standard rates regime is expected to bring about an additional revenue of $905 million per annum for the Government, affecting only 0.6 per cent of taxpayers. We believe that it will not have adverse impact on Hong Kong's tax competitiveness and attractiveness to talent. On the other hand, the one-off tax concessions will benefit about 2.06 million taxpayers chargeable to salaries tax and tax under personal assessment as well as about 160 000 tax-paying businesses. The additional deduction ceiling amount for home loan interest and domestic rents will benefit all taxpayers meeting the specified conditions, alleviating their financial burden of housing."

The Bill as passed will be gazetted on May 31, 2024. The one-off tax concessions will be reflected in taxpayers' final tax payable for the year of assessment 2023/24. Moreover, in calculating the provisional salaries tax for the year of assessment 2024/25, the Inland Revenue Department will determine the amounts of home loan interest and domestic rents to be allowed based on the information provided by eligible taxpayers, and apply the two-tiered standard rates as appropriate.