

Inland Revenue (Amendment) (Tax Deductions for Leased Premises Reinstatement and Allowances for Buildings and Structures) Bill 2024 to be gazetted

The Inland Revenue (Amendment) (Tax Deductions for Leased Premises Reinstatement and Allowances for Buildings and Structures) Bill 2024 will be gazetted on October 18. The Bill seeks to implement two profits tax enhancement measures in the 2024-25 Budget, which include introducing a tax deduction for expenses incurred for reinstating the condition of premises under a lease to their original condition, and removing the time limit for claiming annual allowances in respect of industrial/commercial buildings or structures.

Under the Bill, if a lessee is obligated to reinstate or pay for the reinstatement of his/her premises to their original condition at the end of the lease term or on early termination of the lease, and the relevant costs have been incurred and are reasonable, the lessee can claim tax deduction for the relevant costs.

Furthermore, currently a qualifying taxpayer may claim an annual allowance in respect of the expenditure incurred on the construction of an industrial/commercial building or structure during a specified period (usage period). If the building or structure is sold before the expiry of the usage period, the buyer may claim annual allowances over the remaining years of assessment within the usage period. However, if the building or structure is sold after the expiry of the usage period, the buyer will not be entitled to claim any annual allowance even if there is residue of expenditure. The Bill proposes removing the time limit for the relevant claims in order not to discourage the purchase of old or second-hand buildings or structures. If a building or structure is sold in the basis period for a year of assessment beginning on or after April 1 this year, the buyer will be entitled to claim annual allowances until the residue of expenditure has been fully claimed, regardless of whether the usage period of the building or structure concerned has expired.

A Government spokesman said, "The two enhancement measures will alleviate the tax burden of taxpayers and promote the business environment. As reinstatement costs generally represent a small part of a taxpayer's turnover, it is envisaged that the proposed tax deduction would not impact on government revenue. Regarding the removal of the time limit for claiming annual allowances for buildings or structures, based on the statistics for the year of assessment 2022/23, it is expected that it will reduce the annual government revenue by about \$164 million."

The Bill will be introduced into the Legislative Council for first reading on October 30 with a view to implementing the above measures in the year of assessment 2024/25.