

Tax measures proposed in 2022-23

Budget

In his Budget delivered today (February 23), the Financial Secretary proposed the following tax measures.

The Financial Secretary proposed a one-off reduction of profits tax, salaries tax and tax under personal assessment for the year of assessment 2021/22 by 100 per cent, subject to a ceiling of \$10,000 per case. This measure will cost the Government \$14.3 billion, benefitting 2.01 million taxpayers liable to salaries tax and tax under personal assessment and 151,000 businesses.

The tax reduction will reduce the amount of tax payable by taxpayers for the year of assessment 2021/22. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2021/22 as usual. Upon enactment of the relevant legislation, the Inland Revenue Department will effect the reduction in the final assessment.

The proposed tax reduction will only be applicable to the final tax for the year of assessment 2021/22, but not to the provisional tax of the same year. Therefore, taxpayers are still required to pay the provisional tax on time as stipulated in the demand notes that have been issued to them. The provisional tax paid will, in accordance with the Inland Revenue Ordinance, be applied in payment of the final tax for the year of assessment 2021/22 and provisional tax for the year of assessment 2022/23. The excess balance, if any, will be refunded.

The proposed tax reduction is not applicable to property tax. Nevertheless, individuals with rental income, if eligible for personal assessment, may be able to enjoy such a reduction under personal assessment.

A taxpayer who is separately chargeable to salaries tax and profits tax can enjoy a tax reduction under each of the tax types. For a taxpayer having business profits or rental income and electing for personal assessment, the reduction will be based on the tax payable under personal assessment. It might be different from the amount of tax reduction he or she would get if he or she was not assessed under personal assessment. The exact amount will need to be evaluated case by case. Individuals having business profits or rental income may elect for personal assessment in their tax returns for the year of assessment 2021/22.

The Financial Secretary also proposed to waive business registration fees for 2022-23.

In addition, the Financial Secretary proposed to introduce a tax deduction for domestic rental expenses from the year of assessment 2022/23. Taxpayers liable to salaries tax or tax charged under personal assessment who do not own any domestic property can claim deduction for the rent paid by

him/her or his/her spouse as the tenant. The annual ceiling of the deduction is \$100,000.

The above proposed tax measures will be implemented after completion of the relevant legislative processes. Details of the proposals and examples of tax calculations are available on the website of the Inland Revenue Department (www.ird.gov.hk) for the public's reference. They can also be obtained through the fax hotline 2598 6001.