

Tax measures proposed in 2024-25

Budget

In his Budget delivered today (February 28), 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 2023/24 by 100 per cent, subject to a ceiling of \$3,000 per case. This measure will cost the Government \$5.5 billion, benefitting 2.06 million taxpayers liable to salaries tax and tax under personal assessment and 160 000 businesses.

The tax reduction will reduce the amount of tax payable by taxpayers for the year of assessment 2023/24. Taxpayers should file their profits tax returns and tax returns for individuals for the year of assessment 2023/24 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 2023/24, 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 2023/24 and provisional tax for the year of assessment 2024/25. 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 2023/24.

In addition, the Financial Secretary proposed to implement 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 (before deduction of allowances) 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. After enactment of the relevant legislation, the Inland Revenue Department will apply the two-tiered standard rates in calculating the provisional salaries tax for the year of assessment 2024/25.

On profits tax, the Financial Secretary proposed to provide tax deduction for expenses incurred in reinstating the condition of the leased premises to their original condition and to remove the time limit for claiming industrial and commercial building allowances commencing from the year of assessment 2024/25.

On other duties and charges, the Financial Secretary proposed to increase business registration fees by \$200 to \$2,200 per annum with effect from April 1, 2024. To relieve the relevant impact, it is proposed to waive the business registration levy of \$150 for two years. Besides, the Financial Secretary proposed to resume the collection of the hotel accommodation tax at a rate of 3 per cent with effect from January 1, 2025.

The Financial Secretary also proposed to waive stamp duties payable on the transfer of real estate investment trust units and the jobbing business of option market-makers.

The above measures will be implemented upon completion of the relevant legislative procedures.

In respect of stamp duty on property transactions, the Financial Secretary proposed to cancel all demand-side management measures for residential properties with immediate effect, that is, no Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD) or Ad Valorem Stamp Duty (AVD) at 7.5 per cent under Part 1 of Scale 1 needs to be paid for any residential property transactions starting from today. The Government will introduce the Stamp Duty (Amendment) Bill 2024 (the Bill) into the Legislative Council to take forward the initiative. To enable property purchasers to benefit from the measures as soon as possible, the Chief Executive has also made the Public Revenue Protection (Stamp Duty) Order 2024 under the Public Revenue Protection Ordinance (Cap. 120) to give full force and effect of law to the Bill before its enactment. Subject to the eventual enactment of the Bill, any instrument executed on or after February 28, 2024 for the sale and purchase or transfer of residential properties are no longer subject to SSD and BSD. The AVD rate of 7.5 per cent under Part 1 of Scale 1 is to be amended to the same as those of AVD at Scale 2.

Details of the above proposed tax measures 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.