

## **2024/25 HONG KONG BUDGET EXECUTIVE SUMMARY**

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### **1 Key measures**

#### **(a) Supporting People**

- Reduce 100% of 2023/24 salaries tax and tax under personal assessment, subject to a ceiling of HKD3,000.
- Provide rates concession for residential properties for the first quarter of 2024/25, subject to a ceiling of HKD1,000 for each rateable property.
- Provide an extra half-month allowance of the standard Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Working Family Allowance.

#### **(b) Supporting Enterprises**

- Reduce 100% of 2023/24 profits tax, subject to a ceiling of HKD3,000.
- Provide rates concession for non-domestic properties for the first quarter of 2024/25, subject to a ceiling of HKD1,000 for each rateable property.
- Extend the application period for 80% and 90% guarantee products under the SME Financing Guarantee Scheme to March 2026.
- Waive business registration levy payable to Protection of Wages on Insolvency Fund of HKD150 for 2 years.

#### **(c) Others**

- Increase business registration fee by HKD200 to HKD2,200 per annum from 1 April 2024.
- Introduce a progressive rating system for domestic properties with rateable value over HKD550,000 from the fourth quarter of 2024/25 onwards.
- Resume the collection of the Hotel Accommodation Tax at a rate of 3% starting from 1 January 2025.

## 2 Profits Tax

Persons carrying on business in Hong Kong are liable to profits tax on profits arising in or derived from Hong Kong.

Profits tax rate remains unchanged for 2024/25 :

	<u>Corporations</u>	<u>Unincorporated business</u>
➤ Standard tax rate#	16.5%	15%
➤ Two-tiered profits tax rates regime*		
• First HKD2 million of assessable profits	8.25%	7.5%
• Remaining balance	16.5%	15%

# Concessionary regimes are available for certain specified industries or business activities

\* Only one entity within a group can benefit from the two-tiered rates

Major areas in respect of the profits tax are set out below :

### (a) Capital allowances

Depreciation allowance rates for plant and machinery

- Initial allowance 60%
- Annual allowance 10%, 20% or 30%

Industrial building allowances

- Initial allowance 20%
- Annual allowance 4%

Commercial building allowance 4%

Building refurbishment 20% deduction for 5 years

### (b) Other deductions

Expenditure on environmentally friendly machinery and equipment 100% deduction

Expenditure on computer hardware and software 100% deduction

Enhanced deduction for qualifying research and development expenditure 300% for the first HKD2 million  
200% for the remaining balance

Deductions for charitable donations 35% of assessable profits

## **2 Profits Tax (Continued)**

### **(c) Key proposals**

- Introduce legislative proposal to implement “patent box” tax incentive. Profits tax rate to be reduced to 5% for profits derived from qualifying IP.
- Grant tax deduction for expenses incurred on reinstating the condition of leased premises to their original condition.
- Remove the time limit for claiming industrial and commercial building allowances.
- Commence study on enhancements to tax concession measures for maritime industry.
- Enhance preferential tax regimes for funds and family offices.

### 3 Salaries Tax

Salaries tax charged is the lower of :

- net assessable income less charitable donations and allowable deductions at the standard rate; or
- net assessable income less charitable donations, allowable deductions and personal allowances, charged at the following progressive rates :

		2023/24 and <u>2024/25</u> HKD
	Tax rate	
First HKD50,000	2%	1,000
Next HKD50,000	6%	3,000
Next HKD50,000	10%	5,000
Next HKD50,000	14%	7,000
Remaining balance	17%	

Major areas in respect of the salaries tax are set out below :

#### (a) Personal allowances

	2023/24 and <u>2024/25</u> HKD
Personal allowance :	
Basic	132,000
Married	264,000
Single parent	132,000
Disabled	75,000
Child allowances :	
1st to 9th (each) basic and additional allowance	
Year of birth	260,000
Other years	130,000
Dependent parent/grandparent allowance (aged 60 or above)	
Basic	50,000
Additional	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)	
Basic	25,000
Additional	25,000
Dependent brother/sister allowance	37,500
Disabled dependent (spouse/child/parent/ grandparent/brother/sister) allowance	75,000

### 3 Salaries Tax (Continued)

#### (b) Deductions - maximum limit

	2023/24 and <u>2024/25</u> HKD
Domestic rents deduction	100,000
Elderly residential care expenses	100,000
Home loan interest	100,000
Mandatory annual contributions to recognised retirement schemes	18,000
Self-education expenses	100,000
Annuity premiums and MPF voluntary contributions	60,000
Qualifying voluntary health insurance scheme policy premiums	8,000 per insured person
Approved charitable donations	35% of assessable income

#### (c) Key proposals

- Proposed a two tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024/25 : First HKD5,000,000 net income to be taxed at 15% and the remainder at 16%.

### 4 Property tax

The standard rate remains at 15%.

## 5 Rates

Rates on properties remain at 5% of the rateable value.

Proposed progressive rating system for domestic properties from the fourth quarter of 2024/25 onwards :

<u>Annual rateable value</u> HKD	<u>Proposed rates</u> HKD
550,000 or below (monthly rental of 45,833 or below)	5% (unchanged)
550,001 to 800,000 (monthly rental of around 45,833 to 66,667)	First 550,000 : 5% Next 250,000 : 8%
Above 800,000 (monthly rental of over 66,667)	First 550,000 : 5% Next 250,000 : 8% Above 800,000 : 12%

## 6 Stamp duty

### (a) Sale or transfer of immovable properties

All demand-side management measures for residential properties is cancelled with effect from 28 February 2024 i.e. no Special Stamp Duty, Buyer's Stamp Duty or New Residential Stamp Duty.

Ad valorem stamp duty :

<u>Property consideration</u> HKD	<u>Stamp duty rate</u> HKD
Up to 3,000,000	100
3,000,000 to 3,528,240	100 + 10% of excess over 3,000,000
3,528,241 to 4,500,000	1.5%
4,500,001 to 4,935,480	67,500 + 10% of excess over 4,500,000
4,935,481 to 6,000,000	2.25%
6,000,001 to 6,642,860	135,000 + 10% of excess over 6,000,000
6,642,861 to 9,000,000	3%
9,000,001 to 10,080,000	270,000 + 10% of excess over 9,000,000
10,080,001 to 20,000,000	3.75%
20,000,001 to 21,739,120	750,000 + 10% of excess over 20,000,000
21,739,121 and above	4.25%

## 6 Stamp duty (Continued)

### (b) Lease of immovable properties

<u>Lease term</u>	<u>Rate</u>
Not defined or is uncertain	0.25% of the yearly or average yearly rent
Does not exceed 1 year	0.25% of the total rent payable over the term of the lease
Exceeds 1 year but not exceeding 3 years	0.5% of the yearly or average yearly rent
Exceeds 3 years	1% of the yearly or average yearly rent

### (c) Sales and purchase of Hong Kong stock

0.20% of the consideration or the market value of the Hong Kong stock as at the transfer date, whichever is higher.

### (d) Stamp duties payable on transfer of Real Estate Investment Trust (REIT) units and jobbing business of option market-makers will be waived.