

# 2024-25 Hong Kong Budget Summary



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The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po delivered the 2024-25 Budget Speech in the Legislative Council on 28 February 2024.

### Highlights of the Budget Speech

#### Profits Tax

- A one-off tax reduction of 100% of profits tax for 2023-24, subject to a ceiling of HK\$3,000.
- Propose to grant tax deduction for expenses incurred in reinstating the condition of the leased premises to their original condition starting from the year of assessment 2024-25.
- Propose to remove the time limit for claiming allowances for industrial buildings and structures, as well as commercial buildings and structures.

#### Salaries Tax

- A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2023-24, subject to a ceiling of HK\$3,000.
- Propose to implement a two-tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024-25. Where the standard rate applies, taxpayers with a net income over HK\$5 million will continue to be subject to a standard rate of 15% for the first HK\$5 million of their income, and the portion exceeding HK\$5 million will be subject to a higher rate of 16%.

#### Stamp Duty

- Cancel all demand-side management measures (i.e. New Residential Stamp Duty, Special Stamp Duty and Buyer's Stamp Duty) for residential properties with immediate effect.

#### Other Levies

- Rates for non-domestic properties to be waived for the first quarter of 2024-25, subject to a ceiling of HK\$1,000 for each rateable non-domestic property.
- Rates for domestic properties to be waived for the first quarters of 2024-25, subject to a ceiling of HK\$1,000 for each rateable domestic property. Eligible owners must be natural persons, and can only apply for rates concession for one domestic property under their name.
- Duty on cigarettes will be increased by 80 cents per stick, and duty on other tobacco products will also be increased by the same proportion, with immediate effect.
- The first registration tax concessions for electric vehicles, due to terminate at the end of March 2024, will be extended for two years to March 2026 with concessions reduced by 40% (see next page for more details).
- Propose to resume the collection of the Hotel Accommodation Tax at a rate of 3%.

## Economic performance of Hong Kong in 2023

In 2023, heightened geopolitical tensions had a significant negative impact on global economic confidence, leading central banks of advanced economies to raise interest rates sharply in an effort to control inflation. This tightening of global financial conditions resulted in reduced import demand for goods. The International Monetary Fund estimated that global economic growth slowed to 3.1% in 2023.

Meanwhile, Hong Kong experienced a 3.2% increase in its Gross Domestic Product in 2023. The labour market in Hong Kong showed continuous improvement, as the seasonally-adjusted unemployment rate dropped from 3.5% in the fourth quarter of 2022 to 2.9% in the latest period. Overall, local inflation remained moderate, with an underlying inflation rate of 1.7% in 2023.

## Estimates for 2024-25

The total Government revenue for 2024-25 is estimated to be HK\$633 billion. The operating expenditure and capital expenditure for 2024-25 are estimated to be HK\$613.8 billion and HK\$163.1 billion respectively. The total Government expenditure for 2024-25 is estimated to be HK\$776.9 billion, an increase of 6.7% from the revised estimate for 2023-24. The Financial Secretary forecasts a deficit of HK\$48.1 billion in the consolidated account for 2024-25. The fiscal reserves are estimated to be HK\$685.1 billion by the end of March 2025.

## Supporting schemes for enterprises

- Extend the application period for the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme to end-March 2026.
- Propose to further inject HK\$500 million into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund).
- Propose to provide incentives for Hong Kong-registered ships that have attained high ratings under the international standards on decarbonisation formulated by the International Maritime Organization.

## Potential tax-related developments

### Global minimum tax

- Propose to implement the global minimum tax rate and other relevant requirements in accordance with the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development to address base erosion and profit shifting (i.e. BEPS 2.0 Pillar Two) which targets large multinational enterprise ("MNE") groups with global turnover of at least EUR750 million. The Hong Kong Government aims to apply the global minimum tax rate of 15% on such MNE groups and impose the Hong Kong minimum top-up tax starting from 2025. Consultation on the implementation of the above proposals is currently being conducted and Legislative Council in the second half of 2024.

### Preferential tax regimes for global family offices and asset owners

- To further enhance the preferential tax regimes for related funds, single family offices and carried interest, including reviewing the scope of the tax concession regimes, increasing the types of qualifying transactions and enhancing flexibility in handling incidental transactions, all to attract more funds and family offices with potential to establish a presence in Hong Kong.
- Propose to submit a legislative proposal enabling companies domiciled overseas, especially enterprises with a business focus in the Asia-Pacific region, to re-domicile in Hong Kong.

### New energy vehicles

- The first registration tax ("FRT") concessions for electric vehicles, due to terminate at the end of March 2024, will be extended for two years to March 2026 with concessions reduced by 40%.
- Under the extended FRT concessions, the maximum FRT concession for electric private cars ("e-PCs"), granted under the "One-for-One Replacement" Scheme, will be adjusted to HK\$172,500, whereas the concession ceiling for general e-PCs will be lowered to HK\$58,500. The FRT concession only applies to e-Pcs valued under HK\$500,000 before tax.
- Under the extended FRT concessions, other types of electric vehicles, including electric commercial vehicles, electric motorcycles and electric motor tricycles, the FRT will continue to be waived in full.

### Other tax concessions and possible changes

- The Government will introduce into the Legislative Council in the first half of 2024 a proposal to amend the Inland Revenue Ordinance with a view to implementing the "patent box" tax incentive, which will reduce substantially the tax rate for profits derived from qualifying IP to 5%.
- Enhance the tax concession measures for the maritime industry in the areas of ship leasing, marine insurance, ship agency, ship management, shipbroking within this year.

Salaries Tax		
Personal tax allowances and deductions:		
	2023-24 HK\$	2024-25 HK\$
Basic allowances:		
Single person's allowance	132,000	132,000
Married person's allowance	264,000	264,000
Additional allowances:		
Child		
- Basic	130,000	130,000
- Additional (in the year of birth)	130,000	130,000
Dependent parent / grandparent:		
a. Aged 55 to 59		
- Basic	25,000	25,000
- Additional (1)	25,000	25,000
b. Aged 60 or above		
- Basic	50,000	50,000
- Additional (1)	50,000	50,000
Dependent brother / sister (2)	37,500	37,500
Single parent	132,000	132,000
Disabled dependent	75,000	75,000
Personal disability allowance	75,000	75,000
Additional deductions:		
Self-education expenses (3)	100,000	100,000
Home loan interest (4)	100,000	100,000
Elderly residential care expenses	100,000	100,000
Mandatory contributions to recognized retirement schemes	18,000	18,000
Approved charitable donations (5)	35%	35%
Qualifying premiums paid under the Voluntary Health Insurance Scheme Policy	8,000 per insured person	8,000 per insured person
Qualifying annuity premiums and tax deductible MPF voluntary contributions	60,000	60,000
Domestic rental expenses (6)	100,000	100,000
Notes:		
(1) For dependent living with taxpayer.		
(2) For whom no child allowance is being claimed.		
(3) The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.		
(4) The entitlement period for tax deduction is 20 years.		
(5) The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowances.		

1. Standard salaries tax rates:		
	2023-24	2024-25
Net Chargeable Income	Tax rate	Tax rate
First HK\$5,000,000	15%	15%
Remainder	15%	16%

2. Progressive salaries tax rates:	
2023-24 and 2024-25	
Net Chargeable Income	Tax Rate
First HK\$50,000	2%
Next HK\$50,000	6%
Next HK\$50,000	10%
Next HK\$50,000	14%
Remainder	17%

3. Profits Tax		
2023-24 and 2024-25	Business Category	
Assessable Profits	Unincorporated Business	Corporation
First HK\$2,000,000 (subject to certain conditions)	7.5%	8.25%
Over HK\$2,000,000	15%	16.5%

4. Property Tax	
Taxpayer	2023-24 and 2024-25
Property Owner	15%



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