

2024/25 HONG KONG BUDGET HIGHLIGHTS

28 FEBRUARY 2024

The Financial Secretary, Mr Paul Chan, delivered the 2024/25 Budget Speech on 28 February 2024. The forecasted deficit of about \$101.6 billion for 2023/24 is higher than the original estimate of about \$54.4 billion. Fiscal reserves will fall to about \$733.2 billion by 31 March 2024.

The 2023/24 revised estimate on government revenue is \$554.6 billion lower than the original estimate mainly because revenues from land premium and stamp duty are lower than their previous estimates.

The revised estimate of total government expenditure for 2023/24 at \$727.9 billion decreased by 10.2% compared to the previous year.

Estimated deficit for 2024/25 is \$48.1 billion. Fiscal reserves will also decrease to \$685.1 billion.

In addition to the Highlights on the right, key measures as well as our comments are summarised as follows:

Key measures

- ▶ Grant tax deduction for profits tax for expenses incurred in reinstating the condition of the leased premises to their original condition.
- ▶ Remove time limit for claiming industrial building allowances and commercial building allowances under profits tax.
- ▶ Waive stamp duties payable on transfer of Real Estate Investment Trust units and jobbing business of option market-makers.
- ▶ Implement a two-tiered standard rates regime for salaries tax and tax under personal assessment from 2024/25. For taxpayers chargeable at the standard rate and whose net income exceeds \$5 million, the first \$5 million of net income will continue to be subject to the standard rate of 15%. The portion of net income exceeding \$5 million will be subject to the standard rate of 16%.

Highlights

- ▶ Cancel Special Stamp Duty, Buyer's Stamp Duty, and New Residential Stamp Duty for any residential property transactions with immediate effect
- ▶ Reduce profits tax, salaries tax and tax under personal assessment for 2023/24 by 100%, capped at \$3,000
- ▶ Provide rates concession for domestic and non-domestic properties for the first quarter of 2024/25, capped at \$1,000 for each rateable property
- ▶ Increase duty on cigarettes by 80 cents per stick, and duty on other tobacco products by the same proportion with immediate effect
- ▶ Introduce a 3% Hotel Accommodation Tax
- ▶ Implement progressive rating system for domestic properties with rateable value over \$550,000 from the 4th quarter of 2024/25
- ▶ Increase annual business registration fee by \$200 to \$2,200 from 1 April 2024 and waive the business registration levy of \$150 for two years

Key measures (Cont'd)

- ▶ Introduce legislative proposal to implement 'patent box' tax incentive with a profits tax rate of 5% to encourage the information and technology sector to create more patented inventions.
- ▶ Plan to apply the Organisation for Economic Co-operation and Development (OECD)'s global minimum effective tax rate of 15% on large multinational enterprise groups with an annual consolidated group revenue of at least EUR750 million through a domestic minimum top-up tax in Hong Kong starting from 2025 onwards.
- ▶ Enhance preferential tax regimes for family offices, funds and carried interest, including reviewing the scope of the tax concession regimes and increasing the types of qualifying transactions.
- ▶ Commence studies on further enhancements on tax concessions for the maritime industry in the areas of ship leasing, marine insurance, ship agency, ship management, shipbroking and so forth.
- ▶ Extend first registration tax concessions for electric vehicles to March 2026 but concessions will be reduced by 40%. Maximum concession under the 'One-for-One Replacement' Scheme will be adjusted to \$172,000 whereas the concession ceiling for general electric private cars will be lowered to \$58,500. No concession will be applicable for electric private cars valued at over \$500,000 before tax.
- ▶ Issue \$70 billion worth of retails bonds: Silver bonds \$50 billion and green bonds & infrastructure bonds \$20 billion.

BDO comments

- ▶ The Government has covered many areas in this year's budget making an effort to enhance Hong Kong's position as a business location at a time full of economic uncertainties.
- ▶ Tax concessions are typical means to, among others, attract business setups and investments into a jurisdiction. We welcome Mr Chan's announcement to abolish additional stamp duties for Hong Kong's property market, enhance existing preferential tax regimes relating to funds, family offices and carried interest for Hong Kong's asset management industry, and commence studies to enhance existing shipping-related business tax concessions for Hong Kong's maritime industry. In particular, the needs to expand the types of qualifying transactions and to increase flexibility in handling incidental transactions to remove impediments in Hong Kong's tax regimes as an investment platform have been discussed for many years. We positively anticipate an amendment bill to make happen such relaxation in order for Hong Kong to make up lost ground and as a concerted effort alongside the Government's initiative to allow funds and companies to re-domicile into Hong Kong.
- ▶ A 15% minimum top-up tax on large multinational enterprises with at least EUR750 million of annual consolidated group revenue under the OECD's BEPS 2.0 project may be promising new revenue source for Hong Kong but that will only start from 2025. Hong Kong has weathered many storms over the years. 2024 is a year full of challenges but will be embraced with positivity and resilience.

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Appendix

Profits tax rates	2023/24	2024/25
Tax rate		
Corporations	16.5%*	No change
Unincorporated businesses	15%*	No change

* First \$2,000,000 assessable profits of eligible taxpayers chargeable at half of the tax rate

Salaries tax rates, deductions and allowances	2023/24	2024/25
Standard tax rate	15%	First \$5 million: 15%, Remainder: 16%
Progressive tax rates	First \$50,000 – 2%	No change
	Next \$50,000 – 6%	
	Next \$50,000 – 10%	
	Next \$50,000 – 14%	
	Remainder – 17%	
Personal allowances**		
Basic	\$132,000	No change
Married	\$264,000	No change
Single parent	\$132,000	No change
Disabled	\$75,000	No change
First to ninth child (year of birth)	\$260,000 each	No change
First to ninth child (other years)	\$130,000 each	No change
Dependent parent/grandparent		No change
Aged 55 to 59 - Basic	\$25,000	
- Additional, living with the taxpayer	\$25,000	
Aged 60 or above - Basic	\$50,000	
- Additional, living with the taxpayer	\$50,000	
Disabled dependent	\$75,000	No change
Dependent brother/sister	\$37,500	No change
Deductions		
Approved charitable donations	Up to 35% of assessable income	No change
Self-education expenses	Up to \$100,000	
Home loan interest (up to 20 years)	Up to \$100,000	No change***
Elderly residential care expenses	Up to \$100,000	No change
Mandatory contributions to recognised retirement schemes	Up to \$18,000	
Qualifying Voluntary Health Insurance Scheme policy premiums	Up to \$8,000 per insured person	
Qualifying annuity premiums and MPF voluntary contributions	Up to \$60,000	
Domestic rent deduction	Up to \$100,000	No change***

** Personal allowances are only applicable to progressive tax rates calculation

*** The deduction ceiling is raised from \$100,000 to \$120,000 per year for taxpayers who live with his/her first child born on 25 October 2023 or after, until the child reaches the age of 18.

One-off measures	2023/24	2024/25
Types of tax	Salaries tax, tax under personal assessment and profits tax	Salaries tax, tax under personal assessment and profits tax
Tax reduction	100% of tax for 2022/23, capped at \$6,000	100% of tax for 2023/24, capped at \$3,000
Property tax	2023/24	2024/25
Tax rate	15%	No change
Business registration fees	2023/24	2024/25
Fee		
Main business (one year certificate)	\$2,000	\$2,200
Branch business (one year certificate)	\$73	No change
Levy		
Main business (one year certificate)	\$150	Waived
Branch business (one year certificate)	\$150	Waived

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on 28 February 2024, which is subject to scrutiny of the Legislative Council prior to enactment of the legislation.