



Hong Kong Budget Summary 2024-2025

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Commentary

The Financial Secretary has forecast a budget deficit of HKD 101.6 billion for the 2023-24 fiscal year, almost double its original estimate of HKD 54.4 billion. This is primarily due to the significant shortfall in land related revenue and stamp duty revenue. Despite the fourth deficit in five years, Hong Kong's fiscal reserves remain healthy, at an estimated HKD 733.2 billion as at 31 March 2024.

While having healthy fiscal reserves allows the Government to invest in the future, the external environment is still complicated and uncertain. The Government should make use of the clear positioning for Hong Kong set out in the National 14th Five-Year Plan to strengthen the city's status as a top-tier international finance and business centre. The Government should also proactively launch targeted policies and campaigns to attract enterprises, capital and talent to Hong Kong. Economic growth will provide the foundation for the Government to achieve fiscal balance in the long run.

Tax is an area of focus for attracting enterprises and talent. In light of the implementation of the global minimum tax in 2025, the Government should perform a holistic review and update the existing tax and other incentives to enhance Hong Kong's overall competitiveness. We are pleased to see that the Government has adopted our proposal of enhancing certain tax policies and rules including the tax incentives for funds and family offices and removing the time limit for claiming allowances for industrial and commercial buildings and structures. These enhancements should be a positive factor in attracting enterprises to Hong Kong and beneficial to the business environment.

In summary, we are pleased to see a wide variety of measures proposed to boost the development of the economy and strategic enterprises. These measures will be crucial in maintaining Hong Kong's competitiveness in the medium to long term and the help the city to maintain sustainable growth.

The information contained in the Hong Kong Budget Summary 2024-2025 is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

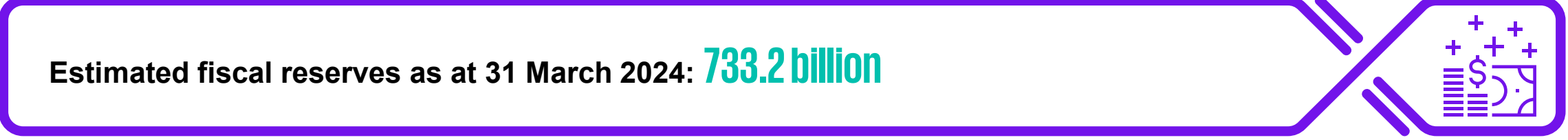
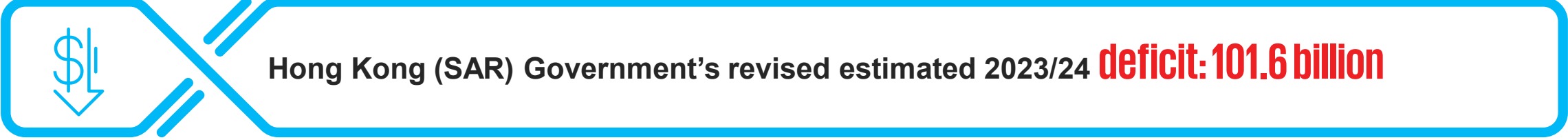
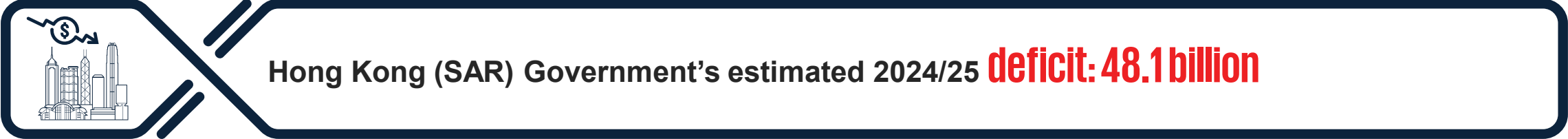
Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

It should be noted that the information is presented in summary form and readers are advised to seek professional advice before formulating business decisions.

Hong Kong SAR economic indicators

Estimated consolidated fiscal position

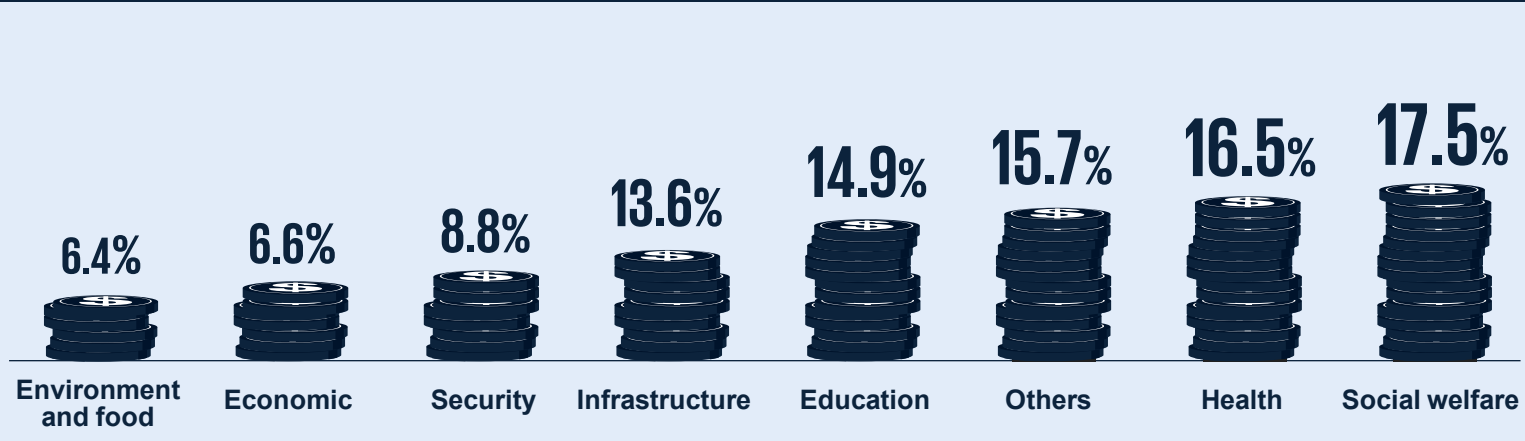
In Hong Kong dollars



2024-25 government revenue and expenditure (estimated)

Total government revenue for 2024-25 is estimated to be HKD 633.0 billion (2023-24: HKD 554.6 billion) within which tax revenues (i.e., Profits Tax, Stamp Duty, Salaries Tax) account for 53.5%, followed by investment income at 14.2% and land premiums at 5.2%. Total government expenditure is estimated at HKD 776.9 billion (2023-24: HKD 727.9 billion). Education, social welfare and healthcare account for about 48.9% of total government expenditure. The government forecasts an overall consolidated deficit of HKD 48.1 billion for 2024-25. Hong Kong's fiscal reserves are predicted to remain healthy at about HKD 685.1 billion as at 31 March 2025. Fiscal reserves are estimated to stand at HKD 832.2 billion by the end of March 2029, which is equivalent to roughly 12 months of government expenditures.

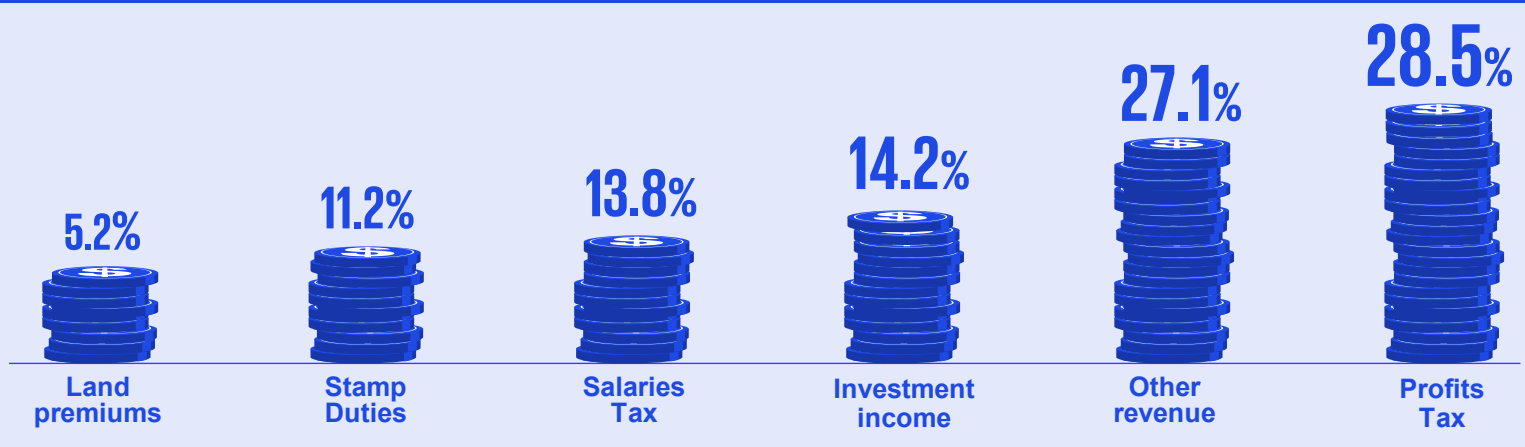
2024-25 Government expenditure (estimated)



Estimated expenditure for 2024-25
 HKD 776.9 billion

Revised estimated expenditure for 2023-24
 HKD 727.9 billion

2024-25 Government revenue (estimated)



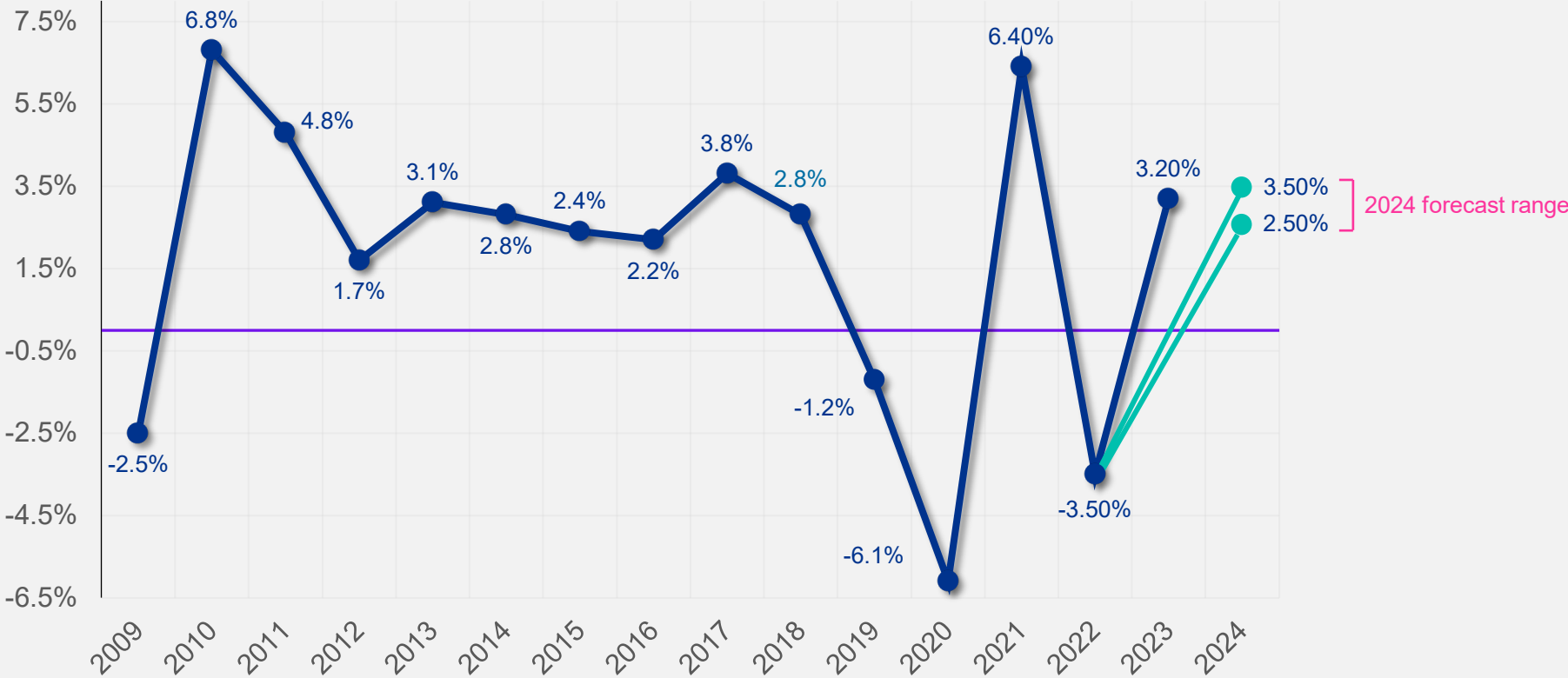
Estimated revenue for 2024-25
 HKD 633.0 billion

Revised estimated revenue for 2023-24
 HKD 554.6 billion

Source: 2024-25 Budget Speech, HKSAR Government

Real gross domestic product growth rate

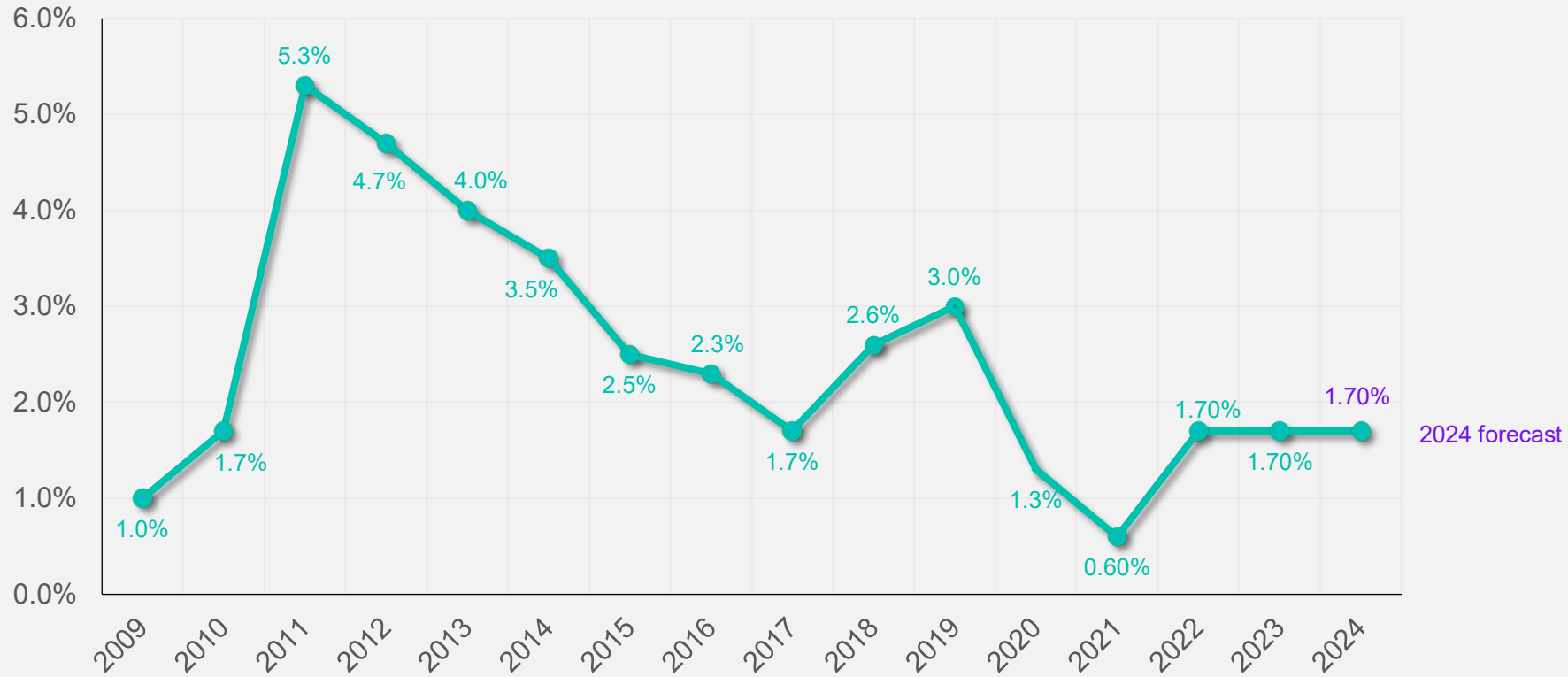
Overall, the Hong Kong economy showed a growth of 3.2% year-on-year, predominantly as a result of the strong growth in local private consumption and a sharp rise in inbound visitors. With the continuous global economic growth, the local private consumption and fixed asset investments is anticipated to increase. With various measures rolled out by the government to attract enterprises, capital and talent, Hong Kong's economy is expected to remain stable in the foreseeable future.



Source: Census and Statistics Department, HKSAR Government

Underlying inflation rate

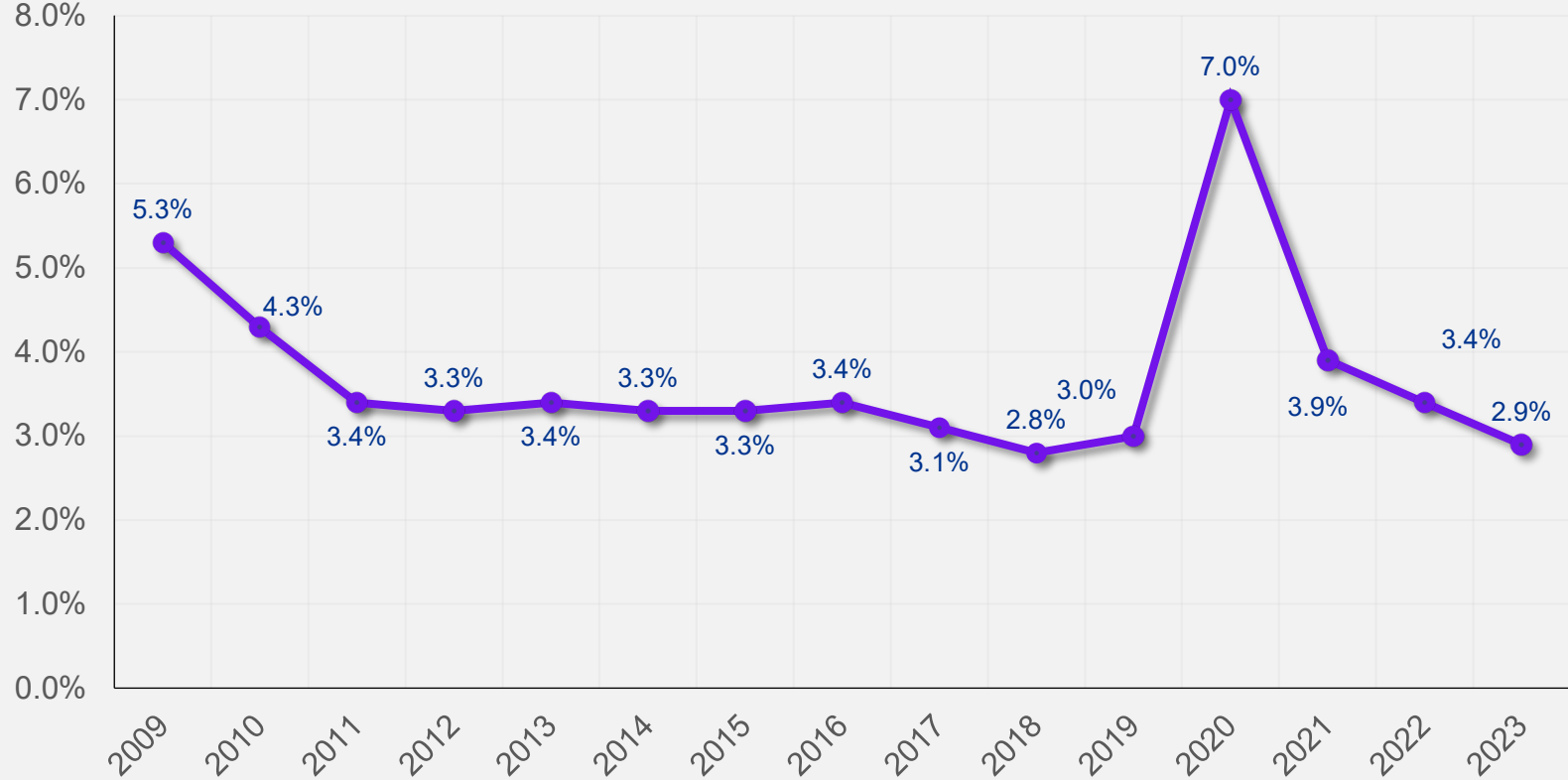
The underlying inflation rate in 2023 is estimated to be 1.7%, which is the same as the year before. Looking ahead, the inflation outlook for 2024 will be heavily impacted by the increasing domestic cost as a result of economic recovery and external price pressures mainly driven by geopolitical tensions. The inflation pressure in Hong Kong should remain moderate in overall terms.



Source: Census and Statistics Department, HKSAR Government

Unemployment rate

The unemployment rate as at January 2024 in Hong Kong is 2.9%. Looking ahead, it is anticipated that the unemployment rate will largely remain at similar level.



Source: Census and Statistics Department, HKSAR Government

Budget proposals at a glance



Strive for high-quality development



HKD 100 million to promote sustainable development of financial services



Issue **HKD 50 billion** of Silver Bonds and **HKD 20 billion** of retail green bonds and infrastructure bonds



Inject **HKD 500 million** to launch “E-commerce Easy”, and provide up to **HKD 1 million** per enterprise for implementing e-commerce projects in the Chinese Mainland



Stamp duties payable on the transfer of real estate investment trust (REIT) units and the jobbing business of option market-makers will be waived



Allocate over **HKD 1.09 billion** to strengthen tourism development and organise events



Earmark **HKD 100 million** to boost mega-event promotions for the next 3 years



Allocate **HKD 65 million** to concessionary measures for Hong Kong-registered ships that have attained a high rating under international standards of decarbonisation



Innovation and Technology



HKD 3 billion earmarked to launch a Frontier Technology Research Infrastructure Support Scheme



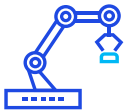
HKD 2 billion to support the presence of the InnoHK research cluster in Hetao



Allocate **HKD 3 billion** to support local universities, R&D institutes and enterprises to leverage its computing power



HKD 6 billion to expedite establishment of life and health technology research institutes for universities



Launch the New Industrialisation Acceleration Scheme and provide enterprises with up to **HKD 200 million** on a matching basis



Allocate **HKD 300 million** to launch business version of “iAM Smart”



An additional fund of **HKD 100 million** on providing digital training courses and technical support to the elderly



Creative arts branding and nurturing local talent



Inject **HKD 1.4 billion** into Film Development Fund



Inject **HKD 2.9 billion** into CreateSmart Initiative



Allocate **HKD 12 million** to prepare for regulatory arrangements for local patent agent services



HKD 100 million reserved to support self-financing post-secondary institutions to form an Alliance of Universities in Applied Sciences



Caring society



Allocate **HKD 130 million** to support “Knowing More About IT” Programme. Providing subsidies of up to **HKD 300,000** for each publicly funded primary school in the next 2 academic years to enhance primary school students’ interests in information technology and its applications



Set aside **HKD 680 million** to support vocational and professional education, extending the Pilot Incentive Scheme to Employers and the Pilot Subsidy Scheme for Students of Professional Part-time Programmes for 5 years



Number of Community Care Service Vouchers to increase to **11,000** in the year



Number of Residential Care Service Vouchers for the Elderly to increase to **5,000** from second quarter of this year



Implement a 3-year pilot scheme in 2024 to provide additional subsidy of **HKD 500** per month for employed disabled recipients of CSSA



Land and housing



15,000 units from **8 residential sites** under the 2024/25 Land Sale Programme, railway property developments, private development and redevelopment projects and projects undertaken by Urban Renewal Authority



2 commercial sites to provide about **120,000 square metres** of commercial floor area, and **1 industrial site** to provide **540,000 square metres** of industrial floor area



Public housing – identified sufficient land for **308,000 units**



Private housing - completion of **19,000 units** annually on average in 5 years from 2024. The potential first-hand private residential unit supply for the next 3 to 4 years will be around **109,000 units**



Profits Tax



Profits Tax



Key proposals

No changes proposed to tax rates
Reduction of 100% in Profits Tax payable for 2023-24, subject to a

ceiling of **HKD 3,000**



To introduce legislative proposal to implement “patent box” tax incentive. Profits tax rate to be reduced to 5% for profits derived from qualifying IP



Profits Tax taxpayers will be granted tax deduction for expenses incurred in reinstating the condition of the leased premises to their original condition



The time limit for claiming allowances for industrial buildings, commercial buildings and structures will be removed

Commence study on enhancements to tax concession measures for maritime industry



Enhance preferential tax regimes for funds and family offices



Tax rates	Corporations	Unincorporated businesses
Standard tax rate*	16.5%	15%
Two-tiered Profits Tax rates regime Qualifying taxpayers may be taxed at the following rates: - First HKD 2 million of assessable profits - Remaining balance <i>Note: Only one entity within a group can benefit from the two-tiered rates</i>	8.25% 16.5%	7.5% 15%

*Concessionary regimes are available for certain specified industries or business activities.

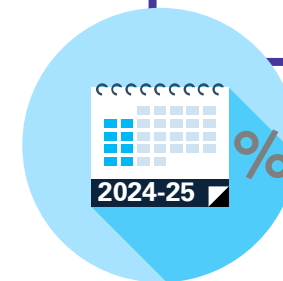
Profits Tax on royalties paid to non-residents

When royalty payment is made to a non-resident associated person and the underlying intellectual property has once been owned by any Hong Kong taxpayer, the assessable profits of the non-resident associated person are deemed to be 100% of the payment (i.e. effective tax rate is 15% or 16.5%). In other cases, the assessable profits of the non-resident person are generally deemed to be 30% of the payment (i.e. effective tax rate is 4.5% or 4.95%). The effective tax rate may be reduced under the terms of the applicable double taxation agreement or election of the two-tiered Profits Tax rates.

Capital allowances	
Depreciation allowances for plant and machinery - Initial allowance - Annual allowance	60% 10%, 20% or 30%
Industrial building allowances - Initial allowance - Annual allowance	20% 4%
Commercial building allowance	4%
Building refurbishment	20% deduction for 5 years
Expenditure on computer hardware and software	100% deduction
Expenditure on environmentally friendly machinery and equipment	100% deduction
Enhanced tax deduction for qualifying research and development expenditure	300% (for the first HKD 2 million) 200% (for the remaining balance)

Source: Inland Revenue Ordinance

No changes proposed in tax rates for 2024-25



Salaries Tax



Salaries Tax



Key proposals

To implement a two-tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024/25

Reduction of 100% in Salaries Tax payable for 2023-24, subject to a ceiling







of **HKD 3,000**

Tax rates

The tax charge for Salaries Tax is the lower of the following:

- (a) Net assessable income less charitable donations and allowable deductions at the standard rate or
- (b) Net assessable income less charitable donations, allowable deductions and personal allowances, charged at the progressive rates below.

2017-18	Rate	HKD	2018-19	Rate	HKD	2019-20 to 2024-25	Rate	HKD
First HKD 40,000	2%	800	First HKD 45,000	2%	900	First HKD 50,000	2%	1,000
Next HKD 40,000	7%	2,800	Next HKD 45,000	7%	3,150	Next HKD 50,000	6%	3,000
Next HKD 40,000	12%	4,800	Next HKD 45,000	12%	5,400	Next HKD 50,000	10%	5,000
						Next HKD 50,000	14%	7,000
Remaining balance	17%			17%			17%	

Allowances for individuals		2018-19 HKD	2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD
Personal allowances 	Basic	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Married	264,000	264,000	264,000	264,000	264,000	264,000	264,000
	Single parent	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Disabled	-	75,000	75,000	75,000	75,000	75,000	75,000
Child allowances 	1st to 9th child (each)							
	- Year of birth	200,000	240,000	240,000	240,000	240,000	240,000	260,000
	- Other years	100,000	120,000	120,000	120,000	120,000	120,000	130,000
Dependent parent and grandparent allowances 	Aged 60 or above, or disabled	46,000	50,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	25,000	25,000	25,000	25,000	25,000	25,000
Additional dependent parent and grandparent allowances 	Aged 60 or above, or disabled	46,000	50,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	25,000	25,000	25,000	25,000	25,000	25,000
Disabled dependent (spouse/child/parent/grandparent/brother/sister) allowances 		75,000	75,000	75,000	75,000	75,000	75,000	75,000
Dependent brother/sister allowances 		37,500	37,500	37,500	37,500	37,500	37,500	37,500

Deductions – maximum limit	2018-19 HKD	2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD
Self-education expenses	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Elderly residential care expenses	92,000	100,000	100,000	100,000	100,000	100,000	100,000
Mandatory contributions to recognised retirement schemes	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Home loan interest	100,000						
Approved charitable donations	35% of assessable income						
Qualifying voluntary health insurance scheme policy Premiums	-	-	8,000 per insured person	8,000 per insured person	8,000 per insured person	8,000 per insured person	8,000 per insured person
Annuity premiums and MPF voluntary contributions	-	-	60,000	60,000	60,000	60,000	60,000
Domestic rents deduction	-	-	-	-	-	100,000	100,000

Source: Inland Revenue Ordinance

Other Taxes

Property Tax, Rates, Stamp Duty and Hotel Accommodation Tax



Key proposals



Hotel Accommodation Tax

Increase from 0% to 3% starting from 1 January 2025



Rating System

A progressive rating system for domestic properties will be introduced in the fourth quarter of 2024-25



Stamp Duty

No Special Stamp Duty, Buyer's Stamp Duty or New Residential Stamp Duty needs to be paid for any residential property transactions starting from 28 February 2024



Property Tax

No changes proposed



Rates (domestic property)

Rates waiver for each domestic property for the first quarter of 2024-25, subject to a ceiling of HKD 1,000 for each rateable property



Rates (non-domestic property)

Rates concession for each non-domestic property for the first quarter of 2024-25, subject to a ceiling of HKD 1,000 for each rateable property

Stamp Duty



Lease of immovable properties

Lease term	Rate
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

Sale and purchase of Hong Kong stock

Tax rate
0.20% of the consideration or the market value of the stock as at the transfer date – whichever is higher

Sale or transfer of immovable properties



Ad valorem stamp duty



Property consideration		
Exceeds	Does not exceed	Scale 2 rates* (for non-residential properties)
	HKD 3,000,000	HKD 100
HKD 3,000,000	HKD 4,500,000	1.5%
HKD 4,500,000	HKD 6,000,000	2.25%
HKD 6,000,000	HKD 9,000,000	3.0%
HKD 9,000,000	HKD 20,000,000	3.75%
HKD 20,000,000		4.25%

* Subject to marginal relief

Hotel Accommodation Tax

Tax rate	3%
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Increase from 0% to 3% starting from 1 January 2025

Property Tax

Tax rate	15%
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The tax rate is applied to the “net assessable value” of the property which is calculated at the total rent receivable (net of rates) less 20% statutory allowance for repairs and outgoings.

Rates

Tax rate	5%
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The tax rate is applied to the “rateable value” which is the estimated annual rental value of the property at a designated valuation reference date. A progressive rating system for domestic properties will be introduced in the fourth quarter 2024-25.

Sources: Inland Revenue Ordinance
Stamp Duty Ordinance
Rating and Valuation Department's website

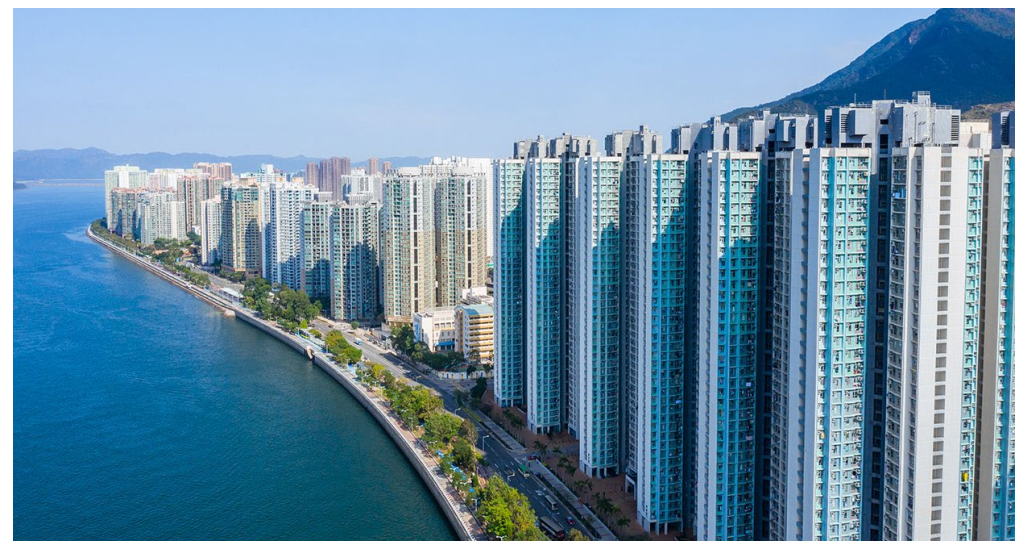


cancelling all demand-side management measures for residential properties



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

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



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