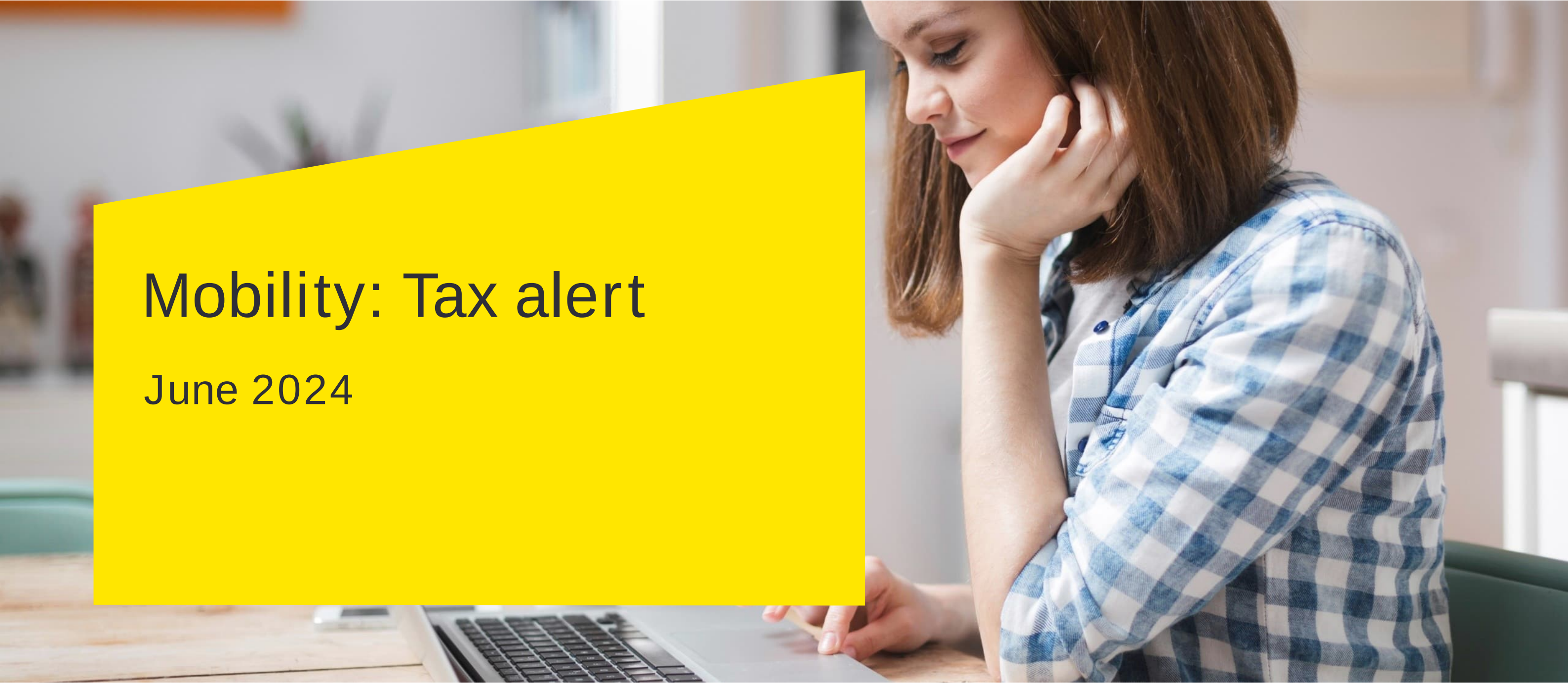

Mobility: Tax alert

June 2024

Hong Kong

Bill for tax concession and two-tiered standard rates gazetted

The Inland Revenue (Amendment) (Tax Concession and Two-tiered Standard Rates) Bill 2024 (the Bill) was gazetted on 31 May 2024. The Bill gives effect to the tax measures proposed by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) in the 2023 Policy Address, as well as the tax measures proposed by the Financial Secretary of the HKSAR in the 2024/25 Budget (for more details about the 2024/25 Budget, please refer to our Hong Kong mobility tax alert, February 2024). These measures include:

1. The adoption of a two-tier standard rates regime for salaries tax and tax under personal assessment from the 2024/25 year of assessment. The first HK$5 million of net income will continue to subject to the standard tax rate of 15%, and a standard tax rate of 16% will apply to the amount of net income exceeding HK$5 million.

2. A one-off reduction of 100% of the salaries tax and tax under personal assessment, subject to a maximum reduction of HK$3,000 for the 2023/24 year of assessment.

3. Allowing an additional deduction ceiling of HK$20,000 for home loan interest or domestic rents from the 2024/25 year of assessment. This is in addition to the basic deduction ceiling of HK$100,000, that applies for taxpayers who reside with their child born on or after 25 October 2023 for a continuous period of not less than 6 months (or a shorter period if the Commissioner of Inland Revenue considers reasonable based on the circumstances). A taxpayer is entitled to claim the additional deduction for an aggregate of 19 years of assessment.

The one-off tax concessions of HK$3,000 will be reflected in taxpayer's 2023/24 final tax payable.

The Inland Revenue Department (IRD) will take into account the additional deduction ceiling for home loan interest or domestic rents and apply the two-tiered standard tax rate as appropriate when calculating the 2024/25 provisional salaries tax.

The tax deduction for expenses on assisted reproductive services, which was proposed in the 2023 Policy Address, is currently at a legislative proposal stage and the HKSAR Government shall introduce an amendment bill this year.

What does this mean for employers?
Employers should ensure that they are aware of these tax updates and the impact on their mobility programs.

Next steps
If you require further information in relation to the Bill, please contact your local EY advisor or one of the contacts listed.

Building a better working world

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