

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2023–24	Original estimate 2024–25	Revised estimate 2024–25	Estimate 2025–26
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax	28,467,010	28,600,000	28,100,000	28,390,000
030 Earnings and profits tax—				
(020) Profits tax	170,497,687	180,169,000	177,700,000	192,200,000 †
(030) Personal assessment	7,321,907	7,820,000	8,100,000	8,280,000 †
(040) Property tax	3,906,443	4,000,000	4,000,000	4,200,000
(050) Salaries tax	79,869,791	87,619,000	88,000,000	96,470,000 †
Sub-total	261,595,828	279,608,000	277,800,000	301,150,000
050 Estate duty	10,183	8,000	8,000	8,000
060 Hotel accommodation tax	—	275,000	—	970,000
070 Stamp duties.....	49,111,726	71,000,000	58,000,000	67,585,000 †
080 Air passenger departure tax	1,943,419	2,554,231	2,351,000	3,417,000 †
Total.....	<u>341,128,166</u>	<u>382,045,231</u>	<u>366,259,000</u>	<u>401,520,000</u>

† After Budget revenue measures, subject to the passage of the relevant legislation.

Description of Revenue Sources

This revenue head covers direct taxes on earnings and profits, which include profits tax, property tax and salaries tax. A number of indirect taxes are also included.

Bets and sweeps tax is charged on horse racing bets, lotteries and football betting.

Profits tax is levied on individuals, corporations, bodies of persons and partnerships in respect of assessable profits arising in or derived from Hong Kong. The two-tiered profits tax regime has taken effect from the year of assessment 2018/19. The tax rate for the first \$2 million of profits of corporations is lowered from 16.5% to 8.25%. Profits above that amount will continue to be subject to the tax rate of 16.5%. For unincorporated businesses, the two-tiered tax rates are correspondingly set at 7.5% and 15%.

Property tax is charged on the owner of land and/or buildings at the standard rate of 15% on the net assessable value of the property for each year of assessment.

Salaries tax is charged on all income arising in or derived from Hong Kong from any office or employment or any pension. The amount of tax is calculated at progressive rates on one's net chargeable income or at standard rates on one's net income, whichever is lower. The two-tiered standard rates regime for salaries tax has taken effect from the year of assessment 2024/25. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax is to be charged at standard rates, the first \$5 million of their net income is subject to the standard rate of 15% while the portion of their net income exceeding \$5 million is subject to the standard rate of 16%.

An individual may elect for *personal assessment* of his total income which provides for the deduction of all probable personal allowances, and would, in appropriate circumstances, reduce the total tax liability of the individual.

Estate duty is charged on assets situated in Hong Kong valued at more than \$7.5 million according to a schedule scaled from 5% on estates of value up to \$9 million to 15% on estates of value over \$10.5 million. The duty was abolished on 11 February 2006. Estate duty in respect of persons dying on or after 15 July 2005 and before 11 February 2006 is reduced to a nominal amount of \$100.

Hotel accommodation tax is levied on charges paid for accommodation in hotels and guesthouses. The tax rate was previously reduced from 3% to 0% from 1 July 2008. With effect from 1 January 2025, the Government has resumed the collection of the tax at a standard rate of 3%.

Stamp duties are charged at a fixed rate on certain documents, and ad valorem on others. Fixed duties vary from \$3 to \$100, whereas the ad valorem duties range from 0.1% to 4.25%. The Government increased the rate of ad valorem duty on stock transactions from 0.1% to 0.13% for each side per transaction with effect from 1 August 2021 and subsequently reverted it back to 0.1% on 17 November 2023. All of the demand-side management measures for residential properties have been cancelled since 28 February 2024. Any instrument executed on or after 28 February 2024 for the sale and purchase or transfer of residential properties is no longer subject to special stamp duty and buyer's stamp duty. The rate of ad valorem duties under Part 1 of Scale 1 is amended to the same as those under Scale 2.

Head 3 — INTERNAL REVENUE

Air passenger departure tax is charged at a fixed rate of \$120 for a passenger 12 years of age or above departing by aircraft from the Hong Kong International Airport, or by helicopter from Hong Kong at the Hong Kong Macau Ferry Terminal Heliport. The Government proposes increasing the fixed rate to \$200 with effect from 1 October 2025.

Revenue from internal revenue generated 73.6% of total revenue in 2024–25.

Underlying Changes in Revenue Yield

The **2024–25** revised estimate of \$366,259 million reflects a net decrease of \$15,786,231,000 (4.1%) against the original estimate.

Under *Subhead 060 Hotel accommodation tax*, the decrease of \$275 million is due to the arrangement that hotels and guesthouses have been required to pay the tax for the first quarter of 2025 on or before 14 April 2025. In terms of cash flow, no hotel accommodation tax is assumed to be collected during 2024–25.

Under *Subhead 070 Stamp duties*, the decrease of \$13 billion (18.3%) is mainly due to the lower-than-expected turnover in the property market.

The **2025–26** estimate of \$401,520 million reflects a net increase of \$35,261 million (9.6%) over the revised estimate for 2024–25.

Under *Subhead 060 Hotel accommodation tax*, the increase of \$970 million has taken into account the reinstatement of the tax with effect from 1 January 2025.

Under *Subhead 070 Stamp duties*, the increase of \$9,585 million (16.5%) is mainly due to the expected improvement in the performance of the property and stock markets.

Under *Subhead 080 Air passenger departure tax*, the increase of \$1,066 million (45.3%) is due to an anticipated increase in the number of departing passengers and the proposed increase of the tax from \$120 to \$200.