

IPTI News

Hong Kong – Changes to Property Taxes

Extracts from the Budget Speech by the Financial Secretary, the Hon Paul MP Chan, moving the Second Reading of the Appropriation Bill 2022 (Wednesday, 23 February 2022)

Rating System

“185. Revenue from rates accounts for about three to four per cent of total government revenue. Last year, I announced in my Budget a review of the rating system. Upon review, I propose to revise the rating system as follows:

(a) granting rates concession in a more targeted manner: The Government will continue to consider on an annual basis whether to provide rates concession in the light of the prevailing circumstances, to allow flexibility for the measure. In addition, in view of public concern over the multiple rates concession received by owners with multiple domestic properties under the current rates concession mechanism, we propose that for future rates concession for domestic properties, only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name. Taking the rates concession ceiling of 2022-23 as a reference, the new arrangement can save around \$3.1 billion for the Government when a one-off rates concession is implemented in the future; and

(b) introducing a progressive rating system for domestic properties: For domestic properties with rateable value of \$550,000 or below, it is proposed that rates be charged at the present level of five per cent of the rateable value. For domestic properties with rateable value over \$550,000, it is proposed that rates be charged at five per cent of the rateable value on the first \$550,000 and at eight per cent of the rateable value on the next \$250,000, and then at 12 per cent on rateable value exceeding \$800,000. This can better reflect the “affordable users pay” principle. It is expected that about 42 000 domestic properties will be affected, accounting for around two per cent of the total number of private domestic properties, with an increase of about \$760 million in government revenue each year. Public Finance 78

186. The above revisions to the rating system will involve significant modifications of the IT system of the Rating and Valuation Department. The Government will implement the above revision proposals in phases. The proposal regarding rates concession for domestic properties will be rolled out in the first phase in 2023-24, whereas the proposed progressive rating system for domestic properties will be introduced in the second phase in 2024-25. The Government will in due course consult the LegCo Panel on Financial Affairs on the outcome of the rating system review, the details and the implementation timetable of the proposals.”

The RVD helpfully published the following graphics to assist in understanding the changes.

Proposed Rates Concession Mechanism for Domestic Tenements in Future

The 2022-23 Budget

Rates Concession for 2022-23

Ceiling for first two quarters: \$1,500 per quarter (Domestic tenements)

\$5,000 per quarter (Non-domestic tenements)

Ceiling for remaining two quarters: \$1,000 per quarter (Domestic tenements)

\$2,000 per quarter (Non-domestic tenements)

Proposed Rates Concession Mechanism for Domestic Tenements in Future

Effective Date:

Tentatively
3rd quarter of 2023-24
(October – December 2023)



Concession Amount:

Depending on the circumstances of the year concerned, the Government will determine whether to offer rates concession and the concession amount



Eligible Persons:

- ✓ Natural person holding a valid Hong Kong Identity Card (not limited to Hong Kong permanent residents);
 - ✓ Registered in the Land Register as the owner of the domestic tenement as at a designated date; and
 - ✓ Each eligible person may elect one domestic tenement only (rates concession in respect of a co-owned tenement may be elected by one of the co-owners)
- ✗ Domestic tenements held by companies will no longer be eligible for rates concession

Application Date:

Tentatively
March – June 2023

Further applications for claiming subsequent reliefs not required unless there is change in ownership or eligibility, etc.

New applications accepted for every subsequent quarter



Rates concession for public rental housing will continue to be handled under existing mechanism

Application Methods:

Electronic / written application
(Rating and Valuation Department will provide application forms in early 2023)




Financial Services and the Treasury Bureau
The Government of the Hong Kong Special Administrative Region



Rating and Valuation Department

Proposed Progressive Rating System for Domestic Tenements in Future



The 2022-23 Budget


Proposed Progressive Rating System for Domestic Tenements in Future

Effective Date: Tentatively the 4th quarter of 2024-25
Scope of Application: Domestic tenements
(Public rental housing excluded)


Existing rates percentage charge:
a flat rate of 5% of the rateable value ("RV")

Proposed New Progressive Rating System

Annual RV of domestic tenements (Monthly RV)	Proposed rates percentage charges	Percentage out of private domestic tenements	Examples
\$550,000 or below (Monthly RV at \$45,833 or below)	5% (Remains unchanged)	97.8% (around 1.87 million tenements)	<ul style="list-style-type: none">For a tenement with annual RV at \$550,000, the annual rates payable will remain unchanged
\$550,001 - \$800,000 (Monthly RV at around \$45,833 to \$66,667)	First \$550,000: 5% Next \$250,000: 8%	1.3% (around 25 000 tenements)	<ul style="list-style-type: none">For a tenement with annual RV at \$600,000, the annual rates payable will increase by \$1,500For a tenement with annual RV at \$800,000, the annual rates payable will increase by \$7,500
Above \$800,000 (Monthly RV at above \$66,667)	First \$550,000: 5% Next \$250,000: 8% Above \$800,000: 12%	0.9% (around 17 000 tenements)	<ul style="list-style-type: none">For a tenement with annual RV at \$1,000,000, the annual rates payable will increase by \$21,500For a tenement with annual RV at \$2,000,000, the annual rates payable will increase by \$91,500



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Rating and Valuation Department

For additional information please visit the relevant part of the RVD website available via the link below:

https://www.rvd.gov.hk/en/notices/review_of_rating_system.html

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