



財 經 事 務 及 庫 務 局  
( 庫 務 科 )  
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FINANCIAL SERVICES AND  
THE TREASURY BUREAU  
(The Treasury Branch)  
Central Government Offices,  
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Ms Anita Sit  
Clerk to Panel  
Panel on Financial Affairs  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

18 October 2010

Dear Madam,

Thank you for your letter of 4 October 2010, referring to us the views from a member of the public regarding the assessment of property tax. Our reply is as follows.

2. According to section 5 of the Inland Revenue Ordinance (IRO), property tax is charged on the owner of a property at the standard rate, currently 15%, on the net assessable value of such property for each year of assessment. The net assessable value means the rent payable in the year less deductions, including:

- (a) rates agreed to be paid and paid by the property owners;
- (b) irrecoverable rent; and
- (c) a statutory allowance for repairs and outgoings equal to 20% of the net rental income (i.e. rental income after deduction of (a) and (b) above).

3. The “20% statutory allowance” mentioned in para. 2(c) above has taken into account expenses which a property owner would normally have to bear in leasing his/her property, including building management fees, decoration fees, insurance, repairs/maintenance, etc. The “20% statutory allowance” is an all-inclusive deduction and deducted automatically from the net rental income without regard to the actual amount of outgoings and expenses incurred by the property owner so as to simplify the administration of tax assessment and to make the claim simple and easy for property owners.

4. In short, for the purpose of assessing property tax, the IRO has already provided an allowance for repairs and outgoings, and that covers the cost of management. Management fees paid by the tenant to the property owner are therefore not deductible separately.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Fiona Chau', written in a cursive style with a long horizontal flourish extending to the right.

(Miss Fiona Chau)  
for Secretary for Financial Services  
and the Treasury