

LEGISLATIVE COUNCIL BRIEF

Inland Revenue Ordinance
(Chapter 112)

INLAND REVENUE (AMENDMENT) (TAX CONCESSIONS) BILL 2025

INTRODUCTION

At the meeting of the Executive Council on 26 February 2025, the Council ADVISED and the Chief Executive ORDERED that the Inland Revenue (Amendment) (Tax Concessions) Bill 2025 (“Bill”), at **Annex A**, should be introduced into the Legislative Council.

2. The Bill amends the Inland Revenue Ordinance (Cap. 112) (“IRO”) in order to implement the one-off tax reduction measures for the year of assessment (“YA”) 2024/25 as proposed in the 2025-26 Budget.

JUSTIFICATIONS

3. The Financial Secretary proposed in the 2025-26 Budget to reduce salaries tax, tax under personal assessment (“PA”) and profits tax for YA 2024/25 by 100%, subject to a ceiling of \$1,500. The reduction will be reflected in the final tax payable for YA 2024/25. The proposal will benefit about 2.14 million taxpayers chargeable to salaries tax or tax under PA, and about 165 400 corporations and unincorporated businesses chargeable to profits tax. About 16% of taxpayers chargeable to salaries tax or tax under PA, and about 12% of taxpaying businesses will no longer be required to pay tax for YA 2024/25.

OTHER OPTIONS

4. Amending the IRO is the only way to give effect to the above proposal. There is no other option.

THE BILL

5. The major provisions of the Bill are set out below –
- (a) **Clause 3** amends section 100(2) of the IRO to provide that in computing the amount of profits tax that may be reduced under that section, section 3 of Schedule 17FD to the IRO is to be taken into account¹;
 - (b) **Clause 4** consequentially amends Schedule 17FD to the IRO to add a reference to section 100 of the IRO to that Schedule; and
 - (c) **Clause 5** amends Schedule 43 to the IRO to the effect that, for YA 2024/25, the salaries tax, profits tax and tax under PA payable are to be reduced, in each case, by an amount equal to the lesser of the whole amount of the tax and \$1,500.

LEGISLATIVE TIMETABLE

6. The legislative timetable is as follows –

Publication in the Gazette	7 March 2025
First Reading and commencement of Second Reading debate	19 March 2025
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

¹ The amendment is required to allow the taxpaying businesses with eligible intellectual property income being charged at the concessionary tax rate under the patent box regime to enjoy the proposed one-off reduction.

IMPLICATIONS OF THE PROPOSAL

7. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It will not affect the binding effect of the existing provisions of the IRO. The economic, financial and family implications of the proposed one-off tax reduction measures are set out at B **Annex B**. The proposed measures have no productivity, environmental, civil service or gender implications, and no sustainability implications other than those set out in the economic implication paragraph in **Annex B**.
B

PUBLIC CONSULTATION

8. We have formulated the proposed one-off tax reduction measures after taking into account views received during the Budget consultation process. Owing to the confidentiality of the Budget, we have not carried out prior consultation for the proposed measures.

PUBLICITY

9. We will issue a press release on 5 March 2025. A spokesperson will be available to answer media and public enquiries.

ENQUIRY

10. Enquiries on this Brief can be directed to Miss Josephine TSANG, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
March 2025

A BILL
To

Amend the Inland Revenue Ordinance to give effect to a proposal concerning tax concessions in the Budget introduced by the Government for the 2025–2026 financial year; to provide that section 3 of Schedule 17FD to the Ordinance is to be taken into account in computing the amount of profits tax that may be reduced under section 100(2) of the Ordinance; and to provide for related matters.

Enacted by the Legislative Council.

1. **Short title**
This Ordinance may be cited as the Inland Revenue (Amendment) (Tax Concessions) Ordinance 2025.
2. **Inland Revenue Ordinance amended**
The Inland Revenue Ordinance (Cap. 112) is amended as set out in sections 3, 4 and 5.
3. **Section 100 amended (reduction of taxes)**
Section 100(2)(a), after “14ZV”—

Add
“and section 3 of Schedule 17FD”.
4. **Schedule 17FD amended (eligible IP income: concessionary tax treatment and nexus requirement for ascertaining concessionary portion)**
Schedule 17FD—

Repeal
“80 & 82A]”
Substitute
“80, 82A & 100]”.

5. **Schedule 43 amended (reduction of taxes)**

At the end of Schedule 43—

Add	
“For the year of assessment 2024/25	
Column 1 (section)	Column 2 (prescribed percentage or prescribed amount)

- | | |
|----------------------------------|-----------|
| 1. Salaries tax | |
| (a) section 100(1)(a) | 100% |
| (b) section 100(1)(b) | \$1,500 |
| 2. Profits tax | |
| (a) section 100(2)(a) | 100% |
| (b) section 100(2)(b) | \$1,500 |
| 3. Tax under personal assessment | |
| (a) section 100(4)(a) | 100% |
| (b) section 100(4)(b) | \$1,500”. |

Explanatory Memorandum

The main object of this Bill is to amend the Inland Revenue Ordinance (Cap. 112) (***Ordinance***) to give effect to a proposal concerning tax concessions in the Budget introduced by the Government for the 2025–2026 financial year.

2. Clause 1 sets out the short title.
3. Clause 3 amends section 100(2) of the Ordinance to provide that in computing the amount of profits tax that may be reduced under that section, section 3 of Schedule 17FD to the Ordinance is to be taken into account.
4. Clause 4 consequentially amends Schedule 17FD to the Ordinance to add a reference to section 100 of the Ordinance to that Schedule.
5. Clause 5 amends Schedule 43 to the Ordinance to the effect that, for the year of assessment 2024/25, the salaries tax, profits tax and tax under personal assessment payable are to be reduced, in each case, by an amount equal to the lesser of the whole amount of the tax and \$1,500.

Implications of the Proposal

Economic Implications

The proposed one-off reductions will help reduce the financial burden of taxpayers and can stimulate the economy to a certain extent.

Financial Implications

2. The proposed one-off reductions of salaries tax, tax under PA and profits tax for YA 2024/25 will reduce government revenue by about \$3 billion in 2025-26.

Family Implications

3. The proposed one-off concession will help improve taxpayers' capability to foster care of their family members.