Major sources of government revenue

(Data as at 24 May 2024)

Research Office
Legislative Council Secretariat

Numbers & Figures

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1. Sources of government revenue

1.1 Government revenue is the aggregate of operating revenue[1] and capital revenue.[2] For the fiscal year 2023-2024, government revenue decreased by 11.7% to HK$549.4 billion (**Table 1**), due mainly to drop in revenue from land premium and stamp duties. In 2023-2024, profits tax was the largest revenue item, accounting for 31.0% of total revenue, followed by salaries tax (14.5%), investment income (13.6%) and stamp duties (8.9%). Taken together, these four items took up around 68% of total government revenue (**Table 2**). Looking ahead, total revenue is forecast to increase by 15.2% to HK$633.0 billion in 2024-2025, according to the Budget released in February 2024.

Table 1 – Government revenue (HK$ billion)[(1)]

	2021-2022 (Actual)	**2022-2023 (Actual)**	**2023-2024 (Actual)**	**2024-2025 (Budget Estimates)**
Operating revenue	528.4 (76.2%)	513.4 (82.5%)	508.3 (92.5%)	580.7 (91.7%)
Capital revenue	165.2 (23.8%)	108.8 (17.5%)	41.2 (7.5%)	52.3 (8.3%)
Government revenue[(2)]	**693.6 (100%)**	**622.1 (100%)**	**549.4 (100%)**	**633.0 (100%)**

Notes: (1) Figures in brackets shown in the table represent percentage shares in the total government revenue.
(2) Individual figures may not add up to the total due to rounding.
Sources: Financial Services and the Treasury Bureau, and The Treasury.

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1 Operating revenue comprises revenue credited to the General Revenue Account, which includes direct and indirect taxes and excludes those items which are treated as capital revenue such as loan repayments received. Major types of tax and their corresponding rates applicable in 2024-2025 are set out in **Table 3**.

2 Capital revenue consists of certain revenue items in the General Revenue Account and all receipts credited to the following seven Funds: Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Loan Fund and Lotteries Fund.

Table 2 – Government revenue by item (HK$ billion)[1]

	2021-2022 (Actual)	2022-2023 (Actual)	2023-2024 (Actual)	2024-2025 (Budget Estimates)
Profits tax	167.3 (24.1%)	174.2 (28.0%)	170.5 (31.0%)	180.2 (28.5%)
Salaries tax	75.6 (10.9%)	79.5 (12.8%)	79.9 (14.5%)	87.6 (13.8%)
Investment income	62.9 (9.1%)	63.8 (10.3%)	63.4 (11.5%)	80.9 (12.8%)
Stamp duties	99.7 (14.4%)	70.0 (11.2%)	49.1 (8.9%)	71.0 (11.2%)
General rates	19.3 (2.8%)	19.1 (3.1%)	28.2 (5.1%)	32.4 (5.1%)
Other operating revenue[2]	103.6 (14.9%)	106.8 (17.2%)	117.2 (21.3%)	128.6 (20.3%)
Operating revenue[3]	***528.4 (76.2%)***	***513.4 (82.5%)***	***508.3 (92.5%)***	***580.7 (91.7%)***
Land premium[4]	143.0 (20.6%)	69.9 (11.2%)	19.6 (3.6%)	33.0 (5.2%)
Investment income	17.6 (2.5%)	29.5 (4.7%)	11.6 (2.1%)	8.9 (1.4%)
Other capital revenue[2]	4.6 (0.7%)	9.4 (1.5%)	10.0 (1.8%)	10.4 (1.6%)
Capital revenue[3]	***165.2 (23.8%)***	***108.8 (17.5%)***	***41.2 (7.5%)***	***52.3 (8.3%)***
Government revenue[3]	**693.6 (100%)**	**622.1 (100%)**	**549.4 (100%)**	**633.0 (100%)**

Notes: (1) Figures in brackets shown in the table represent percentage shares in the total government revenue.
(2) Other operating revenue includes fees and charges, betting duty, government rents and duties. Other capital revenue includes loan repayments received by the various funds, and recovery of the land costs for the flats sold under the Home Ownership Scheme from the Hong Kong Housing Authority.
(3) Individual figures may not add up to the total due to rounding.
(4) Breakdown of the land premium is shown in **Table 4**.

Sources: Financial Services and the Treasury Bureau, and The Treasury.

Table 3 – Major tax/charging rates for 2024-2025

Types	Details
Profits tax[1]	<u>Corporations</u> • 8.25% for the first HK$2 million of assessable profits; and • 16.5% for the remaining assessable profits. <u>Unincorporated businesses</u> • 7.5% for the first HK$2 million of assessable profits; and • 15% for the remaining assessable profits.
Salaries tax	• Tax payable is calculated at the following rates, whichever is lower: (a) Progressive rates: 2%-14% on the first four HK$50,000 segments of net chargeable income (i.e. income after deductions and allowances) and 17% on the remaining portion; or (b) Two-tiered standard rates: 15% on the first HK$5 million of net income (i.e. income after deductions but before allowances) and 16% on the remainder.[2]
Stamp duties	<u>Sale or transfer of property</u> • Starting from 28 February 2024, residential properties are subject to stamp duties of HK$100-4.25% of the transaction value or market value of property.[3] • For non-residential properties, they are also subject to stamp duties of HK$100-4.25% of the transaction value or market value.

Notes: (1) The two-tiered profits tax rates regime took effect in April 2018.
(2) Implementation starts from the year of assessment 2024-2025.
(3) In the 2024-2025 Budget, it was announced that all demand-side management measures for residential properties would be scrapped with effect from 28 February 2024. These measures, which had been in place gradually since 2010, included the (a) **Special Stamp Duty** on resale of residential properties; (b) **Buyer's Stamp Duty** on residential properties acquired by any person except a Hong Kong permanent resident; and (c) **New Residential Stamp Duty** on residential properties acquired by buyers who already owned at least one residential property or who purchased multiple residential properties under a single instrument.

Table 3 – Major tax/charging rates for 2024-2025 (cont'd)

Types	Details
Stamp duties (cont'd)	Lease of property • 0.25%-1% of the yearly rent depending on the term of lease. Stock trade • 0.1% of the consideration or value of each transaction payable by both buyers and sellers.(4)
Betting duty	Horse races bets • 72.5%-75% on the net stake receipts, depending on the amount of receipts. Football matches bets • 50% on the net stake receipts.(5) Mark Six Lottery • 25% on the amount of proceeds.
General rates	• 5% of the rateable annual rent of landed property currently; progressive rating system to be in place in the fourth quarter of 2024-2025.(6)
Government rents	• 3% of the rateable value of landed property.
Hotel Accommodation Tax	• 3% of room rate(7), with effect from 1 January 2025.

Notes: (4) The rate of stamp duty for transaction of Hong Kong stock was reduced from 0.13% to 0.1%, effective from 17 November 2023.

(5) The Government is imposing an annual special football betting duty of HK$2.4 billion on the Hong Kong Jockey Club for five years beginning from 2023-2024. The current betting duty rates remain unchanged.

(6) The Government will introduce the relevant bill into the Legislative Council in June 2024, with the aim of implementing the progressive rating system for domestic properties starting from the fourth quarter of 2024-2025. It is proposed that for properties with rateable value ("RV") over HK$550,000, rates will be charged at 5%-12% of RV on a progressive basis. For properties with RV of HK$550,000 or below, rates will remain at 5% of RV.

(7) The 2024-2025 Budget proposed to re-impose the Hotel Accommodation Tax, which had been waived since 2008. The Government will move a resolution at the Legislative Council to give effect to the proposal.

Sources: Inland Revenue Department, and Rating and Valuation Department.

Table 4 – Breakdown of the land premium (HK$ billion)[1]

	2021-2022 (Actual)	2022-2023 (Actual)	2023-2024 (Actual)	2024-2025 (Budget Estimates)
Sales by public auction and tender	91.6 (64.1%)	33.6 (48.1%)	7.3 (37.1%)	Breakdown not available
Modification of existing leases, exchanges and extensions	44.2 (30.9%)	34.3 (49.1%)	11.6 (59.0%)	
Fees received in respect of short term waivers[2]	0.3 (0.2%)	0.2 (0.4%)	0.6 (3.1%)	
Private treaty grants	6.9 (4.8%)	1.7 (2.5%)	0.1 (0.7%)	
Total[3]	**143.0 (100%)**	**69.9 (100%)**	**19.6 (100%)**	**33.0[4] (100%)**

Notes: (1) Figures in brackets shown in the table represent percentage shares in the total land premium.
(2) Government leases, under which all private properties in Hong Kong are held, usually contain restrictions to the use of land and buildings. Nevertheless, a leaseholder may apply for a short term waiver from the Lands Department to temporarily relax the restriction(s) under the lease. If the waiver application is approved, the Government will require the leaseholder to pay a fee reflecting the enhanced value of the property for the waiver period.
(3) Individual figures may not add up to the total due to rounding.
(4) The Government only provides the estimate for the total land premium receivable in 2024-2025 without breakdown in view of the market-driven nature of the land sales. The total land premium for 2024-2025 is estimated having regard to both the overall performance of the property market and the prevailing market conditions.

Sources: Financial Services and the Treasury Bureau, and The Treasury.

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Note: ^ Internet resources listed in this section were accessed in May 2024.