



Hong Kong Tax Newsflash

Passage of progressive rating system for domestic tenements and resumption of hotel accommodation tax

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The Legislative Council passed the Bill¹, which seeks to implement a new progressive rating system for domestic tenements with rateable value (RV) exceeding HKD550,000 yesterday. The new system will take effect from the fourth quarter² of the 2024-25 fiscal year (i.e. January to March 2025).

[Progressive rating system for domestic tenements](#)

Historically, rates were charged at a flat rate of 5% on the annual RV of tenements which generally reflects their rental value. To uphold the “affordable users pay” principle and to generate additional revenue, the Financial Secretary introduced the progressive rating system in the 2022-23 Budget Speech.

For domestic tenements with RV of HKD550,000 or below (about 98% of private domestic tenements), the rates percentage charge remains at 5%. This new system will only apply to domestic tenements with RV over HKD550,000 and will take effect from the fourth quarter of 2024-25 onwards. The progressive rating scale is set out below:

Annual RV of domestic tenements	New rates percentage charges
First HKD550,000	5%
Next HKD250,000	8%
Remainder	12%

- The progressive rating system will apply to tenements used wholly or mainly for domestic purposes, including parking spaces used by the owners or occupiers of these tenements.
- Non-domestic tenements used for the purpose of business activities or social services (e.g. hotel, guesthouse, child care centre, home for the elderly persons, etc.) are not subject to the new progressive rating system.
- Multiple domestic tenements or multiple units within the same domestic premises may be assessed as a single tenement (“en-bloc” domestic tenement). The Rating and Valuation Department is empowered to value two or more tenements together as a single tenement by considering various factors, e.g. physical setting and mode of occupation, etc.
- Certain en-bloc domestic tenements (e.g. public rental housing flats and dormitories provided by non-profit-making registered schools, religious institutions, etc.) will be carved out from the progressive rating system.

Hotel Accommodation Tax

The Legislative Council also passed the resolution to resume the collection of hotel accommodation tax³ at a rate of 3% with effect from 1 January 2025.

¹ Rating (Amendment) Bill 2024

² Ratepayers are subject to quarterly payment.

³ Please see our [Hong Kong Tax Newsflash – Issue 222](#) for details.

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