



Related Tax Rules of Guide to Tax Return – Individuals

Reference
to Tax
Return

Property Tax

Part 3

Property Tax is charged on owners of properties situated in Hong Kong in respect of income derived from the properties.

3 (3)

(a) “Income” includes:-

- Gross rent received or receivable,
- Payment for the right of use of premises under licence,
- Service charges or management fees paid to the owner,
- Owner's expenditure borne by the tenant, e.g. repairs and Property Tax paid by the tenant,
- Sums previously deducted as irrecoverable rent and now recovered, and
- Lump sum premium (A lump sum premium received or receivable in respect of a lease exceeding 1 year is to be spread on an equal monthly instalment basis over the period of the lease, or over a period of 3 years, whichever is the shorter. In this case, you should include in the return the monthly instalments related to the year).

3 (4)

(b) **Deductions:-**

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- Only rates (not of rates concession) agreed to be paid and paid by the owner and irrecoverable rent can be claimed for deduction.
- Irrecoverable rent means any consideration that has been reported any of your tax returns and it has become irrecoverable during the year. Please note that the portion of rent in arrears set-off by rental deposit cannot be regarded as irrecoverable.
- Government rent, management fees, renovation or refurbishment expenses and utilities charges are non-deductible items.
- For certain properties in Hong Kong, Government rent is payable quarterly from the date of extension of lease or 1.7.1997, as appropriate, and charged together with rates. Please make sure not to include the amount of Government rent in the claim for deduction of rates so as to avoid an incorrect claim.



Related information — [A guide to Property Tax \(1\)](http://www.ird.gov.hk/eng/pdf/pam54e.pdf)
under the Department's (www.ird.gov.hk/eng/pdf/pam54e.pdf)
web site — [A guide to Property Tax \(2\)](http://www.ird.gov.hk/eng/pdf/pam55e.pdf)
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