PKF Hong Kong

2025-2026
Hong Kong Budget Summary

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The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po, delivered the 2025-26 Budget Speech in the Legislative Council on 26 February 2025. The speech focused on measures designed to stimulate economic growth, enhance social welfare, and promote innovation and sustainability. Chan emphasised the necessity of fiscal prudence while addressing various sectors' needs, reaffirming the government's commitment to fostering a resilient economy and improving the quality of life for all residents.

Highlights of the Budget Speech

Profits Tax

- A one-off tax reduction of 100% of profits tax for 2024-25, subject to a ceiling of HK$1,500.

Global Minimum Tax

- In January 2025, the Government submitted a bill to the Legislative Council regarding the implementation of the global minimum tax proposal drawn up by the Organization for Economic Co-operation and Development (OECD) to address base erosion and profit shifting (i.e. BEPS 2.0 Pillar Two). The Government aims to apply the global minimum tax rate of 15% on large multinational enterprise (MNE) groups with annual consolidated group revenue of at least EUR750 million and impose the Hong Kong minimum top-up tax starting from 2025.

Salaries Tax

- A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2024-25, subject to a ceiling of HK$1,500.

Stamp Duty

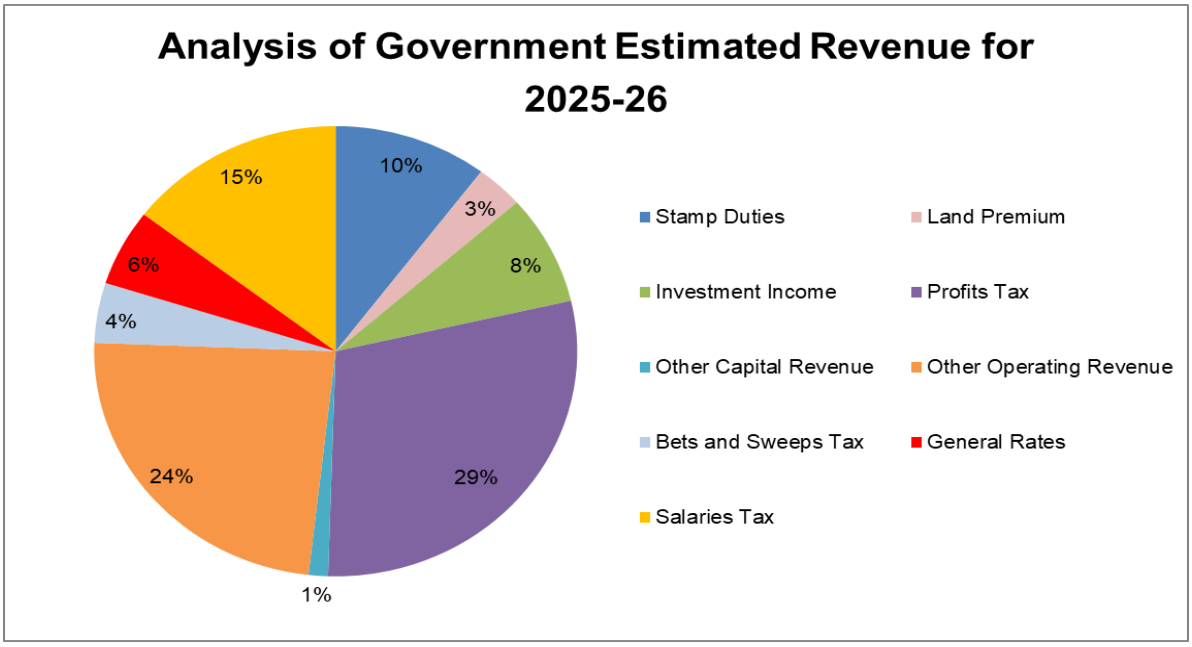
- With immediate effect, the ad valorem stamp-duty rate has been adjusted for both domestic and non-domestic property transactions. Details of the adjustment are provided in the table below:

Amount or value of the consideration	Rates
Up to HK$4,000,000	HK$100
HK$4,000,001 – HK$4,323,780	$100 + 20% of excess over HK$4,000,000
HK$4,323,781 – HK$4,500,000	1.5%
HK$4,500,001 and above	Same as existing arrangements

Other Levies

- Rates for non-domestic properties to be waived for the first quarter of 2025-26, subject to a ceiling of HK$500 for each rateable non-domestic property.

- Rates for domestic properties to be waived for the first quarters of 2025-26, subject to a ceiling of HK$500 for each rateable domestic property. Only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name.



Economic Performance of Hong Kong in 2024

In 2024, Hong Kong's economy demonstrated steady growth despite facing a complex and ever-changing environment. Factors such as an unstable international geopolitical landscape, heightened trade tensions, and rising global interest rates negatively impacted local economic activities and confidence. Nevertheless, China's economy continued to advance steadily, introducing a series of measures that benefited Hong Kong. Coupled with the Government's efforts to stimulate the economy and the U.S. interest rate cuts since mid-September, these factors provided support to various sectors of Hong Kong's economy. As a result, Hong Kong's economy achieved a moderate growth rate of 2.5% in 2024.

The labour market in Hong Kong remained tight, with the most recent unemployment rate holding steady at a low of 3.1%. Inflation remained mild in overall terms. Netting out the effects of the Government's one-off relief measures, the underlying consumer price inflation rate for the year was 1.1%.

Sentiment in the asset markets improved throughout the year, bolstered by a series of measures from the Central Government to support Hong Kong's capital market, coupled with the U.S. rate-cut cycle. The stock market experienced increases in both prices and turnover volume, with the Hang Seng Index climbing by 18% over the year, and the average daily turnover increasing by 26%. Funds raised through new listings reached HK$88 billion.

The residential property market continued to adjust during the first three quarters of the year but stabilized following the interest rate cuts. The number of transactions surged by 23% to approximately 53,000, although property prices declined by 7%. Conversely, the non-residential property market remained stagnant.

Estimates for 2025-2026

Total government revenue for 2025-26 is estimated to be HK$659.4 billion. Operating expenditure is projected at HK$624.2 billion, while capital expenditure is set to reach HK$198.1 billion. This brings total government expenditure for 2025-26 to HK$822.3 billion, marking an increase of 8.95% from the revised estimate for 2024-25. The Financial Secretary forecasts a deficit of HK$67 billion in the consolidated account for 2025-26, with fiscal reserves expected to decrease to HK$580.3 billion by the end of March 2026.

Supporting Schemes for Enterprises

- Propose to inject a total of HK$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales Fund and the Export Marketing and Trade and Industrial Organisation Support Fund.
- Relaunched the principal moratorium arrangement of the SME Financing Guarantee Scheme, allowing enterprises to apply for principal moratorium until November 2025.

Potential Tax- Related Developments

Preferential Tax Regimes for Funds and Single-Family Offices

- Formulate proposals for preferential tax regimes for funds, single family offices and carried interest. This includes expanding the scope of "fund" under the tax concession regimes, increasing the types of qualifying transactions eligible for tax concession for funds and single-family offices, enhancing the tax concession arrangement on the distribution of carried interest by private equity funds, etc.

Other Tax Regimes Concessions and Possible Changes

- Propose to provide half-rate tax concessions to eligible commodity traders and aim to introduce a bill into the Legislative Council in the first half of next year.
- Propose to Introduce of tax deductions on ship acquisition costs for ship lessors under operating leases and aim to introduce a bill into the Legislative Council in the first half of next year.
- Propose to provide tax exemption for green methanol used for bunkering.
- Propose to increase the rate of air passenger departure tax from $120 to $200 per passenger starting from the third quarter of 2025-26.
- Explore the signing of investment agreements with Saudi Arabia, Bangladesh, Egypt, and Peru, and conducting negotiations with 17 countries on Comprehensive Avoidance of Double Taxation Agreements

Salaries Tax		
Personal tax allowances and deductions:		
	2024-25 HK$	2025-26 HK$
Basic allowances:		
Single person's allowance	132,000	132,000
Married person's allowance	264,000	264,000
Additional allowances:		

Child		
- Basic	130,000	130,000
- Additional (in the year of birth)	130,000	130,000
Dependent parent / grandparent:		
a. Aged 55 to 59		
- Basic	25,000	25,000
- Additional (for eligible taxpayers)	25,000	25,000
b. Aged 60 or above		
- Basic	50,000	50,000
- Additional (1)	50,000	50,000
Dependent brother / sister (1)	37,500	37,500
Single parent	132,000	132,000
Disabled dependent	75,000	75,000
Personal disability allowance	75,000	75,000
Additional deductions:		
Self-education expenses (2)	100,000	100,000
Home loan interest		
- Basic (3)	100,000	100,000
- Additional (for eligible taxpayers)	20,000	20,000
Elderly residential care expenses	100,000	100,000
Mandatory contributions to recognized retirement schemes	18,000	18,000
Approved charitable donations (4)	35%	35%
Qualifying premiums paid under the Voluntary Health Insurance Scheme Policy	8,000 per insured person	8,000 per insured person
Qualifying annuity premiums and tax deductible MPF voluntary contributions	60,000	60,000
Domestic Rental Expenses		
- Basic	100,000	100,000
- Additional (for eligible taxpayers)	20,000	20,000

Notes:

1. For whom no child allowance is being claimed.
2. The maximum amount that can be claimed as a deductible expense for training courses attended at approved institutions.
3. The entitlement period for tax deduction is 20 years.
4. The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after the deduction of allowable expenses and depreciation allowances.

1. Standard salaries tax rates:		
	2024-25	2025-26
Net Chargeable Income	Tax rate	Tax rate
First HK$5,000,000	15%	15%
Remainder	16%	16%

2. Progressive salaries tax rates:	
2024-25 and 2025-26	
Net Chargeable Income	Tax rate
First HK$50,000	2%
Next HK$50,000	6%
Next HK$50,000	10%
Next HK$50,000	14%
Remainder	17%

3. Profits Tax		
2024-25 and 2025-26	Business Category	
Assessable Profits	Unincorporated Business	Corporation
First HK$2,000,000 (subject to certain conditions)	7.5%	8.25%
Over HK$2,000,000	15%	16.5%

4. Property Tax	
Taxpayer	2024-25 and 2025-26
Property Owner	15%

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