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Hong Kong

2026-2027
Hong Kong Budget Summary

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2026-2027 Hong Kong Budget Summary

The Financial Secretary of the Hong Kong SAR Government, the Honourable Mr. Paul Chan Mo-po, delivered the 2026-27 Budget Speech in the Legislative Council on 25 February 2026.

The 2026-27 Budget reaffirms Hong Kong's commitment to a simple, low rate tax regime, while using targeted measures to deliver short term relief, sharpen sectoral competitiveness and align with evolving international standards. Stronger than expected revenues from stamp duties and profits tax, together with disciplined spending under the Fiscal Consolidation Programme, have allowed the Government to return the Operating Account to surplus ahead of schedule without broad based rate increases.

Highlights of the Budget Speech

Profits Tax

- A one-off tax reduction of 100% of profits tax for 2025-26, subject to a ceiling of HK$3,000.

Salaries Tax

- A one-off tax reduction of 100% of salaries tax and tax under personal assessment for 2025-26, subject to a ceiling of HK$3,000.
- Basic allowance and single parent allowance will be increased from HK$132,000 to HK$145,000 starting from 2026-27.
- Married person's allowance will be increased from HK$264,000 to HK$290,000 starting from 2026-27.
- Basic child allowance and additional child allowance for each child born will be increased from HK$130,000 to HK$140,000 starting from 2026-27.
- Basic and additional allowances for a dependent parent or grandparent aged 60 or above will be increased from HK$50,000 to HK$55,000 starting from 2026-27.
- Basic and additional allowances for a dependent parent or grandparent aged 55 to 59 will be increased from HK$25,000 to HK$27,500 starting from 2026-27.
- Deduction for elderly residential care expenses will be increased from HK$100,000 to HK$110,000 starting from 2026-27.

Stamp Duty

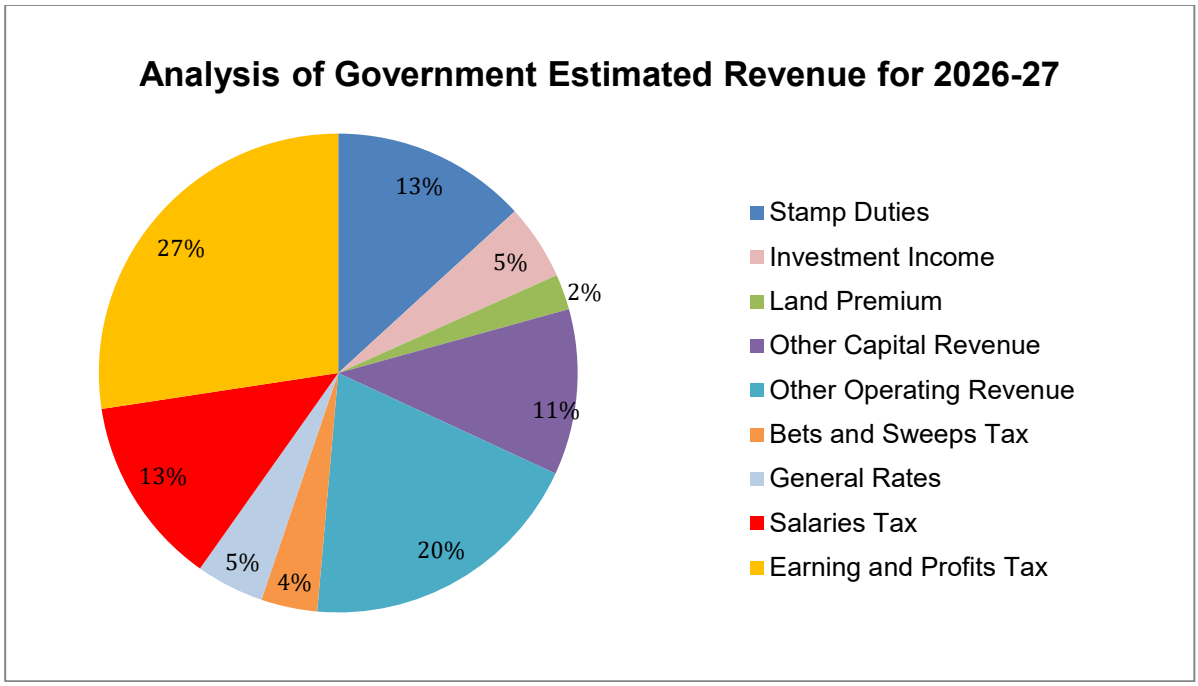
- The stamp duty rate on residential property transactions valued at over HK$100 million will be increased from 4.25% to 6.5%, affecting approximately 0.3% of such transactions.

- Details comparing the current and proposed ad valorem stamp duty rates (excluding marginal relief arrangements) are set out in the table below: -

Amount or value of the consideration (whichever is the higher)	Rates	
	Present	Proposed
Up to HK$4,000,000	HK$100	HK$100
HK$4,000,001 to HK$4,500,000	1.50%	1.50%
HK$4,500,001 to HK$6,000,000	2.25%	2.25%
HK$6,000,001 to HK$9,000,000	3.00%	3.00%
HK$9,000,001 to HK$20,000,000	3.75%	3.75%
HK$20,000,001 to HK$100,000,000	4.25%	4.25%
HK$100,000,001 or above	4.25%	6.50%

Other Levies

- Rates for non-domestic properties will be waived for the first two quarters of 2026-27, subject to a ceiling of HK$500 for each rateable non-domestic property.
- Rates for domestic properties will be waived for the first two quarters of 2026-27, subject to a ceiling of HK$500 for each rateable domestic property.



Economic Performance of Hong Kong in 2025

In 2025, the global and local economic environment remained complex but generally supportive of growth. The US tariff war early last year had intensified global trade tensions, but subsequent preliminary trade agreements with various economies, including consensus with China on key economic and trade issues, helped ease frictions and allowed the global economy to keep expanding. Technological transformation and rapid AI development fuelled a new wave of investment and product demand, with Asia - particularly China - continuing to act as a major engine of global growth. Meanwhile, the resumption of US interest rate cuts since September last year further supported investment and capital market performance, and the IMF projected global growth of about 3.3% in 2025, similar to 2024.

Against this backdrop, Hong Kong's economy was buoyant, recording overall growth of 3.5% for the year, marking a third consecutive year of expansion. External trade stayed strong, private consumption rebounded, and fixed investment accelerated, underpinning this steady performance.

The labour market in Hong Kong gradually stabilised in the latter half of the year, with the most recent unemployment rate standing at 3.8% in the fourth quarter. 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%.

Estimates for 2026-2027

Total government revenue for 2026-27 is estimated to be HK$765.2 billion. Operating expenditure is projected at HK$640.2 billion, while capital expenditure is set to reach HK$203.2 billion. This brings total government expenditure for 2026-27 to HK$843.4 billion, representing an increase of about 6.9% over the revised estimate for 2025-26. On this basis, the Financial Secretary forecasts a deficit of about HK$78 billion in the consolidated account before bond issuance and repayments for 2026-27, but after taking into account net bond proceeds, a consolidated surplus of about HK$22.1 billion is expected, with fiscal reserves projected to increase to HK$679.3 billion by the end of March 2027.

Supporting Schemes for Enterprises

- Propose to inject a total of HK$200 million into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), raising the funding ceiling of "Easy BUD" to HK$150,000 per application. This initiative aims to provide targeted funding support for enterprises in innovative sectors, particularly those focusing on artificial intelligence applications, thereby competitiveness and fostering economic growth.
- Extend the application period for the principal moratorium arrangement, allowing enterprises to apply for a principal moratorium until November 2026, which is designed to alleviate financial pressure on small and medium enterprises ("SMEs") during their recovery phase. Additionally, the Government will extend loan guarantees with a new commitment of HK$20 billion, facilitating improved access to financing for SMEs. These measures ensure continued support for local businesses, enhancing their resilience in a challenging economic environment.
- Introduce a pilot scheme by the Hong Kong Export Credit Insurance Corporation to offer protection for SMEs engaging in exports with higher-risk buyers. This initiative aims to bolster trade opportunities during uncertain market conditions.

Potential Tax-related Developments

- Propose to relax the criteria for stamp duty relief in relation to the intra-group transfer of assets by expanding the scope of eligible associated body corporates.
- Propose to provide additional tax incentives and greater flexibility for Corporate Treasury Centres, with enhancement measures targeted for introduction in the middle of this year. This aims to strengthen Hong Kong's position as a key financial hub and attract global businesses.
- Propose to enhance the tax regime for family offices and funds established in Hong Kong, with a view to introducing the relevant bill into the Legislative Council in the first half of this year. The changes will expand the definition of a "fund" to include specific funds-of-one, thus promoting the establishment of family offices here.
- Propose to review and enhance the tax arrangements for research and development (R&D) expenditures. This will focus on aligning with Greater Bay Area initiatives and promoting new industrialization, ultimately supporting Hong Kong's innovation agenda.
- Propose to refine the tax regime relating to deductions for capital expenditure incurred on acquiring intellectual property or rights to use intellectual property. This is expected to bolster Hong Kong's ambition of becoming a regional hub for intellectual property trading.
- Propose to amend the Inland Revenue Ordinance to implement the Crypto Asset Reporting Framework and the revised Common Reporting Standard issued by the Organisation for Economic Co operation and Development ("OECD") within the next two years. This demonstrates Hong Kong's commitment to align with global tax standards and enhance fiscal transparency.
- Align with the OECD Pillar Two framework by amending the Inland Revenue Ordinance to implement the global minimum tax and Hong Kong's minimum top-up tax for multinational enterprise ("MNE") groups with consolidated annual revenue of at least EUR 750 million. These changes are projected to generate an additional HK$15 billion in tax revenue starting from the 2027-28 fiscal year, necessitating MNEs to review their effective tax rates and tax planning strategies.

Overall, the Government is signaling its intention to further enhance the competitiveness and appeal of Hong Kong's tax regime for businesses and investors, while also ensuring compliance with international standards. This proactive approach reflects an "evolution, not revolution" strategy, aiming to integrate local needs with global practices.

Below are details of the various tax rates for the 2026-27 budget year.

Salaries Tax		
Personal tax allowances and deductions:		
	2025-26 HK$	2026-27 HK$
Personal allowance:		
Basic allowance	132,000	145,000
Married person's allowance	264,000	290,000
Additional allowances:		

Child allowance:		
- Basic	130,000	140,000
- Additional (in the year of birth)	130,000	140,000
Dependent parent / grandparent allowance:		
a. Aged 55 to 59		
- Basic	25,000	27,500
- Additional (1)	25,000	27,500
b. Aged 60 or above		
- Basic	50,000	55,000
- Additional (1)	50,000	55,000
Dependent brother / sister allowance (2)	37,500	37,500
Single parent allowance	132,000	145,000
Disabled dependent allowance	75,000	75,000
Personal disability allowance	75,000	75,000
Additional deductions:		
Self-education expenses (3)	100,000	100,000
Home loan interest		
- Basic (4)	100,000	100,000
- Additional (5)	20,000	20,000
Elderly residential care expenses	100,000	110,000
Mandatory contributions to recognized retirement schemes	18,000	18,000
Approved charitable donations (6)	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 (7)	20,000	20,000

Notes:

(1) For dependent living with taxpayer.
(2) For whom no child allowance is being claimed.
(3) The maximum amount that can be claimed as deductible expense for training courses attended at approved institutions.
(4) The entitlement period for tax deduction is 20 years.
(5) For taxpayer living with child, the entitlement period for tax deduction is 19 years. The deduction will not be allowable if the basic deduction has been claimed for 20 years.
(6) The maximum deduction allowable is restricted to 35% of the taxpayer's assessable income after deduction of allowable expenses and depreciation allowances.
(7) For taxpayer living with child, the entitlement period for tax deduction is 19 years.

1. Standard salaries tax rates:		
	2025-26	2026-27
Net Chargeable Income	Tax rate	Tax rate
First HK$5,000,000	15%	15%
Remainder	16%	16%

2. Progressive salaries tax rates:	
2025-26 and 2026-27	
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		
2025-26 and 2026-27		
2025-26 and 2026-27	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	2025-26 and 2026-27
Property Owner	15%

Action should not be taken solely on the basis of this summary which is only a brief outline of the Financial Secretary's proposals. Please note that some of the proposals may be amended before they actually come into force or may be dropped altogether. If you have any specific concerns or questions on your taxation affairs, please contact your usual PKF contact tax partners or tax executives.

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If you require assistance in any compliance or advisory matters, please feel free to contact our teams.

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