



Hong Kong Budget Summary 2025-2026

kpmg.com/cn



Commentary

On 26 February 2025, the Financial Secretary delivered the Hong Kong SAR Government's ("the Government") 2025-26 Budget ("the Budget"). The Budget was wide ranging in terms of measures to shore up the Government's finances while maintaining investment in public services and longer-term capital projects. For the 2025-26 fiscal year, the Financial Secretary is forecasting a small operating deficit but a large deficit in the capital account. This is attributed to expectations of subdued land sales revenue, and significant expenditure allocated to ongoing capital projects.

The Financial Secretary also forecast an annual budget deficit of HKD 87.2 billion for the 2024-25 fiscal year, almost double its original estimate of HKD 48.1 billion. This is primarily due to the significant shortfall in land related revenue and stamp duty. Despite recording a third consecutive fiscal deficit, Hong Kong's fiscal reserves remain relatively healthy, at an estimated HKD 647.3 billion as of 31 March 2025.

While the international geopolitical landscape and changes in local consumption patterns have created challenges, the local economy has continued to grow moderately. We support measures to:

- Encourage investment in new technology and encourage the Government to move quickly to use technology to improve the efficiency of Government services.
- Strengthen Hong Kong's position as a major international financial centre. This includes removing barriers to market innovation. We are pleased to see that the Government has adopted our proposal of enhancing certain tax policies and rules including the tax incentives for funds and family offices. These measures, coupled with other initiatives to attract and assist the set-up of family offices in Hong Kong, should strengthen the city's position as a key asset and wealth management centre. This should also create jobs and boost demand across a range of professional services to drive economic growth.
- Maintain value for money and restraint in Government expenditure without resorting to drastic spending cuts or significant tax charges / increases beyond those already announced.
- Prioritise investing resources in capital works projects that will improve the social and economic prospects for the people of Hong Kong.

In summary, we are pleased to see a wide variety of measures proposed to boost local economic development and attract strategic international businesses. These measures will be crucial in maintaining Hong Kong's competitiveness in the medium to long term and will help the city maintain sustainable growth. While there is always room for improvement, this is a prudent budget under the current circumstances.

The information contained in the Hong Kong Budget Summary 2025-2026 is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

It should be noted that the information is presented in summary form and readers are advised to seek professional advice before formulating business decisions.

Hong Kong SAR economic indicators

Estimated consolidated fiscal position

In Hong Kong dollars

Hong Kong (SAR)
Government's original
estimated 2024/25
deficit: 48.1 billion



Hong Kong (SAR)
Government's revised
estimated 2024/25
deficit: 87.2 billion



Estimated fiscal reserves
as at 31 March 2025:
647.3 billion



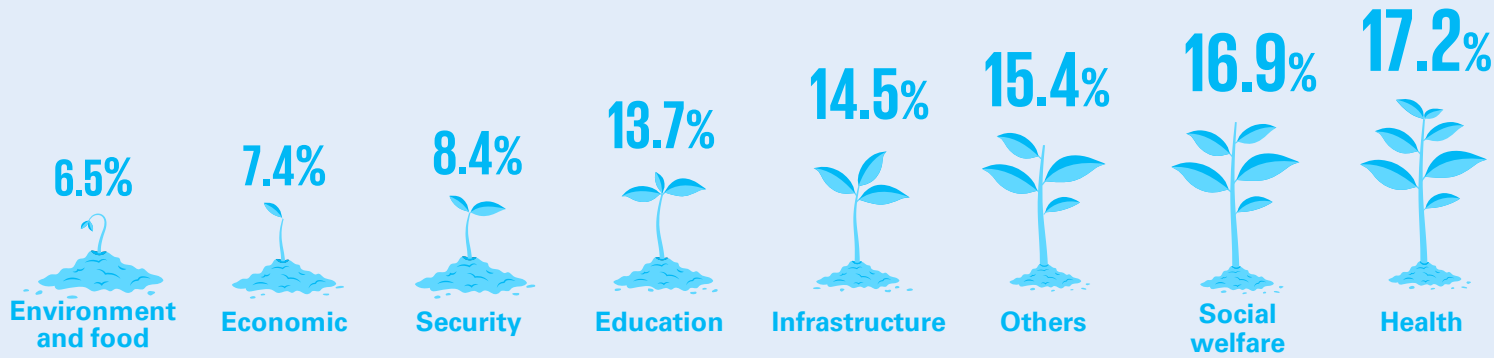
Hong Kong (SAR)
Government's
estimated 2025/26
deficit: 67.0 billion



2025-26 government revenue and expenditure (estimated)

Total government revenue for 2025-26 is estimated to be HKD 659.4 billion (2024-25: HKD 559.6 billion) within which tax revenues (i.e., Profits Tax, Stamp Duty, Salaries Tax) account for 54.0%, followed by investment income at 7.9% and land premiums at 3.2%. Total government expenditure is estimated at HKD 822.3 billion (2024-25: HKD 754.8 billion). Infrastructure, social welfare and healthcare account for about 48.6% of total government expenditure. The government forecasts an overall consolidated deficit of HKD 67.0 billion for 2025-26. Hong Kong's fiscal reserves are predicted to remain healthy at about HKD 647.3 billion as at 31 March 2025. Fiscal reserves are estimated to stand at HKD 579.1 billion by the end of March 2030.

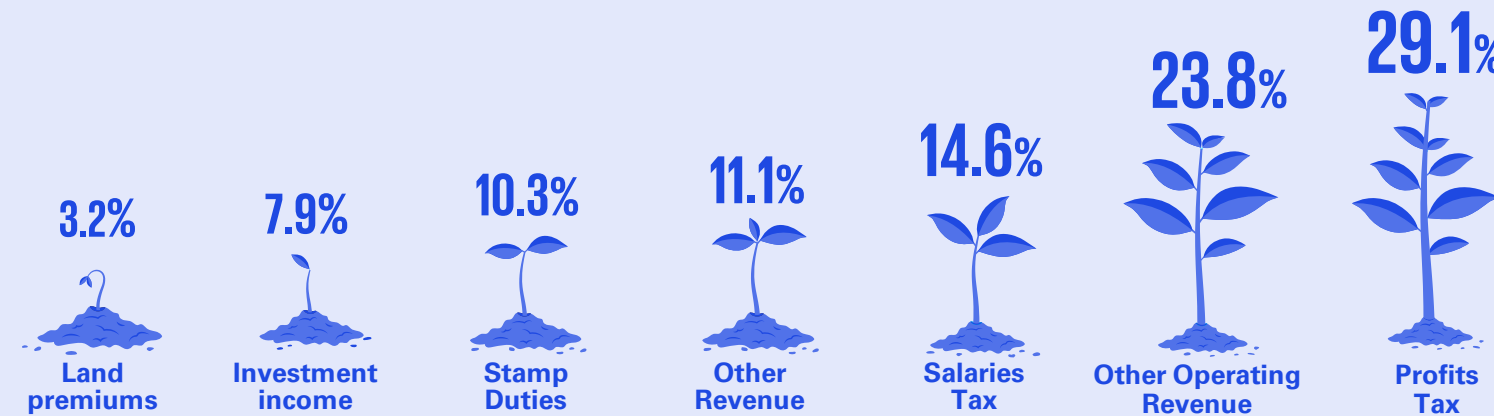
2025-26 Government expenditure (estimated)



Estimated expenditure for 2025-26
HKD 822.3 billion

Revised estimated expenditure for 2024-25
HKD 754.8 billion

2025-26 Government revenue (estimated)



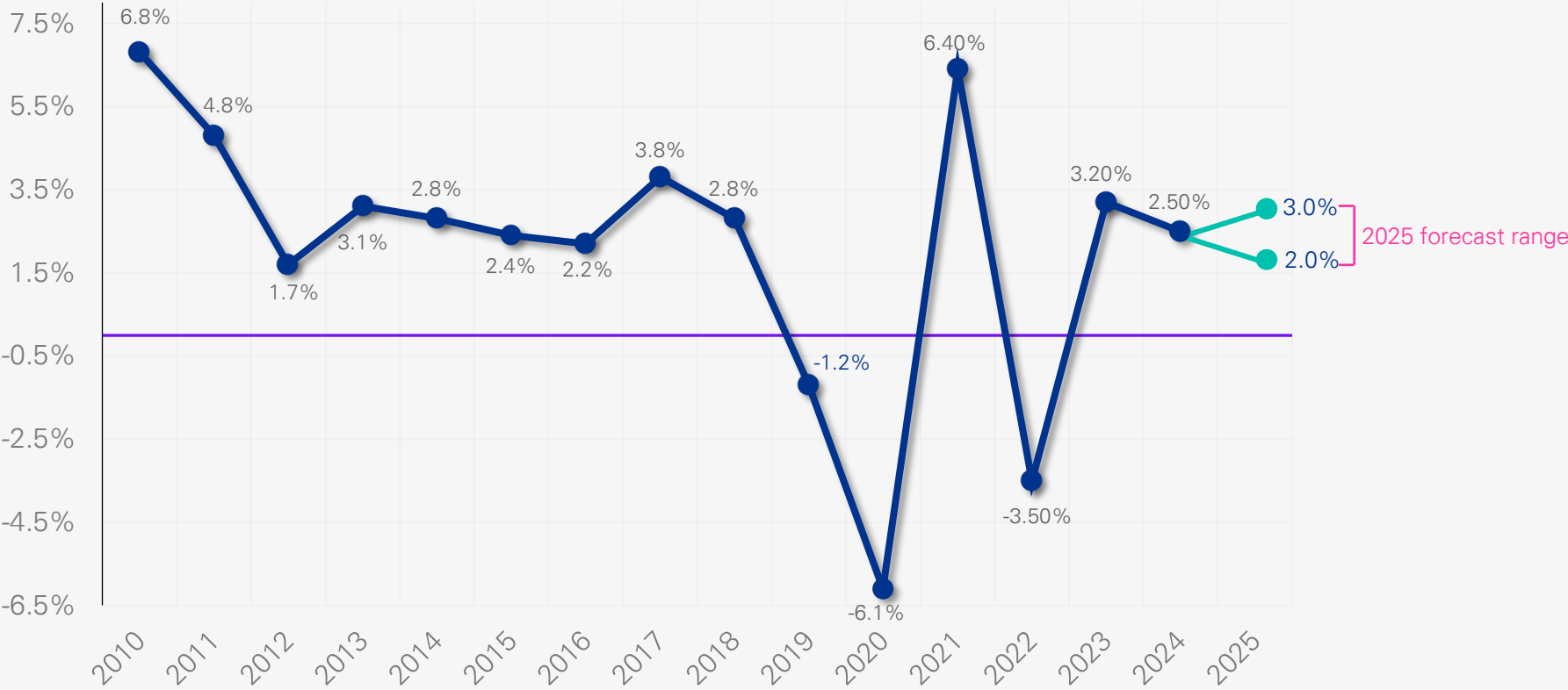
Estimated revenue for 2025-26
HKD 659.4 billion

Revised estimated revenue for 2024-25
HKD 559.6 billion

Source: 2025-26 Budget Speech, HKSAR Government

Real gross domestic product growth rate

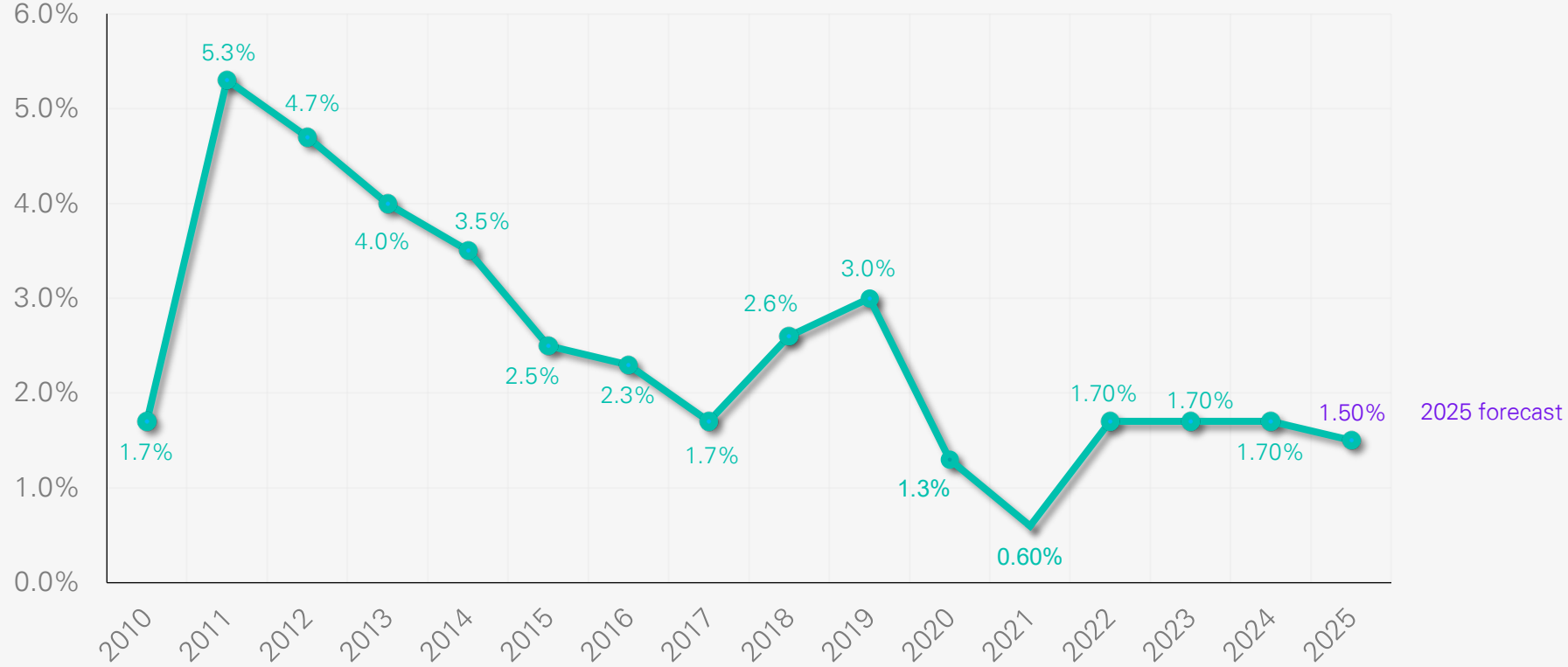
Overall, the Hong Kong economy showed a growth of 2.5% year-on-year. Despite the challenging external environment, positive factors such as the steady growth of the Mainland economy and its proactive fiscal and monetary policies have supported Hong Kong's economic performance. With various measures rolled out by the government to attract enterprises, capital and talent, Hong Kong's economy is expected to remain stable in the foreseeable future.



Source: Census and Statistics Department, HKSAR Government

Underlying inflation rate

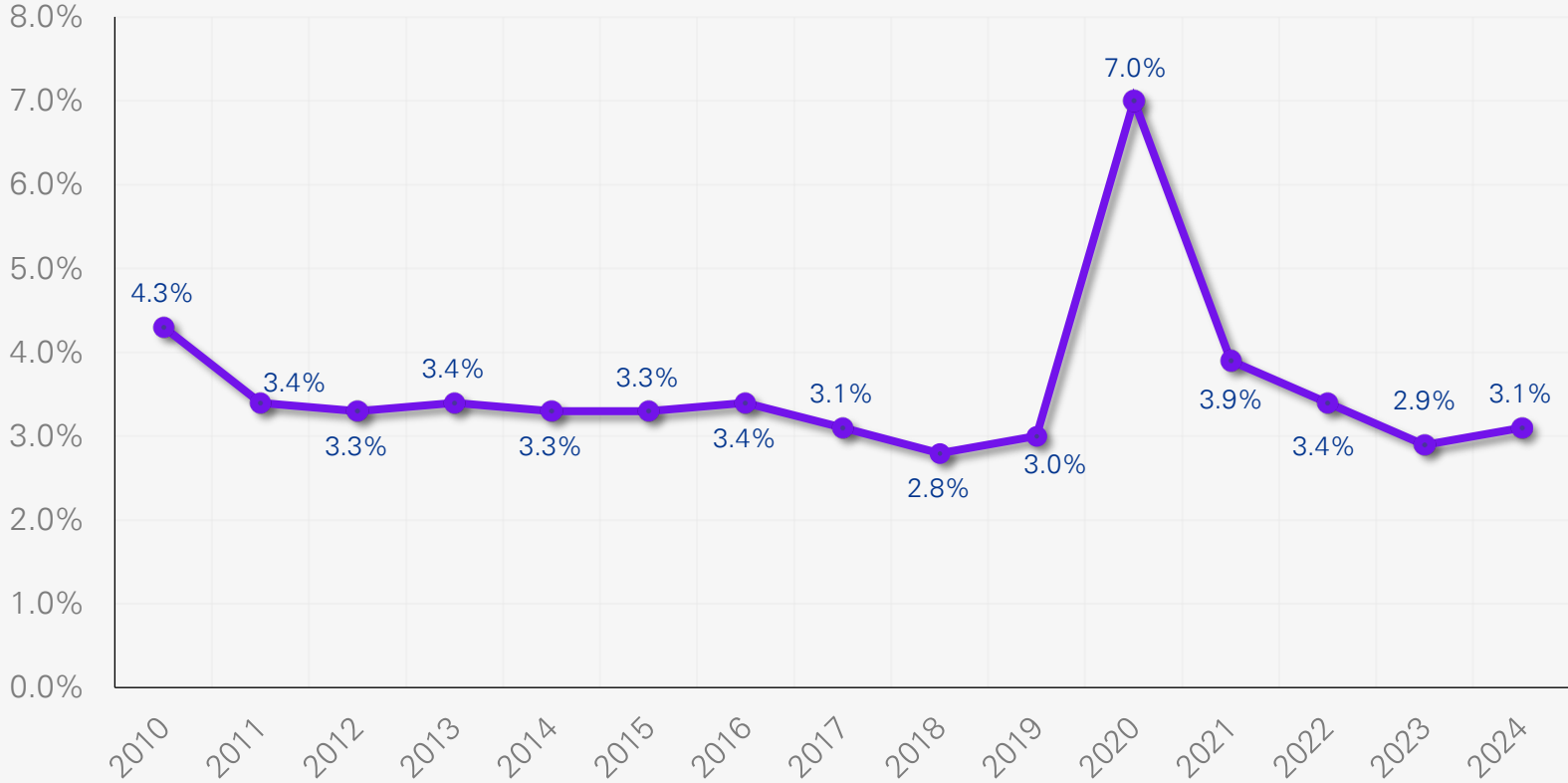
The underlying inflation rate in 2024 is estimated to be 1.5%, which is slightly lower than in the prior year. Looking ahead, the inflation outlook for 2025 will be heavily impacted by the increasing domestic costs as the economy continues to grow. The inflation pressure in Hong Kong should remain moderate in overall terms.



Source: Census and Statistics Department, HKSAR Government

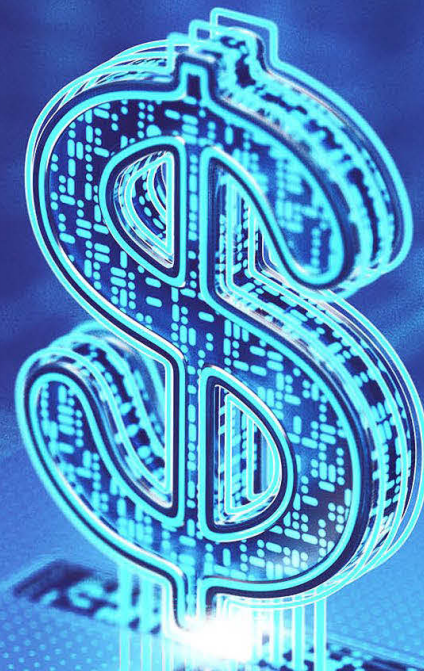
Unemployment rate

The unemployment rate as at January 2025 in Hong Kong was 3.1%. Looking ahead, it is anticipated that the unemployment rate will largely remain at a similar level.



Source: Census and Statistics Department, HKSAR Government

Budget proposals at a glance



Strive for high-quality development



Allocate **HKD 1.23 billion** to the Hong Kong Tourism Board to pursue “Tourism is Everywhere” concept and implement Development Blueprint for Hong Kong’s Tourism Industry 2.0



Launch a **HKD 300 million** subsidy scheme in the middle of the year to encourage the industry to install fast chargers across the city



Earmark **HKD 470 million** for subsidising franchised bus operators to purchase **600** electric buses and over **HKD 130 million** for subsidising the taxi trade to purchase **3,000** electric taxis



Participating banks in the Taskforce on SME Lending have dedicated over **HKD 390 billion** to SME financing.



Hong Kong Park in Hetao Co-operation Zone – **HKD 3.7 billion** earmarked to expedite Phase 1 infrastructure and public facilities; identify suitable land parcels for private development proposals this year



Issue bonds worth **HKD 150 billion** to **HKD 195 billion** each year under the Government Sustainable Bond Programme and the Infrastructure Bond Programme over the next 5 years. About **56%** of which is to be used for re-financing short-term debts



Innovation and Technology



Set aside **HKD 1 billion** to establish the Hong Kong Artificial Intelligence Research and Development Institute to promote the application of research outcomes



Pilot Manufacturing and Production Line Upgrade Support Scheme – **HKD 100 million** earmarked this year to provide funding of up to **HKD 250,000** on with a 1:2 government-to-company matching basis.



Allocate over **HKD 210 million** to install the port community system, enhancing the flow and sharing of data among stakeholders in the maritime, port and logistics industries



Set aside **HKD 15 million** for the Centre of Excellence for Major Project Leaders to enhance professionalism, innovation capabilities and cost-effective management in the construction industry



HKIC, HKSTPC and Cyberport to arrange over **100 technology enterprises** to engage with primary and secondary school students



Supporting SMEs and nurturing local talent



Inject **HKD 1.5 billion** into both the BUD Fund and the Export Marketing and Trade and Industrial Organisation Support Fund, while streamlining application arrangements



Launch a new round of the Research Matching Grant Scheme, totalling **HKD 1.5 billion**, to attract organisations to support research endeavours of institutions



GBA Youth Employment Scheme – Relax the requirements for joining the scheme to include people aged 29 or under with sub-degree or higher qualifications, and increase the allowance limit to **HKD 12,000** a month



Construction Industry Council to allocate **HKD 150 million** to subsidise the construction industry's on-the-job training for graduates of degree programmes in engineering, architecture, surveying, planning and landscape architecture



Caring society



Annual expenditure of about **HKD 100 million** to regularise the Pilot Project on Enhancing Vocational Rehabilitation Services from third quarter of 2025



Additional **1,280 day** community rehabilitation and home-care service places for persons with disabilities, involving additional annual expenditure of about **HKD 160 million**



Number of Community Care Service Vouchers for the Elderly to increase to **12,000**



Number of Residential Care Service Vouchers for the Elderly to increase to **6,000**



Additional annual provision of over **HKD 180 million** to increase emergency places for residential child care and strengthen professional support for child-abuse victims and their families



Land and housing



About **13,700 units** from **8 residential sites** under the 2025/26 Land Sale Programme, railway property developments, private development and redevelopment projects and projects undertaken by Urban Renewal Authority



0 commercial sites will be put on sale in the coming year; however the government will consider re-zoning some commercial sites to residential sites, and allow more flexibility of land use



Make available land for about **80,000 private housing units** in the coming 5 years



Public housing – Total public housing supply will reach **190,000 units** in the coming 5 years



Private housing – Completion of **17,000 units** annually on average in 5 years from 2025. The potential first-hand private residential unit supply for the next 3 to 4 years will be around **107,000 units**

Profits Tax

Profits Tax



Key proposals

No changes proposed to tax rates.
Reduction of 100% in Profits Tax payable for 2024-25, subject to a

ceiling of **HKD 1,500**



Formulate proposals on enhancing preferential tax regimes for funds and single family offices



Review tax deduction arrangement for purchase of intellectual property usage rights and related transactions



Expand Hong Kong's network of comprehensive avoidance of double taxation agreements with 17 countries



Provide half-rate tax concession to eligible commodity traders



Enhance tax measures for the maritime industry including introduction of tax deduction on ship acquisition cost for ship lessors under an operating lease



Tax rates		
	Corporations	Unincorporated businesses
Standard tax rate*	16.5%	15%
Two-tiered Profits Tax rates regime Qualifying taxpayers may be taxed at the following rates: - First HKD 2 million of assessable profits - Remaining balance <i>Note: Only one entity within a group can benefit from the two-tiered rates</i>	8.25% 16.5%	7.5% 15%

*Concessionary regimes are available for certain specified industries or business activities.

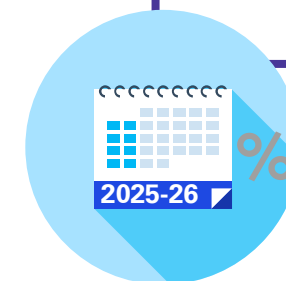
Profits Tax on royalties paid to non-residents

When royalty payment is made to a non-resident associated person and the underlying intellectual property has once been owned by any Hong Kong taxpayer, the assessable profits of the non-resident associated person are deemed to be 100% of the payment (i.e. effective tax rate is 15% or 16.5%). In other cases, the assessable profits of the non-resident person are generally deemed to be 30% of the payment (i.e. effective tax rate is 4.5% or 4.95%). The effective tax rate may be reduced under the terms of the applicable double taxation agreement or election of the two-tiered Profits Tax rates.

Capital allowances	
Depreciation allowances for plant and machinery - Initial allowance - Annual allowance	60% 10%, 20% or 30%
Industrial building allowances - Initial allowance - Annual allowance	20% 4%
Commercial building allowance	4%
Building refurbishment	20% deduction for 5 years
Expenditure on computer hardware and software	100% deduction
Expenditure on environmentally friendly machinery and equipment	100% deduction
Enhanced tax deduction for qualifying research and development expenditure	300% (for the first HKD 2 million) 200% (for the remaining balance)

Source: Inland Revenue Ordinance

No changes proposed in tax rates for 2025-26



Salaries Tax

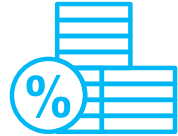


Salaries Tax

Key proposals

Reduction of 100% in Salaries Tax payable for 2024-25, subject to a

ceiling of **HKD 1,500**









Tax rates

The tax charge for Salaries Tax is the lower of the following:

- (a) Net assessable income less charitable donations and allowable deductions at the standard rate (15% on the first \$5,000,000 of net income and 16% on the remainder) or
- (b) Net assessable income less charitable donations, allowable deductions and personal allowances, charged at the progressive rates below.

2018-19	Rate	HKD	2019-20	Rate	HKD	2020-21 to 2025-26	Rate	HKD
First HKD 40,000	2%	800	First HKD 45,000	2%	900	First HKD 50,000	2%	1,000
Next HKD 40,000	7%	2,800	Next HKD 45,000	7%	3,150	Next HKD 50,000	6%	3,000
Next HKD 40,000	12%	4,800	Next HKD 45,000	12%	5,400	Next HKD 50,000	10%	5,000
						Next HKD 50,000	14%	7,000
Remaining balance	17%			17%			17%	

Allowances for individuals		2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD	2025-26 HKD
Personal allowances 	Basic	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Married	264,000	264,000	264,000	264,000	264,000	264,000	264,000
	Single parent	132,000	132,000	132,000	132,000	132,000	132,000	132,000
	Disabled	-	75,000	75,000	75,000	75,000	75,000	75,000
Child allowances 	1st to 9th child (each)							
	- Year of birth	200,000	240,000	240,000	240,000	240,000	240,000	260,000
	- Other years	100,000	120,000	120,000	120,000	120,000	120,000	130,000
Dependent parent and grandparent allowances 	Aged 60 or above, or disabled	46,000	50,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	25,000	25,000	25,000	25,000	25,000	25,000
Additional dependent parent and grandparent allowances 	Aged 60 or above, or disabled	46,000	50,000	50,000	50,000	50,000	50,000	50,000
	Aged between 55 and 59	23,000	25,000	25,000	25,000	25,000	25,000	25,000
Disabled dependent (spouse/child/parent/grandparent/brother/sister) allowances 		75,000	75,000	75,000	75,000	75,000	75,000	75,000
Dependent brother/sister allowances 		37,500	37,500	37,500	37,500	37,500	37,500	37,500

Deductions – maximum limit	2019-20 HKD	2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD	2025-26 HKD
Self-education expenses	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Elderly residential care expenses	92,000	100,000	100,000	100,000	100,000	100,000	100,000
Mandatory contributions to recognised retirement schemes	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Home loan interest	100,000						
Approved charitable donations	35% of assessable income						
Qualifying voluntary health insurance scheme policy Premiums	-	-	8,000 per insured person	8,000 per insured person	8,000 per insured person	8,000 per insured person	8,000 per insured person
Annuity premiums and MPF voluntary contributions	-	-	60,000	60,000	60,000	60,000	60,000
Domestic rents deduction	-	-	-	-	-	100,000	100,000
Assisted reproductive service expenses deduction *	-	-	-	-	-	100,000	100,000

* Subject to the passage of the bill
Source: Inland Revenue Ordinance

Other Taxes

Property Tax, Rates, Stamp Duty and Hotel Accommodation Tax



Key proposals

Hotel Accommodation Tax

No changes proposed



Rating System

A progressive rating system for domestic properties has been effective from 1 January 2025.

Stamp Duty

The maximum value of properties chargeable to a stamp duty of \$100 has been increased to HKD 4 million starting from 26 February 2025.



Property Tax

No changes proposed



Rates (domestic property)

Rates waiver for each domestic property for the first quarter of 2025-26, subject to a ceiling of HKD 500 for each rateable property



Rates (non-domestic property)

Rates concession for each non-domestic property for the first quarter of 2025-26, subject to a ceiling of HKD 500 for each rateable property

Stamp Duty



Lease of immovable properties

Lease term	Rate
Not defined or is uncertain	0.25% of the yearly or average yearly rent
Does not exceed 1 year	0.25% of the total rent payable over the term of the lease
Exceeds 1 year but not exceeding 3 years	0.5% of the yearly or average yearly rent
Exceeds 3 years	1% of the yearly or average yearly rent

Sale and purchase of Hong Kong stocks

Tax rate
0.20% of the consideration or the market value of the stock as at the transfer date – whichever is higher

Sale or transfer of immovable properties



Ad valorem stamp duty



Property consideration		
Exceeds	Does not exceed	Scale 2 rates* (for non-residential properties)
	HKD 4,000,000	HKD 100
HKD 4,000,000	HKD 4,323,780	HKD 100 + 20% of excess over HKD 4,000,000
HKD 4,323,780	HKD 4,500,000	1.5%
HKD 4,500,000	HKD 6,000,000	2.25%
HKD 6,000,000	HKD 9,000,000	3.0%
HKD 9,000,000	HKD 20,000,000	3.75%
HKD 20,000,000		4.25%

* Subject to marginal relief
Applicable to any instrument executed on or after 26 February 2025 for the sale and purchase or transfer of residential and non-residential property

Hotel Accommodation Tax

Tax rate	3%
-----------------	-----------

Increase from 0% to 3% starting from 1 January 2025

Property Tax

Tax rate	15%
-----------------	------------

The tax rate is applied to the “net assessable value” of the property which is calculated at the total rent receivable (net of rates) less 20% statutory allowance for repairs and outgoings.

Sources: Inland Revenue Ordinance
Stamp Duty Ordinance
Rating and Valuation Department’s website

Rates

Annual rateable value (Equivalent monthly rental)	Rates *
HKD 550,000 or below (monthly rental of HKD 45,833 or below)	5%
HKD 550,001 - HKD 800,000 (monthly rental of around HKD 45,833 to HKD 66,667)	First HKD 550,000: 5% Next HKD 250,000: 8%
Above HKD 800,000 (monthly rental of over HKD 66,667)	First HKD 550,000: 5% Next HKD 250,000: 8% Above HKD 800,000: 12%

* A flat rate of 5% was applied to the “rateable value” which is the estimated annual rental value of the property at a designated valuation reference date before 1 January 2025.

About KPMG

KPMG in China has offices located in 31 cities with over 14,000 partners and staff, in Beijing, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Nantong, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Taiyuan, Tianjin, Wuhan, Wuxi, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. It started operations in Hong Kong in 1945. In 1992, KPMG became the first international accounting network to be granted a joint venture licence in the Chinese Mainland. In 2012, KPMG became the first among the “Big Four” in the Chinese Mainland to convert from a joint venture to a special general partnership.

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited (“KPMG International”) operate and provide professional services. “KPMG” is used to refer to individual member firms within the KPMG organisation or to one or more member firms collectively.

KPMG firms operate in 142 countries and territories with more than 275,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. Each KPMG member firm is responsible for its own obligations and liabilities.

Celebrating 80 years in Hong Kong



In 2025, KPMG marks “80 Years of Trust” in Hong Kong. Established in 1945, we were the first international accounting firm to set up operations in the city. Over the past eight decades, we’ve woven ourselves into the fabric of Hong Kong, working closely with the government, regulators, and the business community to help establish Hong Kong as one of the world’s leading business and financial centres. This close collaboration has enabled us to build lasting trust with our clients and the local community – a core value celebrated in our anniversary theme: “80 Years of Trust”.

Contact us



Lewis Lu
National Head of Tax
KPMG China

Tel: +86 21 2212 3421
lewis.lu@kpmg.com



John Timpany
Head of Tax, Hong Kong
KPMG China

Tel: +852 2143 8790
john.timpany@kpmg.com



Alice Leung
Partner
KPMG China

Tel: +852 2143 8711
alice.leung@kpmg.com



Stanley Ho
Partner
KPMG China

Tel: +852 2826 7296
stanley.ho@kpmg.com



Chi Sum Li
Head of Government &
Public Sector in Hong Kong SAR
KPMG China

Tel: +852 2140 2899
chisum.li@kpmg.com

You can access KPMG's *Hong Kong Budget Summary 2025-2026* via QR code



kpmg.com/cn/socialmedia

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG Tax Services Limited, a Hong Kong (SAR) limited liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. © 2025 KPMG, a Hong Kong (SAR) partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in Hong Kong (SAR).

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.