

Hong Kong Budget Summary 2026-2027



Commentary

On 25 February 2026, the Financial Secretary delivered the Hong Kong SAR Government's ("the Government") 2026-27 Budget ("the Budget"). Benefiting from a buoyant stock market and accelerated economic growth, stamp duty and profits tax revenues were higher than expected, and the Government's operating account is expected to record a surplus ahead of schedule in the 2025-26 fiscal year.

Despite substantial expenditure on various capital projects and a resulting deficit in the capital account, the Financial Secretary forecasts that, after accounting for the issuance and repayment of government bonds, the fiscal position for the 2025-26 fiscal year has improved from the previously estimated budget deficit of HKD 67 billion to a budget surplus of HKD 2.9 billion—the first surplus recorded since 2021-22. Hong Kong's fiscal reserves remain relatively healthy and are projected to stand at HKD 657.2 billion as at 31 March 2026.

International geopolitical and economic conditions continue to be complex and volatile, but Hong Kong's economy remains resilient, with local economic growth exceeding expectations. We are pleased to see that the Budget proposes a number of measures to align with the National 15th Five-Year Plan, support Hong Kong's next stage of development, and maintain Hong Kong's attractiveness to global capital, these include:

- Promoting the development of innovation and technology in Hong Kong, raising public awareness and adoption of artificial intelligence, and using technology to improve government services. At the same time, the Government plans to refine tax deductions for R&D activities to strengthen scientific collaboration between Hong Kong and the Greater Bay Area;
- We are pleased that the Government has adopted our recommendations to enhance tax policies and rules to strengthen Hong Kong's status as an international financial centre. This includes enhancing tax incentives for funds and family offices by broadening the definition of "fund" and recognising digital assets, precious metals, and certain commodities as eligible investments for tax concessions;
- Beyond the traditional asset and wealth management industry, the Budget also proposes several measures to support emerging areas in the financial sector, including providing additional tax incentives and flexibility for corporate treasury centres and their associated companies, as well as various measures targeting the development of digital assets;
- The Budget also increases investment in the Northern Metropolis to create jobs, attract investment, and promote high-quality, high value-added, and diversified economic development.

In summary, we are pleased to see a range of measures to facilitate local economic transformation and sustainable development in the Budget. These measures are essential for maintaining Hong Kong's competitiveness in the medium to long term and achieving sustainable growth.

The information contained in the Hong Kong Budget Summary 2026-2027 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.

Content

Hong Kong SAR economic indicators 04

05

Estimated consolidated fiscal position

06

2026-27 government revenue and
expenditure (estimated)

07

Real gross domestic product
growth rate

08

Underlying inflation rate

09

Unemployment rate

Budget proposals at a glance 10

11

Striving for diversified development

12

Developing the Northern Metropolis

13

Driving growth with innovation
and technology

14

Supporting SMEs and nurturing local
talent

15

Caring society

16

Land and housing

Profits Tax 17

Salaries Tax 20

Other Taxes 23

24

Property Tax, Rates, Stamp Duty and Hotel
Accommodation Tax



Hong Kong SAR economic indicators

Estimated consolidated fiscal position

In Hong Kong dollars

**Hong Kong (SAR)
Government's original
estimate 2025/26**

deficit: 67.0 billion



**Hong Kong (SAR)
Government's revised
estimate 2025/26**

surplus: 2.9 billion



**Estimated fiscal reserves
as at 31 March 2026:**

657.2 billion



**Hong Kong (SAR)
Government's estimate
for 2026/27**

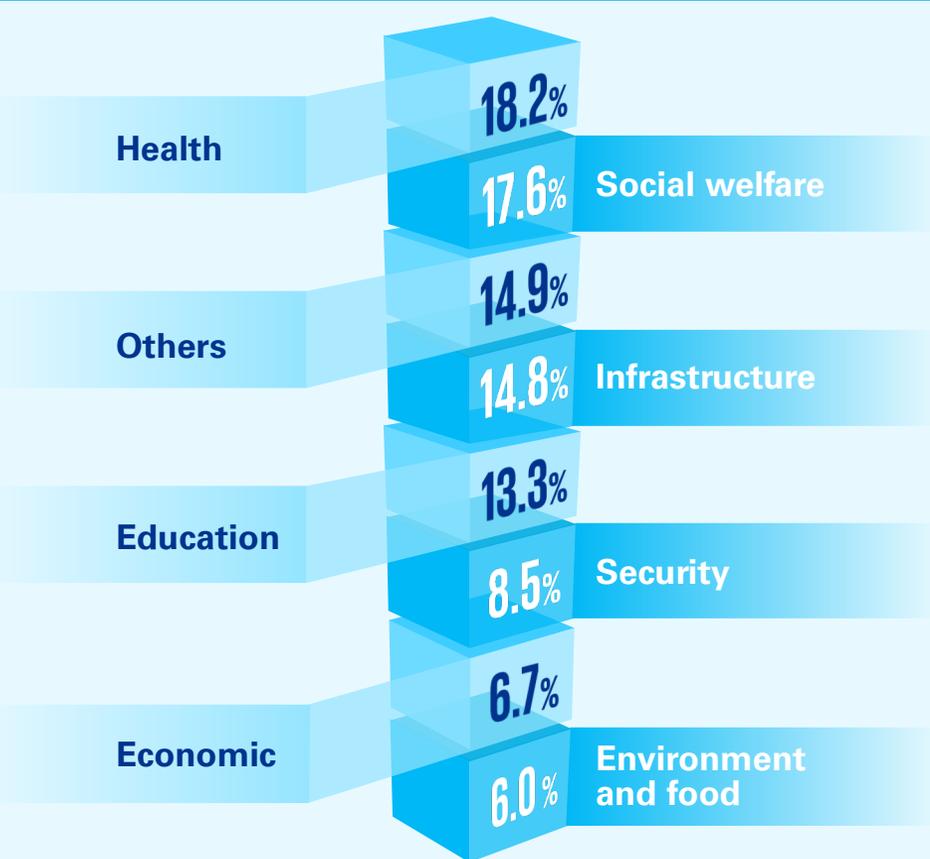
surplus: 22.1 billion



2026/27 government revenue and expenditure (estimated)

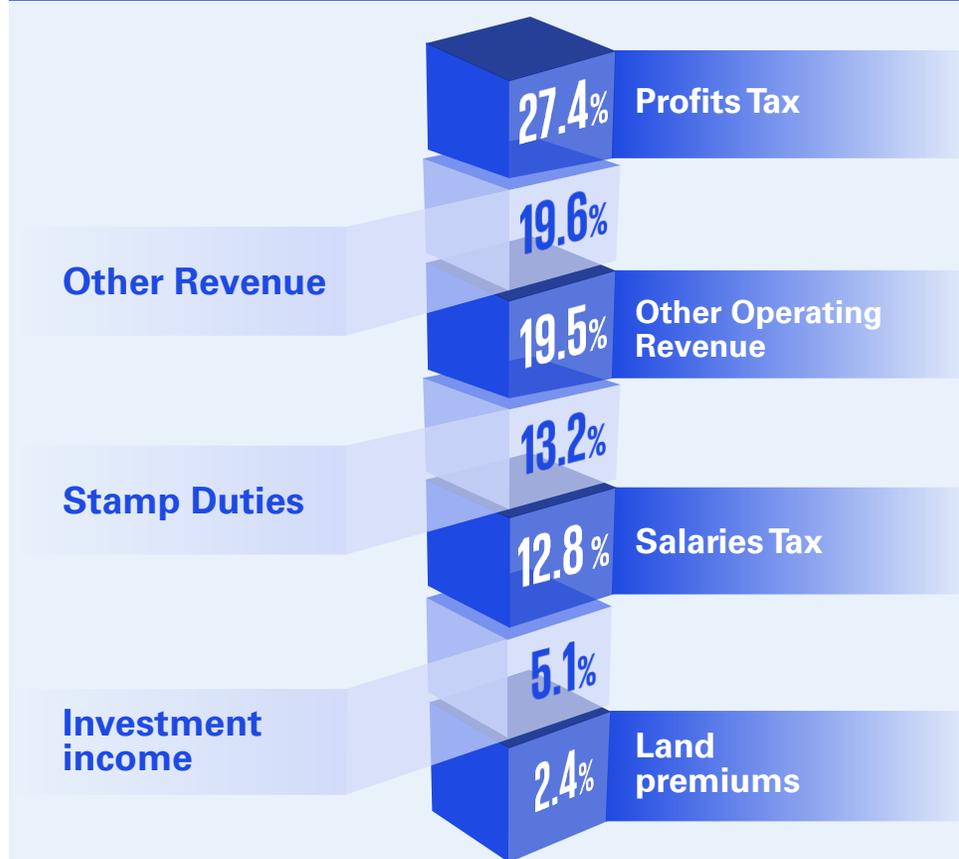
Total government revenue for 2026-27 is estimated to be HKD 765.2 billion (2025-26: HKD 688.8 billion) within which tax revenues (i.e., Profits Tax, Stamp Duties, Salaries Tax) account for 53.4%, followed by investment income at 5.1% and land premiums at 2.4%. Total government expenditure is estimated at HKD 843.4 billion (2025-26: HKD 789.2 billion). Infrastructure, social welfare and healthcare account for about 50% of total government expenditure. The government forecasts an overall consolidated surplus of HKD 22.1 billion for 2026-27. Hong Kong's fiscal reserves are predicted to remain healthy at about HKD 657.2 billion as at 31 March 2026. Fiscal reserves are estimated to stand at HKD 733.7 billion by the end of March 2031.

2026-27 Government expenditure (estimated)



Estimated expenditure for 2026-27 HKD 843.4 billion	Revised estimated expenditure for 2025-26 HKD 789.2 billion
---	---

2026-27 Government revenue (estimated)

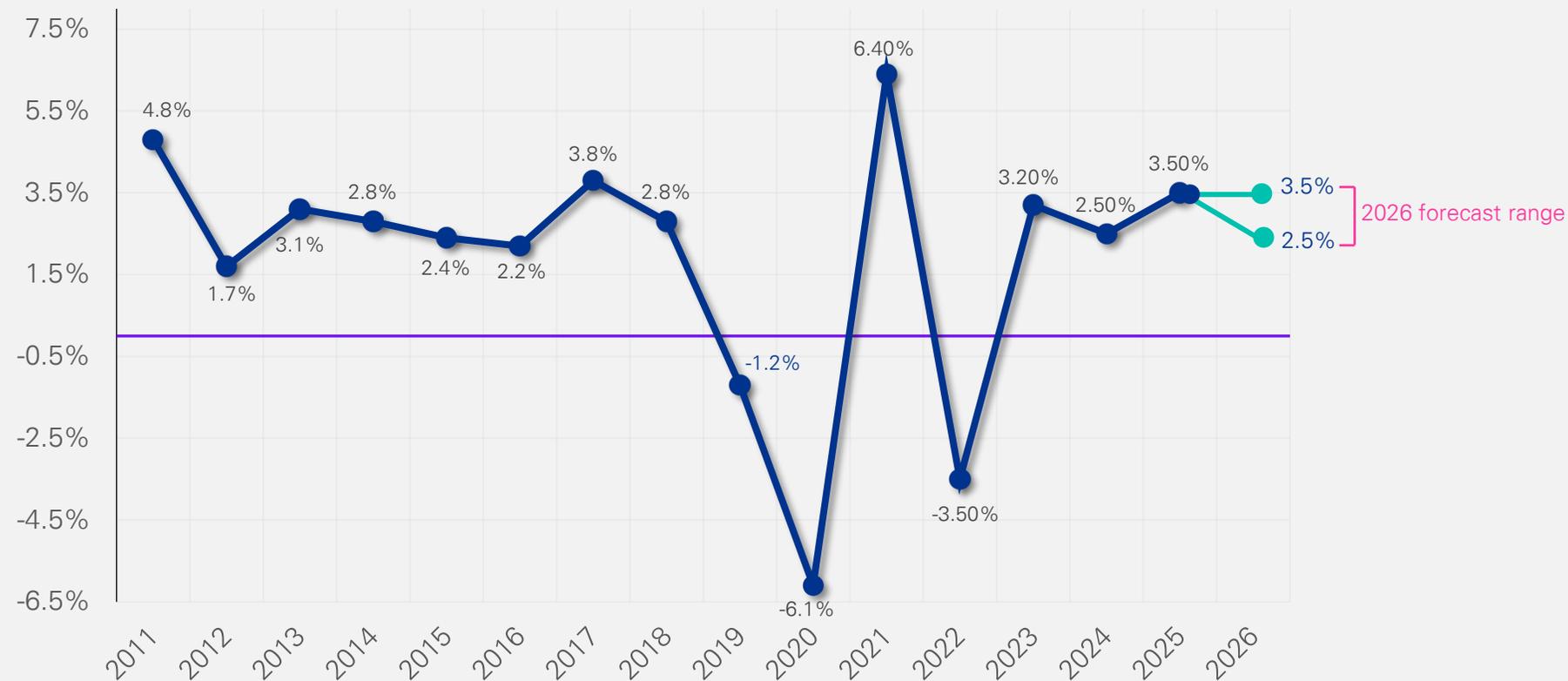


Estimated revenue for 2026-27 HKD 765.2 billion	Revised estimated revenue for 2025-26 HKD 688.8 billion
---	---

Source: 2026-27 Budget Speech, HKSAR Government

Real gross domestic product growth rate

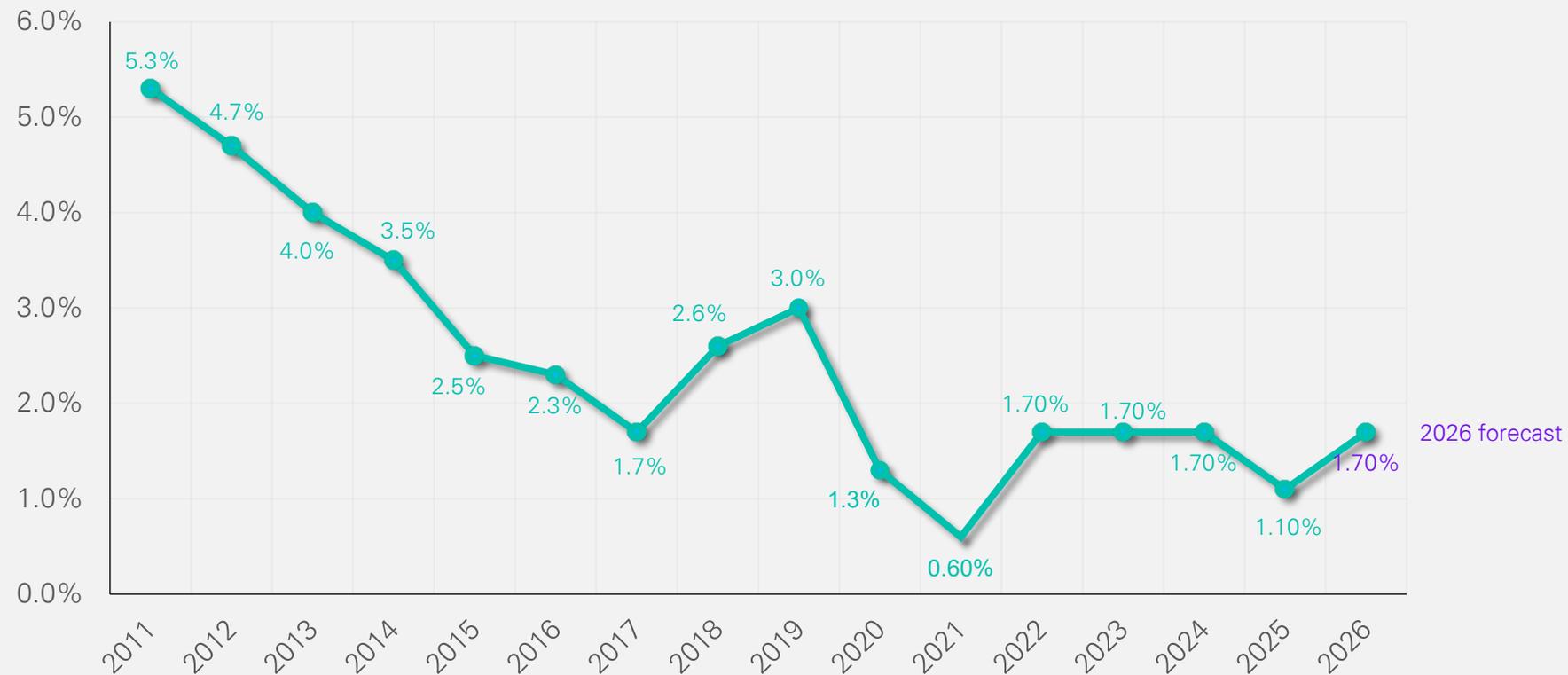
Overall, the Hong Kong economy grew 3.5% year-on-year in 2025. International geopolitical and global economic conditions continue to be complex and volatile. Hong Kong's economy remains resilient and will continue to record growth in the foreseeable future.



Source: Census and Statistics Department and 2026-27 Budget Speech, HKSAR Government

Underlying inflation rate

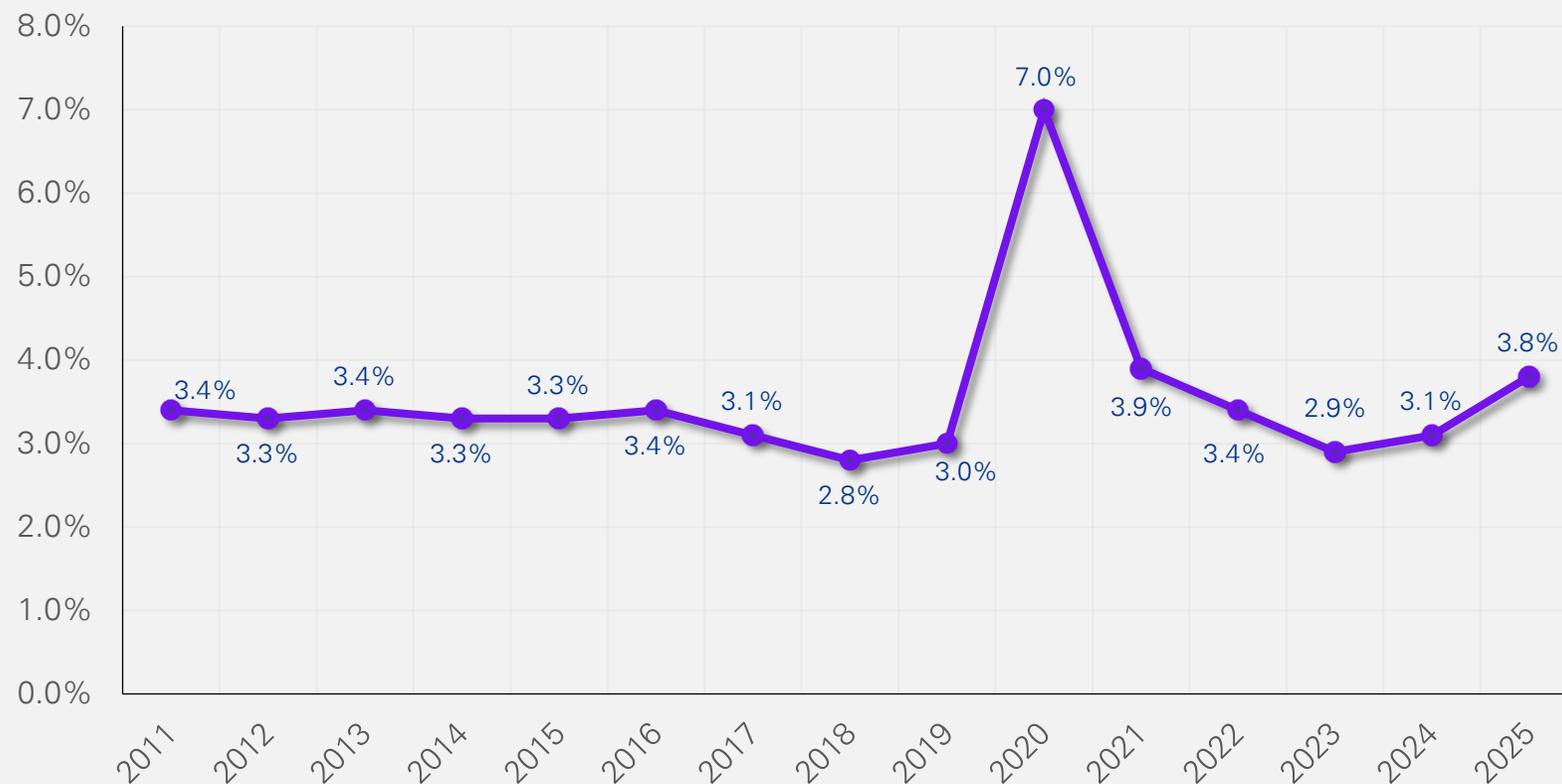
The underlying inflation rate in 2025 is estimated to be 1.1%, which is slightly lower than in the prior year. Looking ahead, Hong Kong's inflationary pressure is expected to remain moderate.



Source: Census and Statistics Department and 2026-27 Budget Speech, HKSAR Government

Unemployment rate

The unemployment rate as at January 2026 in Hong Kong was 3.8%. Looking ahead, it is anticipated that the unemployment rate will remain largely at a similar level.



Source: Census and Statistics Department and 2026-27 Budget Speech, HKSAR Government

Budget proposals at a glance



Key proposals

Striving for diversified development



Inject **HKD 500 million** into Chinese Medicine Development Fund to support strategic research, training and international publicity



Preferential policy packages: including preferential arrangements on land grants; financial subsidies and tax incentives; preferential tax rates at half rate or **5%**; introduce amendments to tax law this year



Allocate **HKD 100 million** to attract international, large-scale exhibitions with new themes to Hong Kong



Allocate **HKD 28 million** for the Hong Kong Technology and Innovation Support Centre to provide patent evaluation and implement a two-year Pilot Patent Valuation Support Scheme



Allocate **HKD 1.66 billion** for the Hong Kong Tourism Board in 2026/27 to enhance Hong Kong's tourist appeal

Key proposals

Developing the Northern Metropolis



Allocate **HKD 10 billion** to accelerate land development, provide infrastructure, establish venture funds, and develop the Hetao Co-operation Zone Hong Kong Park



Develop San Tin Technopole by establishing a dedicated company and injecting **HKD 10 billion** as initial capital



Allocate **HKD 10 billion** to support the initial operation of Hung Shui Kiu Industry Park Company Limited, with operations to begin this year



Allocate a **HKD 10 billion** loan to support campus development in the Northern Metropolis University Town



Launch pilot NM Urban-rural Integration Fund, totalling **HKD 200 million** to support rural tourism projects

Key proposals

Driving growth with innovation and technology



Allocate **HKD 50 million** to help public organisations, tech enterprises and tertiary institutions set up AI application courses, seminars and competitions



Allocate **HKD 100 million** to accelerate the Government's digital transformation with leading technologies



HKD 10 billion Innovation and Technology Industry-Oriented Fund to begin operation this year



Allocate around **HKD 220 million** to establish the first national manufacturing innovation centre outside the Mainland



Key proposals

Supporting SMEs and nurturing local talent



Inject **HKD 200 million** into the Branding, Upgrading, and Domestic Sales (BUD) Fund



Raise funding ceiling for each Easy BUD application to **HKD 150,000**



Grant **3,600** short-term internship placements in government departments and public bodies for tertiary students



Allocate **HKD 65 million** to provide additional government-funded training places for construction professionals

Key proposals

Caring society



Extra **1 month** allowance of standard CSSA payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements for Working Family Allowance



HKD 4 billion to support long-term housing arrangements for those affected by the Tai Po Fire



Elderly Health Care Voucher Pilot Reward Scheme to be extended to end-2028. Participants who accumulate voucher spending of **HKD 1,000** on specific primary healthcare services in the same year to receive **HKD 500** voucher reward



Number of Community Care Service Vouchers for the Elderly to increase to **16,000**



Number of Residential Care Service Vouchers for the Elderly to increase to **7,000**



Key proposals

Land and housing



Make available about **22,000 units** from **9 residential sites** under the 2026/27 Land Sale Programme, in addition to railway property developments, URA projects and private development and redevelopment projects



0 general commercial sites will be put on sale in the coming year



3 post-secondary student hostel sites to be made available for land sale, subject to market response



Public housing – total supply will reach **196,000 units** in the coming 5 years



Private housing – completion of **17,000 units** annually on average in the 5 years from 2026. The potential first-hand private residential unit supply for the next 3 to 4 years will be around **104,000 units**



Profits Tax

Key proposals

Profits Tax



No changes proposed to tax rates. Reduction of 100% in Profits Tax payable for 2025-26, subject to a ceiling of

HKD 3,000



Tax deduction arrangements for capital expenditure in purchasing intellectual property, with legislation to be introduced this year

Introduce legislation this year to provide half-rate tax concession to eligible commodity traders



Introduce legislation this year to enhance tax-concession measures for the maritime services industry

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



Legislate this year to enhance family offices and fund tax regime.



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

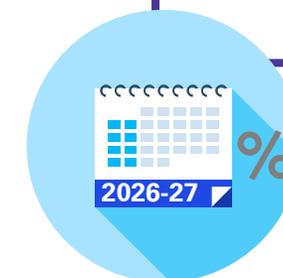
Profits Tax on royalties paid to non-residents

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 2026-27





Salaries Tax

Key proposals

Salaries Tax

Reduction of 100% in Salaries Tax payable for 2025-26, subject to a

ceiling of **HKD 3,000**



Tax rates

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

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

2019-20	Rate	HKD	2020-21 to 2026-27	Rate	HKD
First HKD 45,000	2%	900	First HKD 50,000	2%	1,000
Next HKD 45,000	7%	3,150	Next HKD 50,000	6%	3,000
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%	

Allowances for individuals		2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD	2025-26 HKD	2026-27 HKD
Personal allowances	Basic	132,000	132,000	132,000	132,000	132,000	132,000	145,000
	Married	264,000	264,000	264,000	264,000	264,000	264,000	290,000
	Single parent	132,000	132,000	132,000	132,000	132,000	132,000	145,000
	Disabled	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Child allowances	1st to 9th child (each)							
	- Year of birth	240,000	240,000	240,000	260,000	260,000	260,000	280,000
	- Other years	120,000	120,000	120,000	130,000	130,000	130,000	140,000
Dependent parent and grandparent allowances	Aged 60 or above, or disabled	50,000	50,000	50,000	50,000	50,000	50,000	55,000
	Aged between 55 and 59	25,000	25,000	25,000	25,000	25,000	25,000	27,500
Additional dependent parent and grandparent allowances	Aged 60 or above, or disabled	50,000	50,000	50,000	50,000	50,000	50,000	55,000
	Aged between 55 and 59	25,000	25,000	25,000	25,000	25,000	25,000	27,500
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	2020-21 HKD	2021-22 HKD	2022-23 HKD	2023-24 HKD	2024-25 HKD	2025-26 HKD	2026-27 HKD
Self-education expenses	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Elderly residential care expenses	100,000	100,000	100,000	100,000	100,000	100,000	110,000
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						
Annuity premiums and MPF voluntary contributions	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Domestic rents deduction	-	-	100,000	100,000	100,000	100,000	100,000
Assisted reproductive service expenses deduction	-	-	-	-	100,000	100,000	100,000

Source: Inland Revenue Ordinance and 2026-27 Budget Speech, HKSAR Government

Other Taxes

Key proposals

Property Tax, Rates, Stamp Duty and Hotel Accommodation Tax

Hotel Accommodation Tax / Property Tax

No changes proposed



Stamp Duty (REITs)

Amend the law next year to provide stamp duty waiver for transferring non-residential properties into REITs seeking to list

Stamp Duty (residential properties)

Adjust stamp duty on residential properties valued over HKD100 million from 4.25% to 6.5%, with retrospective effect from 26 Feb 2026



Stamp Duty

Expand the scope of eligible associated body corporates for stamp duty relief in relation to the intra-group transfer of assets.



Rates (domestic property)

Rates waiver for each domestic property for the first two quarters of 2026-27, subject to a ceiling of HKD 500 for each rateable property



Rates (non-domestic property)

Rates concession for non-domestic properties for the first 2 quarters of 2026-27, subject to a HKD500 ceiling per quarter



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%
For residential properties, with retrospective effect from 26 Feb 2026		
HKD 100,000,000	HKD 109,574,470	\$4,250,000 + 30% of excess over \$100,000,000
HKD 109,574,470		6.5%

* Subject to marginal relief

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.



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 2026-2027* 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.

© 2026 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. © 2026 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.