

The 2025-26 Hong Kong Financial Budget Announced on 26 February 2025 (All in HK\$)

Economic prospects

- ✧ **Consolidated budget deficit in 2025-26: -\$67.0B (2024-25: deficit -\$87.2B).**
- ✧ GDP growth in 2025-26: 2 ~3% (2024-25: 2.5%).
- ✧ Underlying inflation in 2025-26: 1.5% (2024-25: 1.1%).

Tax relief and support

- Reduce profits tax for 2024-25 by 100%, subject to a \$1,500 ceiling.
- Reduce salaries tax for 2024-25 by 100%, subject to a \$1,500 ceiling.
- Rates concession for properties for the first quarter of 2025-26, subject to a \$500 ceiling.
- Provide an extra half-month allowance of standard CSSA payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to the Working Family Allowance.

Other salient items

- Adjust the two transport subsidy schemes to reduce government expenditure by about \$6.2B in the next 5 years. The \$2 scheme: targeted beneficiaries remain unchanged. Implement the “\$2 flat rate cum 80% discount” (for trips with fare above \$10, 80% discount); and number of concessionary trips limited to 240 per month.
- Public transport fare subsidy scheme: threshold for subsidy collection raised from \$400 to \$500 starting from June 2025. Subsidy amount to one-third in excess of the threshold will continue to be provided, while the subsidy cap at \$400 per month will remain unchanged.
- About 13,700 housing units from the 2025/26 Land Sale Programme (8 residential sites), railway property developments, URA projects and private development and redevelopment projects.
- No commercial site will be put on sale in the coming year. 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 over 17,000 private residential units annually in the coming 5 years. Expected first-hand private residential unit supply to be about 107,000 units over the next 3-4 years.

Increase revenue

- Starting from October 2025, increasing air passage departure tax from \$120 to \$200. Government revenue to rise by about \$1.6B per year.
- Under various talent and capital investor admission schemes, with immediate effect, charge an application fee of \$600; raise visa fee to \$600 or \$1,300 based on the duration of limit of stay, thereby increasing revenue by \$620M per year.
- Review tolls of government tunnels and strategic routes, licence fees for private electric cars, parking meter charges and fixed penalties for traffic offences. Government revenue is estimated to increase by \$2B.
- Explore boundary facilities fee on private cars departing via land boundary control points (taking a fee of \$200 per private car as an example, the measure will bring the revenue of about \$1B per year) without affecting tour coaches and goods vehicles.
- Implement global minimum tax proposal to address base erosion and profit shifting, i.e. BEPS 2.0, to bring in tax revenue of \$15B annually.

Bond issuance

- As works are rolled out in the Northern Metropolis, government expenditure on works will reach its peak. Average annual capital works expenditure will grow from about \$90B to about \$120B over the next 5 years.
- Issue bonds worth \$150B to \$195B 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-terms debts.
- The ratio of government debt to GDP will be maintained at 12-16.5%, which is still considered a stable and manageable low-debt level, and much lower than that of many advanced economies.

1. Profits tax (no changes)

| | Corporate | Unincorporate |
|---------------------------------------|-----------|---------------|
| Assessable profits First \$2M* | 8.25% | 7.5% |
| Remainder | 16.5% | 15% |

* For those that enjoys two-tiered rates only.

2. Salaries tax (no changes)

| | Present |
|--------------------------|---------|
| Salary First \$5M | 15% |
| Remainder | 16% |

Progressive rates

| | |
|----------------|-----|
| First \$50,000 | 2% |
| Next \$50,000 | 6% |
| Next \$50,000 | 10% |
| Next \$50,000 | 14% |
| Remainder | 17% |

Allowances

| | \$ |
|--|---------|
| Basic | 132,000 |
| Married | 264,000 |
| 1-9 child | 130,000 |
| Child year of birth additional | 120,000 |
| Dependent brother or sister | 37,500 |
| Dependent parent and grandparent aged > 60 or disabled | 50,000 |
| Dependent parent and grandparent >55 aged <60 | 25,000 |
| Additional dependent parent and grandparent aged > 60 or disabled and residing with taxpayer | 50,000 |
| Additional dependent parent and grand parent >55 aged <60 and residing with taxpayer | 25,000 |
| Single parent | 132,000 |
| Personal disability | 75,000 |
| Dependent disability | 75,000 |

Deduction ceiling

| | |
|---|---------|
| Self-education | 100,000 |
| Elderly residential care | 100,000 |
| Home loan interest -basic | 100,000 |
| (20 years) -additional reside with your child | 20,000 |
| Contributions to recognized retirement schemes | 18,000 |
| Voluntary health insurance scheme | 8,000 |
| Annuity premiums and MPF voluntary contribution | 60,000 |
| Domestic rental expenses -basic | 100,000 |
| -additional reside with your child | 20,000 |
| Charitable donations (income - expenses - allowances) | 35% |
| Expenses on Assisted Reproductive Services | 100,000 |

3. Property tax (no changes)

| | |
|--------------|-----|
| Property tax | 15% |
|--------------|-----|

4. Rates for domestic tenements (no changes)

| | Present |
|--------------------------|---------|
| Annual rateable value \$ | |
| First 550,000 | 5% |
| Next 250,000 | 8% |
| Remainder | 12% |

| | |
|---------------------------------|----|
| Government rent (if applicable) | 3% |
|---------------------------------|----|

5. Stamp duty (proposed changes)

Removing all restrictions on property transactions duty.

| Consideration \$ | subject to marginal relief | |
|------------------|----------------------------|---------|
| | Proposed | Present |
| 3M < | | \$100 |
| 3 to 4M | \$100 | 1.50% |
| 4 to 4.5M | | 1.50% |
| 4.5 to 6M | | 2.25% |
| 6 to 9M | | 3.00% |
| 9 to 20M | | 3.75% |
| > 20M | | 4.25% |

On lease of immovable property in HK (no changes)

| Term | Yearly average rent |
|--|---------------------|
| Not defined or < 1 year | 0.25% |
| 1-3 years | 0.5% |
| > 3years | 1% |
| Key money, construction fee etc. mentioned in the lease (if rent is payable) | 4.25% |

On transfer of stock (no changes)

| | |
|---|------|
| Value on every sold and bought note (0.2% combined) | 0.1% |
|---|------|

6. First registration tax (FRT) on private cars (PCs) (no changes)

| | |
|---------------|------|
| Value \$ | |
| First 150,000 | 46% |
| Next 150,000 | 86% |
| Next 200,000 | 115% |
| Remainder | 132% |

The maximum FRT concession for electric PCs, granted under the “One-for-One Replacement” Scheme, will be adjusted to **\$172,000**, whereas the concession ceiling for e-PCs will be lowered to **\$58,500**. For electric commercial vehicles, electric motorcycles and electric motor tricycles the FRT will continue to be waived in full.

7. Duty on tobacco and alcoholic beverages (no changes)

| | |
|--|--------------------|
| For each 1,000 cigarettes | Present \$3,306 |
| Cigars | \$4,258/kg |
| Liquor with an alcoholic strength of more than 30% by volume in the bottle not more than 1 litre | |
| First \$200 (value) | 100% |
| Remainder | 10% |

8. Hotel accommodation tax (no changes)

| | |
|-----------------|---------------|
| Hotel room rate | Present 3% |
|-----------------|---------------|

1. Innovation and technology

- Set aside \$1B to establish the HK Artificial Intelligence Research and Development Institute.
- Pilot manufacturing and production line upgrade support scheme: \$100M earmarked to provide funding of up to \$250,000 on a 1 (government) to 2 (company) matching basis to enterprises.

2. Shipping

- Allocate \$210M to install the port community system, enhancing the flow and sharing data among stakeholders in the maritime, port and logistics industries.

3. Tourism everywhere

- Allocate \$1.23B to HK Tourism Board to pursue “tourism is everywhere” concept and implement Development Blueprint for HK’s Tourism Industry 2.0.

Education and talent

- Launch a new round of Research Matching Grant Scheme, totaling \$1.5B, to attract organizations to support research endeavors 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 \$12,000 a month.

4. Green development

- Launch a \$300M subsidy scheme in the middle of the year to encourage the industry to install fast chargers across the city.
- Additional funding of \$180M to increase the number of residential food waste smart recycling bins or food waste-collection facilities across the city.
- Earmark \$470M for subsidizing franchised bus operators to purchase 600 electric buses and over \$130M for subsidizing the taxi trade to purchase 3,000 electric taxis.

5. Small and medium enterprises

- Inject \$1.5B into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and the Export Marketing and Trade and Industrial Organization Support Fund, and streamline application arrangements.
- Funds dedicated to SME financing by participating banks of the Taskforce on SME Lending exceed \$390B.

6. Northern Metropolis

- Hong Kong Park in Hetao Co-operation Zone: \$3.7B earmarked to expedite Phase 1 infrastructure and public facilities; identify suitable land parcels for private development proposals this year.

7. Infrastructure development

- Set aside \$15M for the Centre of Excellence for Major Project Leaders to enhance professionalism, innovation capabilities and cost-effective management in the construction industry.
- Funding about \$95M from the Government and CIC to provide on-the-job training subsidies for trainees enrolled in part-time degree programmes.
- CIC to allocate \$150M to subsidize the construction industry’s on-the-job training for graduates of degree programmes in engineering, architecture, surveying, planning and landscape architecture.

8. Caring and inclusive community

- 2025-26: No. of Residential Care Service Vouchers for the Elderly to increase to 6,000. No. of Community Care Service Vouchers for the Elderly to increase to 12,000.
- Additional annual provision of over \$180M to increase emergency places for residential childcare and strengthen professional support for child-abuse victims and their families.
- Additional 1,280-day community rehabilitation and home-care service places for persons with disabilities, involving additional annual expenditure of about \$160M.
- Regularize the Pilot Project on Enhancing Vocational Rehabilitation Services from third quarter 2025, an annual expenditure of about \$100M.

9. Strictly containing government expenditure growth

- Pay freezes for all personnel of executive authorities, the legislature, the judiciary and Members of the District Councils in 2025/26.
- Stepping up the Productivity Enhancement Programme: a cumulative 7% cut from 2024/25-2027/28. Recurrent government expenditure in 2027/28 to decrease by \$27.3B compared to 2023/24. CSSA, Social Security Allowance and statutory expenditure are not affected.
- Civil service establishment: reduce by 2% each in 2026/27 and 2027/28. Reduction of about 10,000 posts by April 2027.
- Funding for UGC-funded universities: funding of \$68.1B in the next 3 years, reflecting an annual reduction target of 2%.
- Review district cooling systems in new development areas; estimated savings of at least \$40B in works expenditure.