

A wide-angle photograph of the Hong Kong skyline, featuring numerous skyscrapers and buildings reflected in the water. The sky is blue with some light clouds. The image is partially obscured by a red diagonal shape in the top left corner.

# 2026/27 HONG KONG BUDGET HIGHLIGHTS

25 FEBRUARY 2026

The 2026/27 Budget Speech underscores Hong Kong's plan to strengthen its financial and trade pillars, with tax competitiveness and targeted incentives forming a central part of the strategy. The Budget also notes improved revenue performance and a continued commitment to fiscal consolidation.

The forecast for 2025/26 is revised to a surplus of \$2.9 billion from the original estimate of a \$67 billion deficit. Fiscal reserves are forecast to remain relatively steady at \$657.2 billion by 31 March 2026.

Outlook for 2026/27 sees a forecast surplus of \$22.1 billion and estimated fiscal reserves of \$679.3 billion.

In addition to the Highlights on the right, key measures as well as our comments are summarised as follows:

## Key tax measures

- ▶ Expand the scope of 'fund' under the tax exemption regime to include certain funds-of-one and investments in digital assets, precious metals and specified commodities, for asset management and particularly family offices (legislative bill expected in the first half of 2026, effective from the year of assessment 2025/26).
- ▶ Implement the Organisation for Economic Cooperation and Development's Crypto-Asset Reporting Framework and the amended Common Reporting Standard, strengthening tax transparency and combating cross-border tax evasion (legislative bill expected in the first half of 2026).
- ▶ Enhance tax concessions and flexibility for Corporate Treasury Centres while introducing a pre-approval mechanism (details expected in mid 2026).
- ▶ Enhance tax concession measures for the maritime service industry and provide a half rate tax concession to eligible commodities traders, to promote high value-added maritime services in Hong Kong (legislative bill expected in the first half of 2026).
- ▶ Offer tax incentives for institutions engaging in gold trading and settlement in Hong Kong.

## Highlights

- ▶ Reduce profits tax, salaries tax and tax under personal assessment for 2025/26 by 100%, capped at \$3,000
- ▶ Increase basic allowance, married person's allowance, single parent allowance, child allowance and additional child allowance, allowances for maintaining a dependent parent or grandparent
- ▶ Increase deduction ceiling for elderly residential care expenses from \$100,000 to \$110,000
- ▶ Provide rates concession for domestic and non-domestic properties for the first two quarters of 2026/27, capped at \$500 for each rateable property
- ▶ Increase stamp duty on residential properties valued above \$100 million from 4.25% to 6.5%

## Key tax measures (Cont'd)

- ▶ Introduce preferential tax rates of half-rate or 5% among other policy measures to attract enterprises to set up in Hong Kong (legislative bill expected in 2026).
- ▶ Waive stamp duty for transfer of non-residential properties into real estate investment trusts seeking to list (legislative bill planned for first half of 2027).
- ▶ Expand the scope of eligible associated body corporates for stamp duty relief in relation to the intragroup transfer of assets, taking effect retrospectively to instruments signed from today (legislative bill expected in 2026).
- ▶ Establish an Advisory Committee on Tax Policy under the Financial Secretary's chairmanship to gather broad industry input and ensure Hong Kong's tax strategy supports long-term economic growth in response to the rapidly changing global tax landscape.
- ▶ Review and enhance tax arrangements for R&D expenditures in view of opportunities for cross-boundary scientific collaboration, technology transfer and the development of emerging and future industries as Hong Kong integrates into the Greater Bay Area.
- ▶ Upgrade intellectual property (IP) associated tax regime to fuel IP-driven economic growth, including consulting the trade on tax deduction arrangements for capital cost for purchasing IP or the rights to use IP (legislative bill expected in 2026).
- ▶ Continue to expand Hong Kong's network of Comprehensive Avoidance of Double Taxation Agreements (currently 55 in total) alongside Hong Kong's free trade agreements and investment agreements with strategic trade partner jurisdictions.

## BDO comments

- ▶ The 2026/27 Budget reinforces Hong Kong's dual positioning as a financial hub and a bridge between the Chinese Mainland and global markets.
- ▶ We welcome the Government's continued undertaking to review existing tax incentives and initiate to provide new tax concessions to encourage specific industries and new setups in Hong Kong.
- ▶ Upcoming tax legislative developments relating to funds, digital assets, corporate treasury and IP tax regimes, are positively anticipated by tax professionals, corporates, fund managers, and high net worth families to say the least.

The opportunity for corporates will be in execution details, eligibility criteria, and how quickly the policy intent is translated into practical rules. The best-prepared groups will be those that start scenario-planning early, map which measures may impact their structures and cash flows, and keep optionality in place as the bills and guidance come out over the coming months. BDO tax experts will be more than happy to assist.

## Contact us

### BDO Limited

25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong  
Tel: +852 2218 8288  
Fax: +852 2815 2239  
info@bdo.com.hk

### Carol Lam

Director and Head of Tax  
Tel: +852 2218 8296  
carollam@bdo.com.hk

### Abigail Li

Director  
Tel: +852 2218 3372  
abigailli@bdo.com.hk

### Silent Li

Director  
Tel: +852 2218 8983  
silentli@bdo.com.hk

### Christina Mai

Director, Transfer Pricing  
Tel: +852 2218 8728  
christinamai@bdo.com.hk

### Celestine Yeung

Principal  
Tel: +852 2218 2773  
celestineyeung@bdo.com.hk

### Shirley Yu

Principal, China Tax  
Tel: +852 2218 4904  
shirleyyu@bdo.com.hk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO Limited to discuss these matters in the context of your particular circumstances. BDO Limited, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO Limited or any of its partners, employees or agents.

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Copyright © 2026 BDO Limited. All rights reserved. Published in Hong Kong.



## Appendix

Profits tax rates	2025/26	2026/27
<b>Tax rate</b>		
Corporations	16.5% <sup>1</sup>	No change
Unincorporated businesses	15% <sup>1</sup>	

Salaries tax rates, deductions and allowances	2025/26	2026/27
<b>Standard tax rate</b>	First \$5 million: 15%, Remainder: 16%	No change
<b>Progressive tax rates</b>	First \$50,000 – 2%	
	Next \$50,000 – 6%	
	Next \$50,000 – 10%	
	Next \$50,000 – 14%	
	Remainder – 17%	
<b>Personal allowances<sup>2</sup></b>		
Basic	\$132,000	\$145,000
Married	\$264,000	\$290,000
Single parent	\$132,000	\$145,000
Disabled	\$75,000	No change
Child (first to ninth child)		
- Basic	\$130,000 each	\$140,000 each
- Additional <sup>3</sup>	\$130,000 each	\$140,000 each
Dependent parent/grandparent		
Aged 55 to 59 - Basic	\$25,000	\$27,500
- Additional, living with the taxpayer	\$25,000	\$27,500
Aged 60 or above - Basic	\$50,000	\$55,000
- Additional, living with the taxpayer	\$50,000	\$55,000
Disabled dependent	\$75,000	No change
Dependent brother/sister	\$37,500	
<b>Deductions (maximum limits)</b>		
Approved charitable donations	35% of assessable income	No change
Self-education expenses	\$100,000	
Home loan interest (up to 20 years)		
- Basic	\$100,000	
- Additional	\$20,000	
Elderly residential care expenses	\$100,000	\$110,000
Mandatory contributions to recognised retirement schemes	\$18,000	No change
Qualifying Voluntary Health Insurance Scheme policy premiums	\$8,000 per insured person	
Qualifying annuity premiums and MPF voluntary contributions	\$60,000	
Domestic rent deduction		
- Basic	\$100,000	
- Additional	\$20,000	
Expenses on assisted reproductive services	\$100,000	

One-off measures	2025/26	2026/27
Types of tax	Salaries tax, tax under personal assessment and profits tax	Salaries tax, tax under personal assessment and profits tax
Tax reduction	100% of tax for 2024/25, capped at \$1,500	100% of tax for 2025/26, capped at \$3,000
<b>Property tax</b>	<b>2025/26</b>	<b>2026/27</b>
Tax rate	15%	No change

1. First \$2,000,000 assessable profits of eligible taxpayers chargeable at half of the tax rate
2. Personal allowances are only applicable to progressive tax rates calculation
3. The claim period of additional child allowance for newborns is extended from one year to two years from 2026/27

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on 25 February 2026, which is subject to scrutiny of the Legislative Council prior to enactment of the legislation.