

2025/26 HONG KONG BUDGET HIGHLIGHTS

26 FEBRUARY 2025

The Financial Secretary, Mr Paul Chan, delivered the 2025/26 Budget Speech on 26 February 2025. The forecasted deficit of about \$87.2 billion for 2024/25 is higher than the original estimate of about \$48.1 billion. Fiscal reserves will fall to about \$647.3 billion by 31 March 2025.

The 2024/25 revised estimate on government revenue is \$559.6 billion, which is lower than the original estimate by 11.6% mainly because revenues from land premium and stamp duty are lower than their previous estimates.

The revised estimate of total government expenditure for 2024/25 is \$754.8 billion, lower than the original estimate by \$22.1 billion.

Estimated deficit for 2025/26 is \$67 billion. Fiscal reserves will decrease to \$580.3 billion.

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

Key measures

- ▶ Review the relevant tax deduction arrangements for various intellectual property (IP) related expenditures, including the lump sum licensing fees for acquiring the rights to use IP and related expenses incurred on purchase of IP or the rights to use IP from associates.
- ▶ Expand the scope of 'fund' under the tax exemption regime, increasing the types of qualifying transactions eligible for tax concessions for funds and single family offices, enhancing the tax concession arrangement on distribution of carried interest by private equity funds, etc.
- ▶ Enhance tax measures relating to the maritime industry, including introduction of tax deduction on ship acquisition cost for ship lessors under an operating lease.
- ▶ Propose to provide half-rate tax concession to eligible commodity traders, with legislative bill being introduced into the Legislative Council in the first half of 2026.

Highlights

- ▶ Raise the maximum value of residential and non-residential properties chargeable to a stamp duty of \$100 from \$3 million to \$4 million with immediate effect
- ▶ Reduce profits tax, salaries tax and tax under personal assessment for 2024/25 by 100%, capped at \$1,500
- ▶ Provide rates concession for domestic and non-domestic properties for the first quarter of 2025/26, capped at \$500 for each rateable property
- ▶ Increase the rate of air passenger departure tax from \$120 to \$200 per passenger starting from the third quarter of 2025/26
- ▶ Introduce tax exemption for green methanol used for bunkering

Key measures (Cont'd)

- ▶ Implement the global minimum tax proposal per the Organisation for Economic Co-operation and Development (OECD) with legislative bill submitted to the Legislative Council already in January 2025, aiming to apply the global minimum tax at 15% on large multinational enterprise groups with an annual consolidated group revenue of at least EUR750 million and impose the Hong Kong minimum top-up tax to bring in tax revenue of about \$15 billion for the Government annually starting from 2027/28.
- ▶ Issue a total of about \$150 billion to \$195 billion worth of bonds every year during the five-year period from 2025/26 to 2029/30 under the Government Sustainable Bond Programme and the Infrastructure Bond Programme.
- ▶ Negotiate with 17 countries on Comprehensive Avoidance of Double Taxation Agreements, including Azerbaijan, Germany, Israel, Kyrgyzstan, Mongolia, Norway and Ukraine.
- ▶ Explore regulating basketball betting activities and invite Hong Kong Jockey Club to submit a proposal, which could lead to betting duty that increases Government revenue.

BDO comments

- ▶ Mr Chan reiterated his upholding of the principles of fiscal prudence and continued to reinforce the fiscal consolidation programme from last year's Budget to focus on controlling government expenditure. The Government intends to maintain the competitiveness of Hong Kong's simple and low tax regime and to avoid considerable increase in tax rates or introducing new taxes (except for the Hong Kong minimum top-up tax in accordance with OECD's proposal). Mr Chan has followed the 'user pays' and the 'affordable users pay' principles in identifying new or increasing Government revenue. These are consistent with general expectations.
- ▶ We welcome the Government's undertaking to review tax deduction arrangements for IP related expenditures to accelerate the development of IP-intensive industries and promote the development of IP trading in Hong Kong.
- ▶ The initiative to provide half-rate tax incentive for commodity traders is also an encouraging development.
- ▶ Meanwhile, Mr Chan highlights again the Government's continuous effort in enhancing Hong Kong's preferential tax regimes for the asset management industry including family offices, and the maritime industry.
- ▶ We cordially anticipate the release of legislative bills and administrative guidelines on these tax concessions.

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Appendix

Profits tax rates	2024/25	2025/26
Tax rate		
Corporations	16.5% ¹	No change
Unincorporated businesses	15% ¹	

Salaries tax rates, deductions and allowances	2024/25	2025/26
Standard tax rate	First \$5 million: 15%, Remainder: 16%	No change
Progressive tax rates	First \$50,000 – 2%	
	Next \$50,000 – 6%	
	Next \$50,000 – 10%	
	Next \$50,000 – 14%	
	Remainder – 17%	
Personal allowances²		
Basic	\$132,000	
Married	\$264,000	
Single parent	\$132,000	
Disabled	\$75,000	
First to ninth child (year of birth)	\$260,000 each	
First to ninth child (other years)	\$130,000 each	
Dependent parent/grandparent		
Aged 55 to 59		
- Basic	\$25,000	
- Additional, living with the taxpayer	\$25,000	
Aged 60 or above		
- Basic	\$50,000	
- Additional, living with the taxpayer	\$50,000	
Disabled dependent	\$75,000	
Dependent brother/sister	\$37,500	
Deductions (maximum limits)		
Approved charitable donations	35% of assessable income	
Self-education expenses	\$100,000	
Home loan interest (up to 20 years)		
- Basic	\$100,000	
- Additional	\$20,000	
Elderly residential care expenses	\$100,000	
Mandatory contributions to recognised retirement schemes	\$18,000	
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 ³	

One-off measures	2024/25	2025/26
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 2023/24, capped at \$3,000	100% of tax for 2024/25, capped at \$1,500
Property tax	2024/25	2025/26
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. Legislative amendment is required for implementing the tax measure

The information contained in this publication is based on the Budget proposal announced by the Financial Secretary on 26 February 2025, which is subject to scrutiny of the Legislative Council prior to enactment of the legislation.