

Tax

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Hong Kong Tax Analysis

2026-27 Hong Kong Budget

A strategic step toward sustainable growth and economic restructuring

The Financial Secretary of the Hong Kong Special Administrative Region (HKSAR), Paul Chan Mo-po, delivered the 2026-27 Budget Speech today, outlining the fiscal policy shaped by a complex yet gradually improving economic environment. This marks the fourth budget he has presented under the current-term Government led by HKSAR Chief Executive John Lee Ka-chiu. Against a backdrop of modest recovery and persistent global challenges, the Budget strikes a balance between fiscal stability and long-term economic transformation.

The Financial Secretary announced a HKD2.9 billion fiscal surplus for the 2025-26 financial year (FY2025-26), representing a significant turnaround from the deficit of HKD80.3 billion in FY2024-25 and a marked improvement over the initially estimated deficit of HKD67 billion in last year's Budget Speech. The stronger-than-expected outcome was driven by robust capital market performance, which led to a significant uplift in stamp duty revenue. With fiscal reserves expected to stand at HKD657.2 billion as of 31 March 2026, the government is now better positioned to invest in key growth drivers to enhance Hong Kong's economic resilience and competitiveness.

Under the expectation that Hong Kong's economy will sustain its positive momentum, this year's Budget reflects a careful balance between safeguarding fiscal stability and advancing priorities that support inclusive and sustainable growth. Resources are efficiently directed toward essential public services such as education, healthcare, and social welfare, while also promoting innovation, strengthening infrastructure, and encouraging economic diversification.

This article examines the tax-related initiatives announced and assesses their implications for individuals and businesses. For more information, please visit [Deloitte's webpage on HKSAR Budget 2026-27](#) (continuous updates).

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Key tax-related measures

Businesses



Tax relief for businesses

The Budget continues to offer a 100% reduction in profits tax for the year of assessment 2025/26, subject to an increased ceiling of HKD3,000 (the ceiling for 2024/25 was HKD1,500). This relief will be applied to the final tax payable for that year of assessment.



Innovative technology (I&T) and intellectual property (IP) tax arrangements enhancements

The Financial Secretary proposes to review and enhance tax arrangements for research and development (R&D) expenditures to foster cross-border scientific collaboration within the Greater Bay Area (GBA). We welcome this initiative and hope that the government would consider allowing outsourced R&D costs in the GBA, which are currently non-deductible. It would encourage more I&T companies to move to Hong Kong and engage in R&D collaboration within the GBA.

The Financial Secretary also mentioned that the government is currently conducting a stakeholder consultation on the tax deductions of IP acquisition costs and upfront licence fees for the rights to use IP which were proposed in last year's Budget. It aims to introduce the relevant amendment Bill into the Legislative Council within 2026.

Taken together, these reforms are designed to attract multinational enterprises to establish regional R&D centers in Hong Kong and reinforcing Hong Kong's position as a leading IP hub. We look forward to a more detailed proposal.



Asset and wealth management tax incentives enhancements

The Financial Secretary proposes expanding the scope of "fund" to cover specific funds-of-one (i.e. funds having a single investor), as well as classifying digital assets, precious metals, specified commodities, etc. as qualifying investments eligible for tax concessions (i.e. unified fund exemption and single family office regimes). Once implemented, funds-of-one would be eligible for the unified fund exemption regime, and profits from transactions in the abovementioned assets derived by the relevant taxpayers would be exempt from Hong Kong profits tax, provided other conditions are met. The government aims to introduce the relevant amendment bill into the Legislative Council in the first half of 2026, with a view to effecting the implementation from the year of assessment 2025/26.

The government has already completed the consultation exercise on the enhancement of the asset and wealth management tax incentives last year. The above proposals are new and are not included in the previous consultation. We are pleased that our suggestion to include funds-of-one in the unified fund exemption regime has been taken. We expect the inclusion of the specified assets as qualifying assets under the relevant tax concession regimes would boost digital assets, precious metals and specified commodities trading in Hong Kong and support its development as a premier international financial and gold trading market.



Corporate treasury centre (CTC) tax incentive enhancements

Further to the announcement made in the 2025 Policy Address to enhance the CTC tax concession, the Financial Secretary updated that it will announce a series of enhancement measures in the middle of this year, including providing additional tax incentives and flexibility to CTCs and their associated companies, and introducing a pre-approval mechanism.

The CTC tax concession was introduced in 2016 to provide qualifying CTCs with a concessionary tax rate of 8.25% on profits derived from certain corporate treasury activities, subject to certain conditions. We welcome the government's initiative to review and enhance the regime. We are pleased that the government has adopted our recommendation to introduce a pre-approval mechanism to enhance tax certainty. With the enhanced tax incentives, it is expected to attract more enterprises to establish CTCs in Hong Kong. We look forward to the details of the enhancement measures, especially the additional tax incentives.



Maritime services and commodity trading tax incentives

Following the release of the administration paper in July 2025, which set out enhancements to the existing tax concessions for the maritime services industry and proposed a half-rate concessionary regime for commodity trading, the Financial Secretary announced that the government will introduce the amendment bill into the Legislative Council in the first half of 2026. These measures are proposed in last year's Budget with an aim to develop the commodity trading ecosystem and enhance the competitiveness of the maritime services sector in Hong Kong.



New tax incentives for gold trading and settlement

The Financial Secretary announced that the government will explore offering tax incentives for eligible institutions conducting gold trading and settlement in Hong Kong. We welcome this initiative, as it will facilitate the development of Hong Kong's gold trading market. We look forward to the government providing further details on the proposed measures.



Relaxation of stamp duty relief for intra group transfer of assets

The Budget proposes to relax the criteria for stamp duty relief in relation to the intra group transfer of assets¹. This would expand the scope of eligible associated body corporates. The relevant amendment bill will be introduced this year, and the new arrangement will apply retrospectively to instruments signed from 25 February 2026.

The Inland Revenue Department resumed issuing assessments to cases following the finalization of a court case ruling that body corporates without "issued share capital" are not eligible for the intra group stamp duty relief. It creates issues on internal restructuring, especially for multinational groups that involve different entity forms in their holding structure. We are pleased that the government has adopted the industry's ask with immediate effect.



Waiver of stamp duty for transfer of non-residential properties into real estate investment trusts (REITs) seeking to list

The Budget proposes to waive stamp duty payable on the transfer of non-residential properties into REITs seeking to list. The relevant amendment bill will be introduced into the Legislative Council in the first half of next year.

The stamp duty payable on REIT units transfer has been waived since 2024. We believe the stamp duty waiver for transfer of non-residential property into REITs can further enhance Hong Kong's competitiveness for the REITs market.



Preferential policy package to attract enterprises and investments

Echoing the government's plan to formulate preferential policy packages to promote industries and investment as set out in the 2025 Policy Address, the Financial Secretary announced that it

¹ Currently stamp duty relief is available for the transfer of Hong Kong stock or immovable property from one associated body corporate to another. To qualify for this relief, the bodies corporate must be "associated", i.e. being the "beneficial owner of not less than 90% of the issued share capital of the other or a third body corporate is beneficial owner of not less than 90% of the issued share capital of each".

will take into account a series of factors, including the enterprise's industry and its technology level, as well as the potential economic contributions and employment opportunities it can bring to Hong Kong in formulating the preferential policy packages. The policy tools may include tax incentives with preferential tax rate of half rate or 5%. The government plans to introduce an amendment bill this year.

We welcome the government's intention to provide preferential policy packages to attract enterprises and investments. A key advantage of this approach is a broader application to target enterprises and not restricted to specific industry sectors. The anticipated agility and flexibility of this package of preferential policies will be particularly important in attracting investments. We look forward to receiving more details.



Importance of tax policy

The Financial Secretary reiterates that when implementing policies in Hong Kong, the government would maintain the competitiveness of Hong Kong's simple and low tax regime, and to avoid raising tax rates substantially or introducing new taxes.

In recognition of the importance of tax policy on economic competitiveness, the Financial Secretary will establish and chair an Advisory Committee on Tax Policy to gather views widely from commercial, industrial and professional sectors, so that Hong Kong's tax policy can reinforce economic development.

We are pleased that the government will take a coordinated approach, through the formation of an Advisory Committee, to recognize the importance of tax policy in maintaining Hong Kong's competitiveness, enabling a comprehensive review of the overall tax framework. We also note the government's active engagement of the commercial, industrial and professional sectors in formulating the tax policies in recent years which make the policies more practical.

Individuals



One-off tax relief

The Budget retains a 100% reduction in salaries tax and tax under personal assessment for the year of assessment 2025/26, with an increased cap of HKD3,000 (the ceiling for 2024/25 was HKD1,500). This reduction will be applied to the final tax payable for that year.



Increase in stamp duty for residential property transactions

Pursuant to the "affordable users pay" principle, the Budget proposes to increase the rates of stamp duty on residential property transactions valued above HKD100 million from 4.25% to 6.5%. This measure will take effect from 26 February 2026, upon passage of the amendment bill. This will provide the Government with additional revenue without much affecting people's livelihood as the measure will only impact 0.3% of residential property transactions. Most transactions will remain unaffected.



Increase in allowances and deductions

The Budget proposes to increase the allowances and deductions as follows starting the year of assessment 2026/27:

	Existing (HKD)	2026/27 and onwards (HKD)
Basic allowance	132,000	145,000

Single parent allowance	132,000	145,000
Married person's allowance	264,000	290,000
Child allowance	130,000	140,000
Additional child allowance (for each child born during the year of assessment)	130,000	140,000
Dependent parent and dependent grandparent allowance		
• Aged 60 or above	50,000	55,000
• Aged 55 to 59	25,000	27,500
Additional dependent parent and dependent grandparent allowance (for taxpayers residing with parents or grandparents)	50,000	55,000
• Aged 60 or above	25,000	27,500
• Aged 55 to 59		
Elderly residential care expenses	100,000	110,000

These allowances have not been adjusted for years. Given persistent inflation, this timely adjustment is welcome. We are pleased that our suggestions have been taken on board and believe that this may help to ease individuals' financial burdens.

Concluding remarks

The 2026–27 Budget marks a significant turning point, achieving a fiscal surplus after several consecutive years of deficits. It reflects the effectiveness of recent fiscal consolidation efforts and lays the foundation for forward-looking policy initiatives. While global uncertainties persist, the Financial Secretary expressed cautious optimism for the economy, demonstrated by disciplined fiscal management and a strategic focus on cultivating new growth engines amid ongoing economic restructuring. We welcome the adoption of Deloitte's various recommendations to revitalize and strengthen Hong Kong's economic landscape. Overall, we support the government's strategy and are confident it will enhance Hong Kong's financial health, accelerate economic diversification, and unlock Hong Kong's full economic potential.

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