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Tax
Issue H119/2025 – 26 February 2025

Hong Kong Tax Analysis

2025-26 Hong Kong Budget

A balanced budget to tackle deficit and cultivate sustainable economic growth

The Financial Secretary of the Hong Kong Special Administrative Region (HKSAR), Paul Chan Mo-po, delivered the 2025-26 Budget Speech today, outlining the fiscal policy for the upcoming year amidst challenging economic times. This marks the third budget he has presented under the current-term Government led by HKSAR Chief Executive John Lee Ka-chiu. It strikes a balance between addressing fiscal deficits and fostering economic growth.

The Financial Secretary announced a HKD87.2 billion fiscal deficit for the 2024-25 financial year (FY2024-25), marking a modest decrease from HKD100.2 billion in FY2023-24 but still significantly higher than the initially estimated deficit of HKD48.1 billion in last year's Budget Speech. This discrepancy is attributed to the geopolitical tensions affecting capital flows, and consequently, government revenues from land sales, stamp duty on property transactions declined. With fiscal reserves expected to drop to HKD647.3 billion as of 31 March 2025, the government is tasked with strengthening public finances while also striving to promote economic expansion.

In the Budget, the Financial Secretary balances fiscal responsibility with economic stimulus, focusing on controlling expenditure and enhancing revenue streams through meticulously designed measures. This strategy, aimed at tackling the fiscal deficit and solidifying public finances, creates an environment conducive to economic diversification and technological advancement, paving the way for a stronger and more resilient economic outlook for Hong Kong.

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 2025-26 (continuous updates).

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Key tax-related measures

Businesses

Tax relief for businesses

The Budget maintains a 100% reduction in profits tax for the year of assessment 2024/25, subject to a reduced ceiling of HKD1,500 (the ceiling for 2023/24 was HKD3,000). This relief will be applied to the final tax payable for that year of assessment.

Commodity trading

Echoing the Government's strategy to develop a commodity trading ecosystem as outlined in the 2024 Policy Address, the Budget proposes to offer a half-tax concession (i.e. a tax rate of 8.25%) for eligible commodity traders. This initiative aims to attract commodity trading enterprises to establish their presence in Hong Kong and foster a robust international trading hub. We are happy that our suggestion has been taken and expect that the new tax concession would benefit various sectors, including maritime, storage, logistics, insurance and finance. The Government plans to introduce the relevant bill into Legislative Council in the first half of next year and we look forward to receiving more details.

Maritime services

The Budget proposes enhancing the current tax incentives for ship leasing by allowing tax deductions for the ship acquisition cost for ship lessors under an operating lease. At present, eligible ship lessors benefit from a preferential tax rate of 0% on profits generated from qualifying activities. As such, the proposed enhancement would not bring an immediate effect on ship lessors but would provide them with a safeguard against potential increases in the tax rate. This measure supports the Government's plan to advance high-value-added maritime services and are anticipated to attract more shipping commercial principals and maritime service enterprises to establish presence in Hong Kong.

In addition, to develop Hong Kong into a green maritime fuel bunkering center, the Budget proposes a tax exemption for green methanol used for bunkering. This measure helps to address global climate change and contributes to green transformation and development.

Innovative technology and intellectual property (IP)

The Budget proposes a review of tax deductions related to the purchase of IP or the rights to use IP from associates, and the lump sum licensing fees for acquiring the rights to use IP. Currently, capital expenditure for purchasing IP is not deductible if the IP is purchased from associates. This restriction has discouraged enterprises from transferring the IP from group companies for further development in Hong Kong. On the other hand, lump sum licensing fees are capital in nature and no deduction is allowed. These are genuine expenditures, and their non-deductibility has hindered Hong Kong's business environment. We are pleased that our suggestions have been taken on board and believe that these measures would encourage more multinational enterprises to transfer their IPs to Hong Kong for conducting further research and development activities and stimulate the growth and development of innovative technologies in Hong Kong.

Assets and wealth management

Following the consultation exercise regarding the enhancements of the preferential tax regimes for asset and wealth management industry launched in November 2024, the Financial Secretary announced that the Government will formulate proposals on the preferential tax regimes for funds, single family offices and carried interest this year, including expanding 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 the distribution of carried interest by private equity funds, etc. We look forward to receiving more details about the enhancements.

On the other hand, the Financial Secretary announced that a series of enhancement measures will be launched shortly for the New Capital Investment Entrant Scheme to provide greater flexibility under the scheme. Since the implementation of the Scheme, it has attracted many talent applications to Hong Kong, with applicants expected to invest more than HKD26 billion. We believe that the enhancement measures will further attract more investment to Hong Kong, given its successful track record since its launch in March 2024.

Implementation of the global minimum tax regime

The draft legislation on implementation of the Global Minimum Tax and Hong Kong Minimum Top-up Tax (HKMTT) rules is currently under consideration by the Legislative Council. Once enacted, the income inclusion rule and HKMTT will apply retrospectively from 1 January 2025, with the first reporting year in 2027, potentially adding about HKD15 billion to the Government's tax revenue annually from 2027-28 onwards. Meanwhile, the estimated additional revenue is only a preliminary estimate contingent on the profits earned by the relevant entities when the new regime is implemented, as well as any structural changes that may be undertaken in response to the new regime.

Individuals

One-off tax relief

The Budget retains a 100% reduction in salaries tax and tax under personal assessment for the year of assessment 2024/25, with a reduced cap of HKD1,500 (the ceiling for 2023/24 was HKD3,000). This reduction will be applied to the final tax payable for that year.

Other levies

Stamp duty for residential and non-residential properties

To ease the burden on buyers of residential and non-residential properties at lower values, the Budget proposes to adjust the maximum value of properties chargeable to a stamp duty of HKD100 from HKD3 million to HKD4 million, with immediate effect. The adjustment may attract more investors to purchase properties in Hong Kong.

Air passenger departure tax

The Budget proposes increasing the rate of air passenger departure tax from HKD120 to HKD200 per passenger, starting from the third quarter of 2025-26. The Financial Secretary expected that the impact on air passengers is minimal. We also considered the increase to be reasonable, considering that the air passenger departure tax has not been adjusted for over 20 years.

Boundary facilities fee on private cars

Adhering to the "affordable users pay" principle, the Budget proposes introducing a boundary facilities fee on private cars departing via land boundary control points. Coaches, goods vehicles, etc. will not be affected. The Budget uses a fee of HKD200 per private car as an example to estimate additional revenue generation, but the final rate is subject to the Government's announcement. We hope the Government can strike a balance between additional revenue generation and the close ties between Hong Kong and the Greater Bay Area cities.

Fees under various talent admission scheme

The Budget proposes to charge an application fee of HKD600 under various talent and capital investor admission schemes, with immediate effect. The visa fees will also be raised from HKD230 to HKD600 or HKD1,300, depending on the duration of limit of stay.

Legalization of basketball betting

To combat illegal basketball betting in Hong Kong, the Financial Secretary announced that the Government will explore regulating basketball betting activities and invite Hong Kong Jockey Club to submit a proposal. If basketball betting is legalized, this would potentially be subject to betting duties in the future. Since betting duties are levied on the authorized betting company, i.e. Hong Kong Jockey Club, it could be a pragmatic approach to increase government revenue over the long term without imposing extra financial burdens on the public.

Concluding remarks

The 2025-26 Budget demonstrates the Government's strong commitment to embracing, adapting to, and driving change. It presents a comprehensive set of measures aimed at stabilizing the economy in the short term and fostering sustainable growth in the long run. By addressing immediate fiscal challenges and supporting economic diversification, the government demonstrates a proactive approach to managing Hong Kong’s financial health. We welcome the Government’s adoption of Deloitte’s various recommendations to revitalize and strengthen Hong Kong’s economic environment. We are particularly encouraged to see substantial resources being allocated to develop ‘new productive forces,’ with a strategic focus on artificial intelligence, life sciences, green technology and other emerging industries to accelerate Hong Kong's economic transformation.

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