

# Hong Kong update



# Speaker




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# Agenda

- 1 2026/27 Budget Highlights**
- 2 Proposed Tax Measures**
- 3 Questions and answers**

# 2026/27 Budget Highlights

## Economic performance and forecast

 **Real GDP Growth 2025:**  
**2.5% - 3.5%**

 **Forecast GDP Growth 2027-2030:**  
**3%**

Source: 2026/27 Budget

	2025/26 HK\$b bil (Revised estimate)	2026/27 HK\$b bil	2027/28 HK\$b bil	2028/29 HK\$b bil	2029/30 HK\$b bil	2030/31 HK\$b bil
Operating surplus	51.3	11.9	26.4	41.2	52.2	68.9
Capital deficit before bond issuance and repayment*	(151.7)	(90.1)	(98.6)	(147.3)	(123.2)	(107.3)
Proceeds (net of repayment) from government bonds	103.3	100.3	80.1	116.7	88.4	56.9
Consolidated surplus after bond issuance and repayment*	2.9	22.1	7.9	10.6	17.4	18.4
Fiscal reserves after bond issuance and repayment	657.2	679.3	687.3	697.9	715.3	733.7
- In terms of number of months of government expenditure	10	10	10	10	10	10
- In terms of percentage of GDP	19.7%	19.5%	18.8%	18.1%	17.7%	17.3%

\* Including proceeds from issuance of government bonds, net of repayment of government bonds. The proceeds are credited to the Capital Works Reserve Fund to finance eligible works projects and will not be used for government recurrent expenditure

# 2026/27 Budget Highlights

## Economic Situation in 2025

Hong Kong's economy was vibrant at last year. External trade remained strong, private consumption rebounded, and fixed investment accelerated.

### Property market



General improvement in economy

Stellar performance in stock market

# 2026/27 Budget Highlights

## Economic Outlook for 2026 and the Medium Term

**Better integrate and serve the overall national development align with 15th Five-Year Plan**



**Guangdong-Hong Kong-Macao Greater Bay Area (GBA) participation**

**Northern Metropolis (NM) expedition**

**Driving growth through talents and innovation and technology (I&T)**

# 2026/27 Budget Highlights

## Supportive Measures for Corporates and Individuals



### Profits tax

Reduce profits tax for the year of assessment 2025/26 by 100%, subject to a ceiling of HK\$3,000



### Salaries tax/tax under personal assessment relief

Reduce salaries tax and tax under personal assessment for the year of assessment 2025/26 by 100%, subject to a ceiling of HK\$3,000



### Basic and other allowances

- Increase the basic allowance and single parent allowance to HK\$145,000, and the married person's allowance to HK\$290,000
- Increase the child allowance and additional child allowance to HK\$140,000
- Increase the allowance for maintaining a dependent parent or grandparent aged 55 to 59 and 60 or above to HK\$27,500 and HK\$55,000 respectively. Taxpayers residing with these parents or grandparents can also enjoy the same additional allowance
- Raise the deduction ceiling for elderly residential care expenses to HK\$110,000 for taxpayers whose parents or grandparents are admitted to eligible residential care homes



### Increase Stamp Duty on Luxury Residential Properties

The stamp duty rate on residential property transactions valued above HK\$100mil will be raised from 4.25% to 6.5%

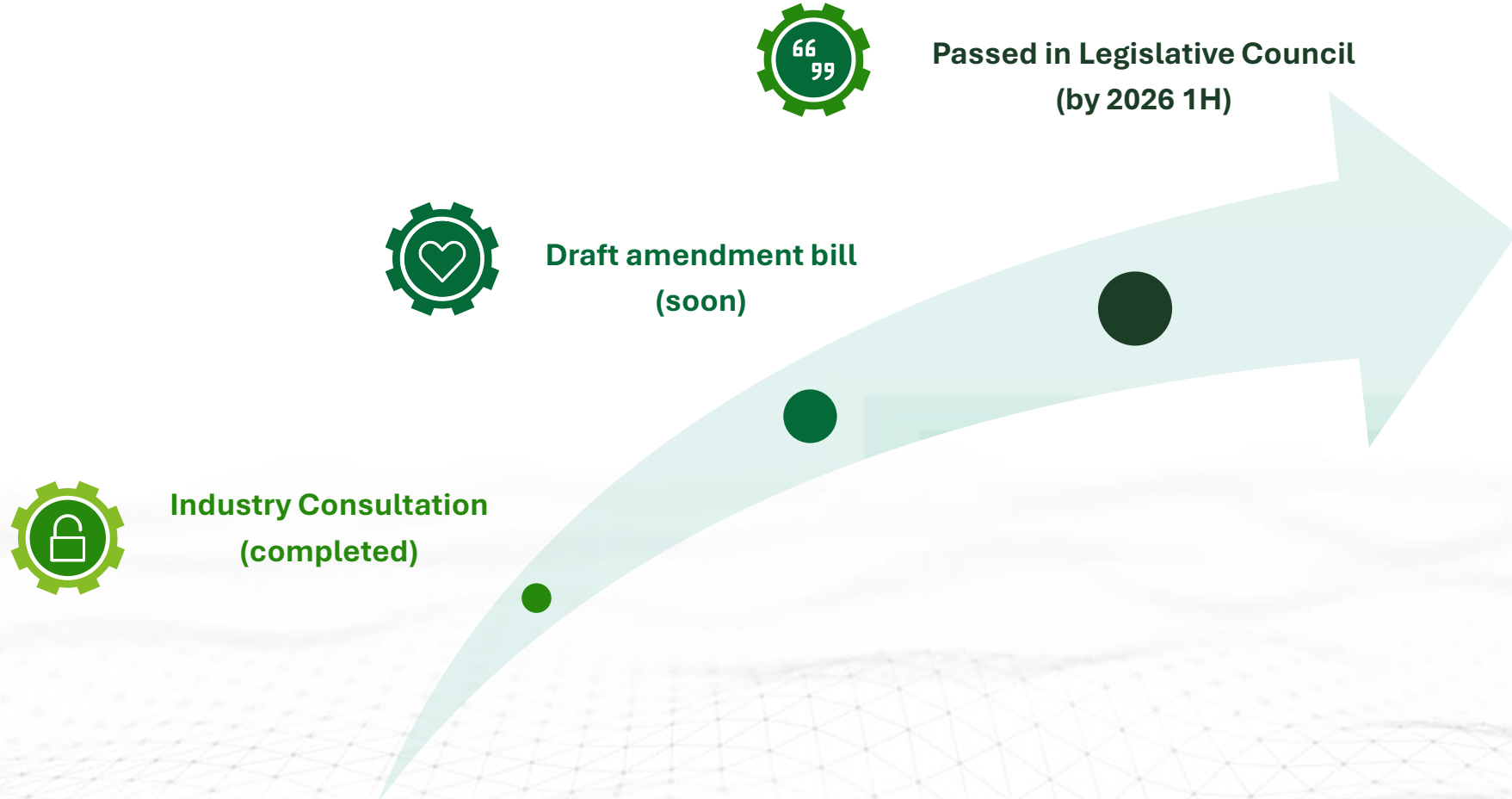


### Rates concession

Provide rates concession for domestic and non-domestic properties for the first two quarters of 2026/27, subject to a ceiling of HK\$500 for each rateable property

# Proposed Tax Measures for Corporates Financial Services

## Proposed enhancements to the UFE and SFO regimes



# Proposed Tax Measures for Corporates Financial Services

## UFE regime and SFO regime

Key proposed changes—(1) Definition of “fund”

### Current UFE regime

- “Fund of one” (i.e., fund with single investor) does not qualify as a “fund”

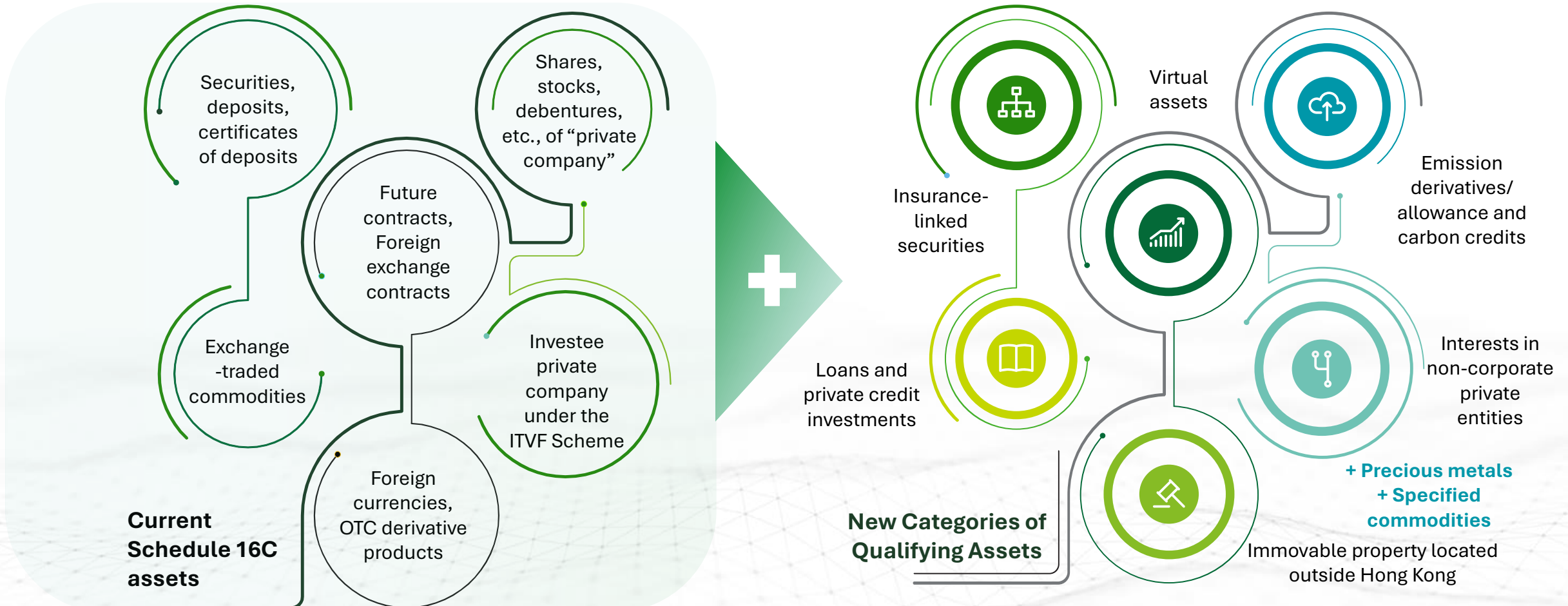
### Proposed Change

- Expand the definition of “fund” to include:
  - i. pension funds;
  - ii. endowment funds, covering charitable entities that are exempt from tax under section 88 of the IRO;
  - iii. a fund with a governmental entity or a central bank or an international organisation as its sole investor; and
  - iv. an arrangement with only one investor and with the value of qualifying investments managed not less than HK\$240mil, provided that the investor does not have day-to-day control over the management of the property.

# Proposed Tax Measures for Corporates Financial Services

## UFE regime and SFO regime

Key proposed changes—(2) Expansion of the scope of Schedule 16C assets as qualifying investments



# Proposed Tax Measures for Corporates Financial Services

## UFE regime and SFO regime

Key proposed changes—(3) Refinement to the scope of income eligibility



### Current UFE regime—Incidental transactions

- Previously only tax exempt if up to 5% of trading receipts from qualifying transactions and incidental transactions.



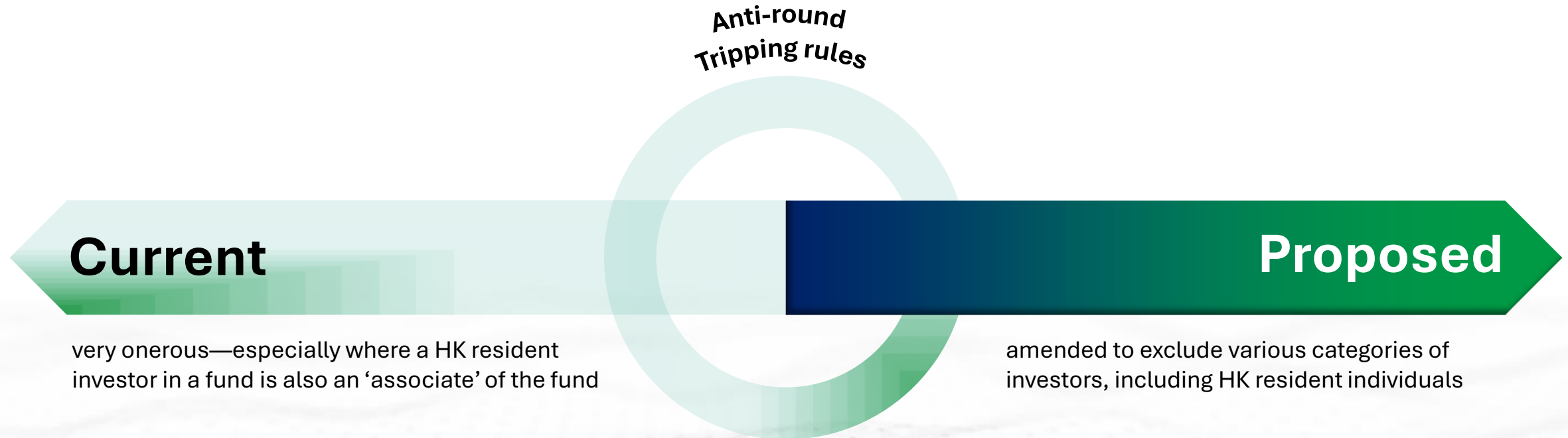
### Proposed Change

- Removal of the “5% incidental transaction threshold”
- **All income** derived by qualifying funds and SPEs from qualifying investments could be eligible for tax exemption

# Proposed Tax Measures for Corporates Financial Services

## UFE regime

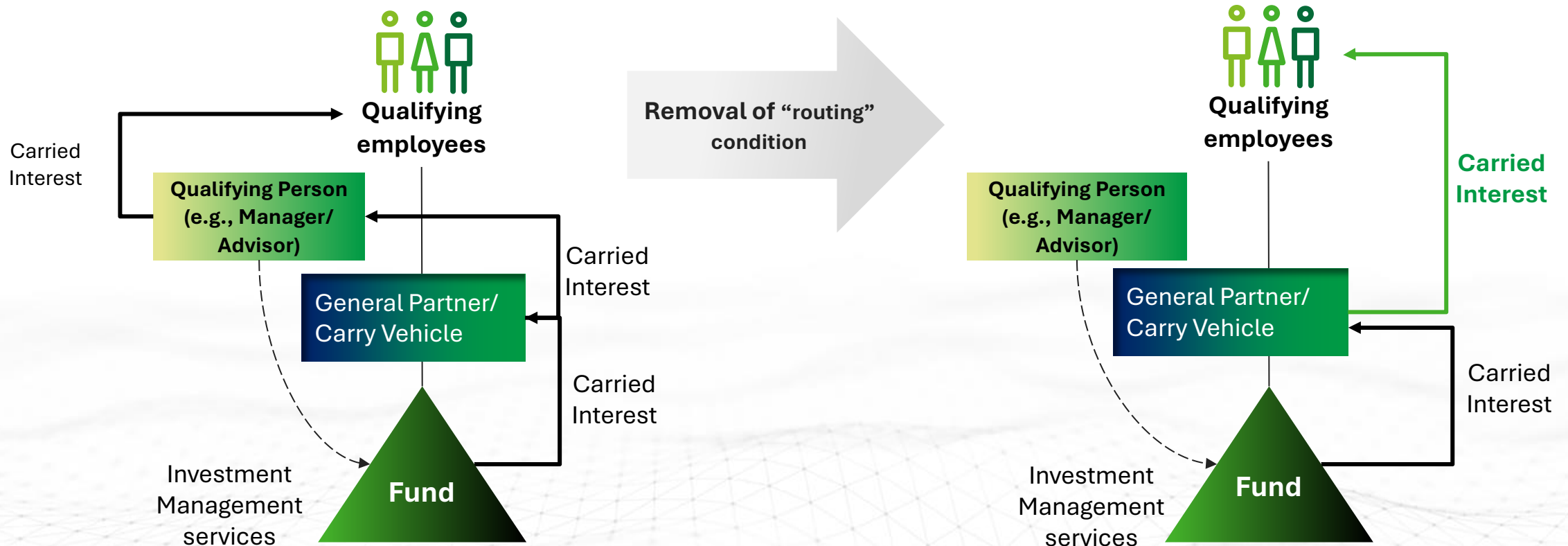
Key proposed changes—(4) Relaxation of the anti-round tripping rules



# Proposed Tax Measures for Corporates Financial Services

## Carried Interest Tax Concession regime

Key proposed changes—(1) Accommodation of different types of distribution arrangements

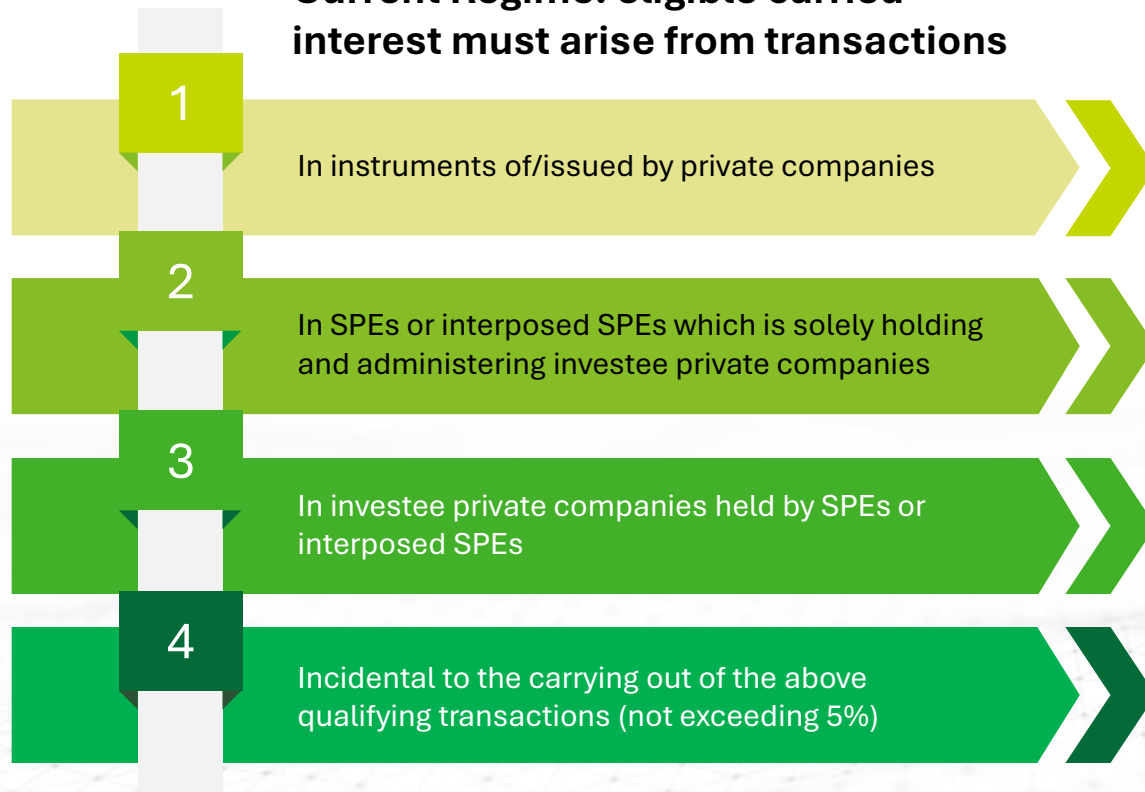


# Proposed Tax Measures for Corporates Financial Services

## Carried Interest Tax Concession regime

Key proposed changes—(2) Expansion of the types of transactions giving rise to eligible carried interest

### Current Regime: eligible carried interest must arise from transactions



### Proposed Changes

- ✓ **A funds tax-exempt profit under the UFE regime**
- ✓ **A fund's other non-taxable income, e.g., offshore income**
- ✓ **A fund's other taxable income, e.g., income specified in the proposed exclusion list**

# Proposed Tax Measures for Corporates Financial Services

## REITs

- Waiver of stamp duty for transfer of non-residential properties (4.25%) into REITs seeking to list in Hong Kong
- Aim at attracting more REITs to go listing in Hong Kong



# Proposed Tax Measures for Corporates

## Other sectors

### Corporate treasury center

#### Enhance HK's Corporate Treasury Center's functions

- Additional tax incentives and flexibility to CTCs and their associated companies
- Introduced a pre-approval mechanism

#### Expand the Scope of Stamp Duty Group Relief

- Proposed to expand the scope of eligible associated body corporates
- Retrospectively applied to instruments signed from 25 Feb 2026

# Proposed Tax Measures for Corporates

## Other sectors

### Maritime services

#### Ship lessors

- Qualifying ship lessors can enjoy a concessionary rate of 0% on profits derived from qualifying ship leasing activities
- Effective from the year of assessment **2020/21**

**0%**

#### Ship leasing managers

- Qualifying ship leasing managers can enjoy a concessionary tax rate of 0%/8.25% on profits derived from qualifying ship leasing management activities to associated/non-associated qualifying ship lessors
- Effective from the year of assessment **2020/21**

**0%/8.25%**

#### Shipping commercial principals

- Qualifying shipping commercial principals (i.e., ship agents, ship managers and ship brokers) can enjoy a concessionary tax rate of 0%/8.25% on profits derived from qualifying activities
- Effective from the year of assessment **2022/23**

**0%/8.25%**

# Proposed Tax Measures for Corporates

## Other sectors

### Maritime services

#### New tax deduction for ship acquisition costs

- Providing qualifying ship lessors under operating leases with a tax deduction on ship acquisition costs

#### New tax deduction for interest expenses

- Expanding the tax deduction to include interest payable by qualifying ship lessors to financiers outside Hong Kong for ship acquisition

#### Relaxation of the definition for ship leasing

- Removing the one-year term restriction and extending the scope of lessees to any person

#### Additional option of a 15% concessional tax rate

- Introducing an additional 15% tax rate option for qualified ship lessors, ship leasing managers and shipping commercial principals



**Proposed  
enhancements**

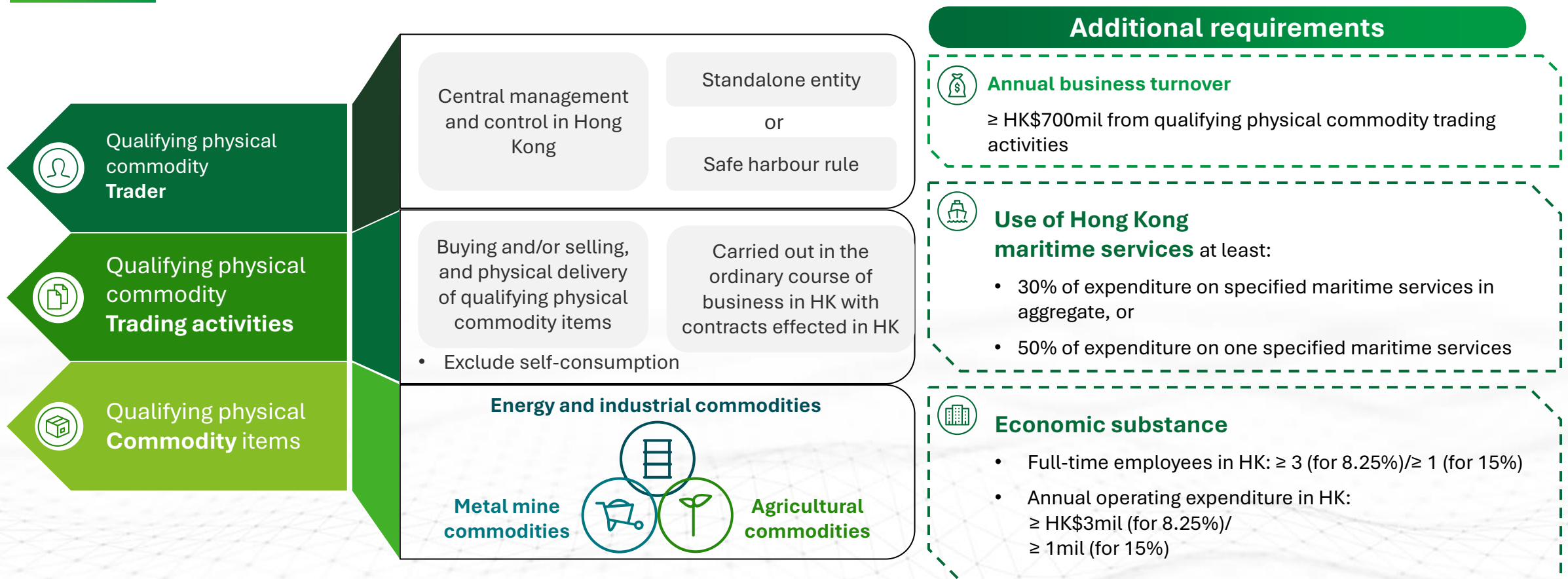
# Proposed Tax Measures for Corporates

## Other sectors

### Commodity trading

**8.25%**

Qualifying physical commodity traders can enjoy concessionary tax rate of 8.25% on profits derived from qualifying physical commodity trading activities, subject to certain conditions. Alternatively, Pillar Two in-scope enterprises may elect a 15% tax rate.



### Gold trading and settlement

To facilitate the development of Hong Kong's gold trading market, the government will explore offering tax incentives for eligible institutions conducting gold trading and settlement in Hong Kong.



# Proposed Tax Measures for Corporates

## Other sectors

### Innovative technology and intellectual property (IP) tax regimes enhancements



Review and enhance tax regimes for R&D expenditures to foster cross-border scientific collaboration



Stakeholder consultation on tax deductions for:

- IP acquisition costs
- Upfront license fees for the rights to use IP

To introduce the amendment Bill **within 2026**



# Proposed Tax Measures for Corporates Tax Policy

## Preferential policy package to attract enterprises and investments





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