



**SNAPSHOTS OF
HONG KONG BUDGET**
2026/2027

The Hong Kong Budget 2026/27, articulates the Government’s fiscal strategy for strengthening the city’s economic resilience and long-term competitiveness in an increasingly complex global environment. This Budget, delivered on 25 February 2026 by the Financial Secretary, Mr Paul Chan is guided by the overarching theme of “*Driving High-quality, Inclusive Growth with Innovation and Finance*”.

Driven by an impressive fiscal position brought about by stronger economic performance and buoyant capital markets, Hong Kong has been able to enhance its public, financial position ahead of earlier forecasts. This includes a return to an operating surplus and the anticipated consolidation of consolidated fiscal balances, supported by robust revenue growth and prudent expenditure management.

Aligned with the first of the National 15th Five-Year Plan, this Budget underscores Hong Kong’s commitment to embracing innovation and technology, deepening its role as a regional and international financial hub, and supporting diversified economic development particularly in the Greater Bay Area.

It balances forward-looking investments with proactive fiscal stewardship, ensuring that public resources are deployed to nurture economic transformation while strengthening support for people and businesses alike.

Key strategic priorities include:

- Promoting innovation, technology and AI+ development to drive productivity gains and new economic drivers;
- Enhancing Hong Kong’s international financial services ecosystem, including deepening connectivities with Mainland and global markets;
- Facilitating diversified growth by investing in emerging industries and infrastructure while supporting SMEs and nurturing talent;
- Caring for the community through measures that alleviate cost pressures on individuals and families.

Together, these initiatives represent more than a fiscal plan – they mark a decisive step forward towards shaping Hong Kong’s next chapter of transformation. Anchored in innovations, empowered by financial excellence, and guided by a commitment to inclusive growth, the Budget sets out a bold blueprint for a more dynamic, resilient, and opportunity-rich future.

As the global economic paradigms evolve and technological frontiers expand, Hong Kong will not merely adapt – it will lead, leveraging its unique strengths under “One Country, Two Systems” to pioneer new industries, deepen international partnerships, and unlock the full potential of its people. With confidence, clarity of purpose, and collective resolve, we move forward to build a smarter economy, a more caring society, and a city that thrives as a beacon of progress and possibility for generations to come.

HIGHLIGHTS OF THE HONG KONG 2026/27 BUDGET ARE SUMMARISED BELOW:

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). This is a welcome 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 further stated 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 centres in Hong Kong and to reinforce Hong Kong's position as a leading IP hub.

➤ Enhancement of the Asset and wealth Management tax incentives scheme

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 implement it from the year of assessment 2025/26.

➤ **Enhancement of the Corporate Treasury Centre (CTC) tax incentive**

Further to the announcement made in the 2025 Policy Address to enhance the CTC tax concession, the Financial Secretary stated that he will announce a series of enhancement measures in the middle of this year. This will include providing additional tax incentives and flexibility to CTCs and their associated companies, and implementing 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. This initiative to review and enhance the regime is welcome. With the enhanced tax incentives, it is expected to attract more enterprises to establish CTCs in Hong Kong. Further details of the enhancement measures, especially the additional tax incentives will be provided soon.

➤ **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. This is a welcome 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 finalisation 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 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.

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”.

➤ **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.

It is noteworthy to see 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:

Two-Tiered Profits Tax Rates in Hong Kong		
	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)		
• Aged 60 or above	50,000	55,000
• Aged 55 to 59	25,000	27,500
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 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. This is a decisive step taken towards shaping Hong Kong's future forward.

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