

2025/26 HONG KONG BUDGET EXECUTIVE SUMMARY

1 Support measures

- Reduce 100% of 2024/25 salaries tax and tax under personal assessment, subject to a ceiling of HKD1,500.
- Provide rates concession for domestic properties for the first quarter of 2025/26, subject to a ceiling of HKD500 for each rateable property.
- Provide an extra half-month allowance of the standard Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Working Family Allowance.
- Reduce 100% of 2024/25 profits tax, subject to a ceiling of HKD1,500.
- Provide rates concession for non-domestic properties for the first quarter of 2025/26, subject to a ceiling of HKD500 for each rateable property.
- The maximum value of properties chargeable to a stamp duty of HKD100 has been increased to HKD4,000,000 from 26 February 2025.

2 Profits Tax

Persons carrying on business in Hong Kong are liable to profits tax on profits arising in or derived from Hong Kong.

Profits tax rate remains unchanged for 2025/26 :

	<u>Corporations</u>	<u>Unincorporated business</u>
➤ Standard tax rate#	16.5%	15%
➤ Two-tiered profits tax rates regime*		
• First HKD2 million of assessable profits	8.25%	7.5%
• Remaining balance	16.5%	15%

Concessionary regimes are available for certain specified industries or business activities

* Only one entity within a group can benefit from the two-tiered rates

2 Profits Tax (Continued)

Major areas in respect of the profits tax are set out below :

(a) Capital allowances

Depreciation allowance rates for plant and machinery

- Initial allowance 60%
- Annual allowance 10%, 20% or 30%

Industrial building allowances

- Initial allowance 20%
- Annual allowance 4%

Commercial building allowance 4%

Building refurbishment 20% deduction for 5 years

(b) Other deductions

Expenditure on environmentally friendly machinery and equipment 100% deduction

Expenditure on computer hardware and software 100% deduction

Enhanced deduction for qualifying research and development expenditure 300% for the first HKD2 million
200% for the remaining balance

Deductions for charitable donations 35% of assessable profits

(c) Key proposals

- Review tax deduction arrangement for purchase of intellectual property usage rights and related transactions.
- Formulate proposals on preferential tax regimes for funds and single family offices.
- Provide half-rate tax concession to eligible commodity traders.
- Enhance the tax measures for the maritime industry including introduction of tax deduction on ship acquisition cost for ship lessors under an operating lease.
- Provide tax exemption for green methanol used for bunkering.

3 Salaries Tax

Salaries tax charged is the lower of :

- Net assessable income less charitable donations and allowable deductions at the standard rate[^]; or
- Net assessable income less charitable donations, allowable deductions and personal allowances, charged at the following progressive rates :

		2024/25 and <u>2025/26</u> HKD
	Tax rate	
First HKD50,000	2%	1,000
Next HKD50,000	6%	3,000
Next HKD50,000	10%	5,000
Next HKD50,000	14%	7,000
Remaining balance	17%	

[^] Two-tiered standard rates regime for salaries tax and tax under personal assessment : First HKD5 million net income to be taxed at 15% and the remainder at 16%

Major areas in respect of the salaries tax are set out below :

(a) Personal allowances

	2024/25 and <u>2025/26</u> HKD
Personal allowance :	
Basic	132,000
Married	264,000
Single parent	132,000
Disabled	75,000
Child allowances :	
1st to 9th (each) basic and additional allowance	
Year of birth	260,000
Other years	130,000
Dependent parent/grandparent allowance (aged 60 or above)	
Basic	50,000
Additional	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)	
Basic	25,000
Additional	25,000
Dependent brother/sister allowance	37,500
Disabled dependent (spouse/child/parent/ grandparent/brother/sister) allowance	75,000

3 Salaries Tax (Continued)

(b) Deductions - maximum limit

	2024/25 and <u>2025/26</u> HKD
Domestic rents deduction	100,000
Elderly residential care expenses	100,000
Home loan interest	100,000
Mandatory annual contributions to recognised retirement schemes	18,000
Self-education expenses	100,000
Annuity premiums and MPF voluntary contributions	60,000
Qualifying voluntary health insurance scheme policy premiums	8,000 per insured person
Approved charitable donations	35% of assessable income
Assisted reproductive service expenses deduction (subject to the passage of the bill)	100,000

4 Property tax

The standard rate remains at 15%.

5 Rates

Rates on non-domestic properties is 5% of the rateable value.

Rates on domestic properties are charged at the following progressive rates :

<u>Annual rateable value</u> HKD	<u>Rates</u> HKD
550,000 or below (monthly rental of 45,833 or below)	5%
550,001 ~ 800,000 (monthly rental of around 45,833 ~ 66,667)	First 550,000 : 5% Next 250,000 : 8%
Above 800,000 (monthly rental of over 66,667)	First 550,000 : 5% Next 250,000 : 8% Above 800,000 : 12%

A flat rate of 5% was applied to the rateable value of properties before 1 January 2025.

6 Stamp duty

(a) Sale or transfer of immovable properties

Ad valorem stamp duty (applicable to any instrument executed on or after 26 February 2025 for the sale and purchase or transfer of residential and non-residential property) :

<u>Property consideration</u> HKD	<u>Stamp duty rate</u> HKD
Up to 4,000,000	100
4,000,000 ~ 4,323,780	100 + 20% of excess over 4,000,000
4,323,781 ~ 4,500,000	1.5%
4,500,001 ~ 4,935,480	67,500 + 10% of excess over 4,500,000
4,935,481 ~ 6,000,000	2.25%
6,000,001 ~ 6,642,860	135,000 + 10% of excess over 6,000,000
6,642,861 ~ 9,000,000	3%
9,000,001 ~ 10,080,000	270,000 + 10% of excess over 9,000,000
10,080,001 ~ 20,000,000	3.75%
20,000,001 ~ 21,739,120	750,000 + 10% of excess over 20,000,000
21,739,121 and above	4.25%

6 Stamp duty (Continued)

(b) Lease of immovable properties

<u>Lease term</u>	<u>Stamp duty rate</u>
Not defined or is uncertain	0.25% of the yearly or average yearly rent
Does not exceed 1 year	0.25% of the total rent payable over the term of the lease
Exceeds 1 year but not exceeding 3 years	0.5% of the yearly or average yearly rent
Exceeds 3 years	1% of the yearly or average yearly rent

(c) Sales and purchase of Hong Kong stock

0.20% of the consideration or the market value of the Hong Kong stock as at the transfer date, whichever is higher.