

## 2026/27 Hong Kong Budget Commentary

### Overview

On 25<sup>th</sup> February 2026, Mr. Paul M Chan, the Financial Secretary of Hong Kong, delivered his tenth budget speech to the Legislative Council.

In 2025, Hong Kong’s economy showed resilience and recorded solid growth, with its GDP grew by 3.5 percent in real terms over 2024. This performance was achieved despite facing significant challenges externally, including global economic uncertainty, geopolitical tensions, repeated changes of interest rates, and structural changes in consumption patterns.

External trade and financial activities remain crucial growth drivers, supported by strong regional demand and deep capital markets. The stock market, banking, asset management, and offshore Renminbi business continue to anchor Hong Kong’s role as an international financial hub.

Domestically, private consumption and tourism have been recovering gradually. The residential property market stabilized further with the market sentiment in general turned positive, while the non-residential property market remained weak. Inflation remained moderate throughout 2025. The headline consumer price inflation rate was 1.1%, which is same as 2024. At the same time, the labour market softened in 2025. The unemployment rate for the year 2025 increased to 3.8%, which is higher than 3.1% in 2024.

The budget surplus of 2026/27 is HKD22.1 billion, which is significantly improved compared to the original deficit projection of HKD67 billion.

Looking ahead, economic prospects depend on global conditions, interest rate trends, and Mainland China’s growth, even though Hong Kong economy has a sign of recovery, Hong Kong government would still manage public finances more prudently in order to cope with the volatile global economic environment in recent years. As such, the budget has proposed the following measures:-

### Highlights

Proposed fiscal/ tax measures	
1	Reduce profits tax, salaries tax and tax under personal assessment for 2025/26 by 100 percent, subject to a ceiling of HKD3,000
2	Waive rates for residential properties and non-residential properties for the first two quarters of 2026/27, subject to a ceiling of HKD500
3	Raising the rates of stamp duty on residential property transactions valued above HKD100 million from 4.25% to 6.5%
Starting from the year of assessment 2026/27:-	
4	Increase the basic allowance and single parent allowance from HKD132,000 to HKD145,000
5	Increase the married person’s allowance from HKD264,000 to HKD290,000
6	Increase the child allowance and additional child allowance from HKD130,000 to HKD140,000
7	Increase the allowance for maintaining a dependent parent or grandparent aged 60 or above from HKD50,000 to HKD55,000, and the additional allowance for taxpayers residing with these parents or grandparents also increased from HKD50,000 to HKD55,000
8	Increase the allowance for maintaining a dependent parent or grandparent aged 55 to 59 from HKD25,000 to HKD27,500, and the additional allowance for taxpayers residing with these parents or grandparents also increased from HKD25,000 to HKD27,500
9	Raising the deduction ceiling for elderly residential care expenses from HKD100,000 to HKD110,000

Policies for long-term development	
1	Accelerating I&T development by investing of HKD20 billion in total for development of Hetao Co-operation Zone Hong Kong Park, San Tin Technopole located in the Northern Metropolis. And also establishing Committee on AI+ and Industry Development Strategy to transform industries.
2	Legislation this year to enhance family offices and fund tax regime, and enable REITs privatisation. Amending the law next year to provide stamp duty waiver for transferring non-residential properties into REITs seeking to list.

## **Introducing Hong Kong’s New Tax Portals and Digital Compliance Requirements**

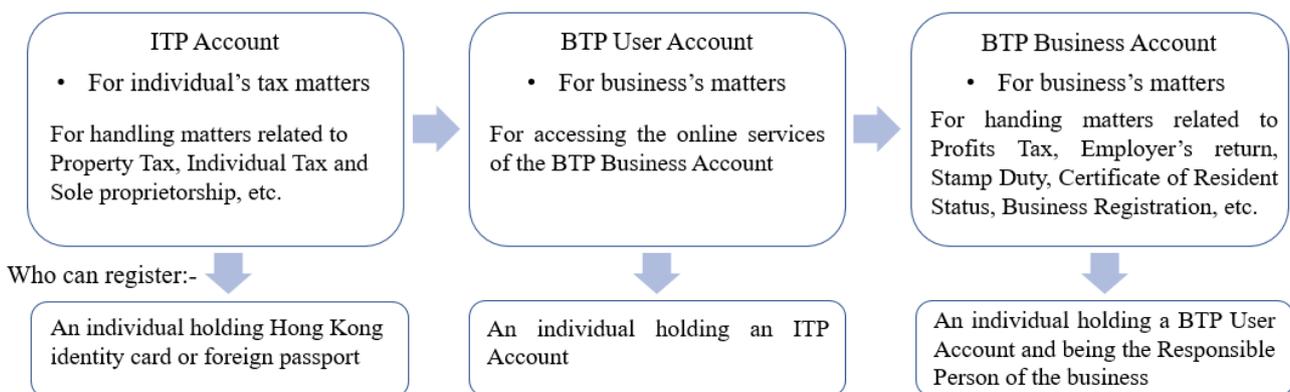
The Inland Revenue Department (“IRD”) has officially launched new Tax Portals on 22<sup>nd</sup> July 2025 that consist of three interconnected portals which are Individual Tax Portal (ITP), Business Tax Portal (BTP) and Tax Representative Portal (TRP). Among them, BTP is the official multi-user platform for businesses to handle their tax and business affairs. As the digital transformation of tax administration deepens in Hong Kong, certain tax and business affairs can only be handled through a BTP account. This article summaries the central role of the BTP account, its setup process and key applications in tax compliance matters.

### **Registration for ITP and BTP (User Account and Business Account)**

The use of the Portals is subject to prior account registration, and each Portal has different account registration requirements. The registration of the ITP account is a precondition for the registration of the BTP account. The registration process of ITP Account requires the submission of personal information, including identification details (i.e. Hong Kong Identity Card or Passport), contact information, address proof, etc., for security and identification purposes.

For businesses, the registration of a BTP account involves a two-step process. For the first step, the Responsible Person (RP) of the Business needs to register for his/her own dedicated BTP User Account and adds the Business as his/her serving business(es). For a corporation, the RP must be a natural person in the capacities of the director or the company secretary. Subsequently, to access the online services available under BTP, the RP of the Business needs to open a BTP Business Account for the business by appointing himself or herself as the Administrator of the BTP Business Account. Upon the approval of appointment of Administrator of the BTP Business Account by the IRD, the registration of the BTP Business Account for a business is completed. Thereafter, the RP can appoint other BTP Administrators and Authorized Users with different accessibility levels. Users can access the BTP online services by logging in through his/her BTP User Account.

Below is a simplified chart of the registration procedures for ITP and BTP User and BTP Business Accounts:-



Please refer to the IRD’s dedicated webpage below for more information:-

- General information for ITP, BTP, and TRP:-  
[\[https://www.ird.gov.hk/eng/ese/etax.htm\]](https://www.ird.gov.hk/eng/ese/etax.htm)

### Tax Procedures Mandated via BTP

To gradually roll out the implementation of digital tax administration by phases, certain tax procedures must now be completed through BTP. Companies that would be affected by these changes of tax procedures should complete their BTP Business Account registration in advance to ensure uninterrupted compliance.

#### a) Issuance of Digital Certificate of Resident Status (CORS) related to Mainland China

The issuance of a Certificate of Resident Status related to the Comprehensive Double Taxation Agreement with Mainland China has been digitized since 10<sup>th</sup> November 2025. An Applicant (individual or company) may still be able to submit a paper application to the Tax Treaty Section of the IRD or an online application via ITP, BTP and TRP. Upon approval, however, the competent authority of Hong Kong will only issue a digital CORS in respect of Mainland China to the successful applicants; while for applications relating to jurisdictions other than Mainland, paper CORS will be issued to the successful applicants by post. Therefore, applicants for the applicable CORS are advised to register an ITP or a BTP Business Account prior to the submission of a CORS application.

#### b) Electronic filing of profits tax return for In-Scope Multinational Enterprise (MNE) Groups

In the first phase of mandatory electronic filing (e-filing), entities of MNE groups with global annual consolidated revenue of or above EUR750 million in at least two of the previous four fiscal years (“In-scope MNE Group”) are mandated to e-file their profits tax returns. The mandatory e-filing applies for a year of assessment beginning on or after 1<sup>st</sup> April 2025 (i.e. year of assessment 2025/26 onwards) of which the Ultimate Parent Entity (UPE)’s accounting fiscal year beginning on or after 1<sup>st</sup> January 2025. In general, fiscal year refers to an accounting period with respect to which the UPE of the In-scope MNE Group prepares its consolidated financial statements. Entities of In-scope MNE Group are required to e-file their tax returns together with the supporting documents (including the profits tax computation and audited financial statements, etc.) by full-electronic mode mandatorily for 2025/26 onwards.

In particular, apart from providing information as requested in the paper form profits tax return as in the past, the entities of In-scope MNE Group with gross income exceeding HKD5 million are required to submit the audited financial statements and profits tax computation with tagging of financial and tax information or disclosures through BTP under iXBRL format while e-filing of profits tax return, requiring extra effort and workloads for the preparation.

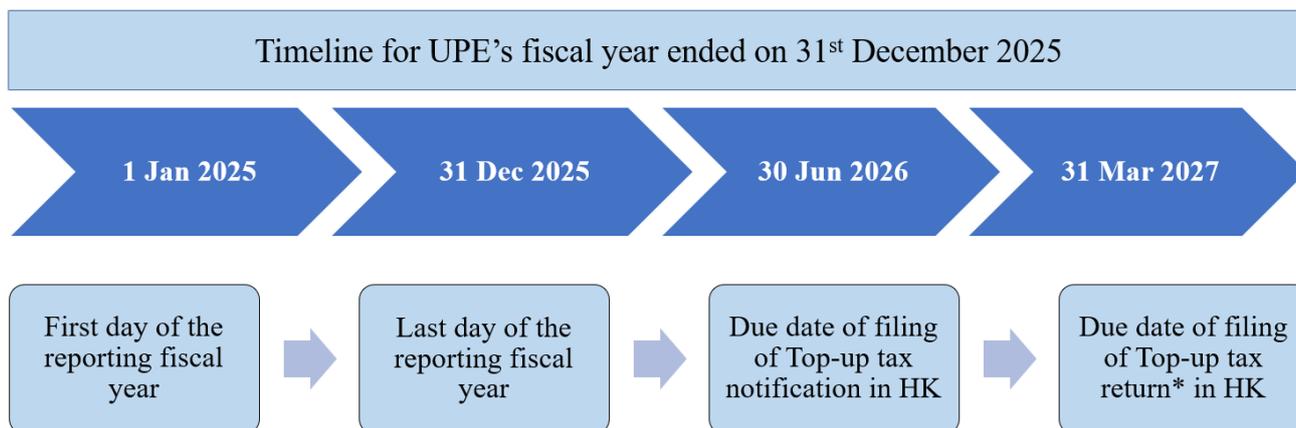
#### c) Top-up tax notification and top-up tax return for In-Scope MNE Groups

To implement the global minimum tax and Hong Kong minimum top-up tax (together refer to as “top-up tax”) under the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025, the first phase of the **Pillar Two Portal** is announced on 19<sup>th</sup> January 2026. Pillar Two Portal is an extended part of BTP that is designed for the submission of top-up tax notifications, top-up tax returns and for viewing top-up tax assessments. After registration with BTP, entities of In-scope MNE Group can access the Pillar Two Portal directly from the BTP.

Before the filing of top-up tax, for identification and tax administrative purposes, each In-scope MNE group, Hong Kong standalone joint venture (“JV”) or JV group are required to submit an application to the IRD for obtaining a unique group code for accessing the top-up tax notification under the Pillar Two Portal of the BTP for completion and filing. In particular, if the entity is a HK standalone JV or a HK member of a JV group of an in-scope MNE group, it will be further required to provide the JV code assigned to the HK standalone JV or JV group during the top-up tax filing. As the issuance of MNE group code or JV code takes time, the relevant entities of the In-scope MNE group, Hong Kong standalone JV or JV group are encouraged to early apply for the group codes to avoid late filing of the top-up tax notification.

Each Hong Kong entity of an In-scope MNE Group is required to file a top-up tax notification and a top-up tax return in electronic form under the Pillar Two Portal. The filing due date of the top-up tax notification is within 6 months after the last day of the fiscal year, and the filing due date of the top-up tax return is no later than 15 months after the last day of the reporting fiscal year. Specially, the filing deadline for the first transition year of filing of top-up tax return is extended to 18 months. Similar to the filing of country-by-country notifications and returns, Hong Kong constituent entities of an In-scope MNE Group are allowed to designate one Hong Kong constituent entity (designated local entity) to file the top-up tax notification and return to the IRD such that all other Hong Kong constituent entities of the group will be relieved from their filing obligation.

Below is an example of submission due date of an in-scope MNE entity in Hong Kong with the UPE's fiscal year ended on 31<sup>st</sup> December 2025 for your easy understanding:-



\*= For first transition year, the due date is extended to 18 months (i.e. 30<sup>th</sup> June, 2027)

For more information on Pillar Two Portal, please refer to the IRD's website link below:-

- Pillar Two Portal Resource Centre:-  
[\[https://www.ird.gov.hk/eng/p2portal/resources.htm#userguides\]](https://www.ird.gov.hk/eng/p2portal/resources.htm#userguides)

## **Conclusion**

Hong Kong's tax landscape is undergoing substantial transformation, driven by digitalization initiatives such as the new Tax Portals and the implementation of the global minimum tax regime under Pillar Two. These changes introduce new compliance obligations, particularly for In-Scope MNE Groups, that require careful attention and preparation. To ensure seamless adherence to these evolving requirements, companies should stay informed of further regulatory updates, complete necessary portal registrations promptly and consult with their professional tax advisors to navigate the evolving requirements effectively.

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The Aoba & Hopkins Group consists of CPA firms and full service consulting firms located in Hong Kong, Guangzhou and Beijing that have been providing quality and efficient professional services to our valued clients aboard and at home since 1989.

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