

2026-27 Budget

Briefing for Legislative Council

26 February 2026



2026-27 Budget

Budget and Measures

Public Finance Management Strategies

Medium Range Forecast



Budget and Measures



2026-27 Budget Highlights

- (1) Proactively Aligning with the 15th Five-Year Plan
- (2) International Innovation and Technology Hub
- (3) International Financial Centre
- (4) Enhancing Industries with Competitive Edge
- (5) International Hub for High-calibre Talents
- (6) Integrated Development of Culture, Sports and Tourism
- (7) Accelerating Green Development
- (8) Land and Housing Supply, Infrastructure Development
- (9) A Caring and Inclusive Community
- (10) Public Finance, Supporting People and Enterprises

Economic Indicators

	2024	2025	2026
<i>(Rate of change)</i>	Actual	Actual	Forecast
Real GDP	2.6%	3.5%	2.5% - 3.5%
Nominal GDP	6.9%	4.5%	4.2% - 5.2%
Underlying CCPI	1.1%	1.1%	1.7%

2025-26 Revised Estimate

\$ billion

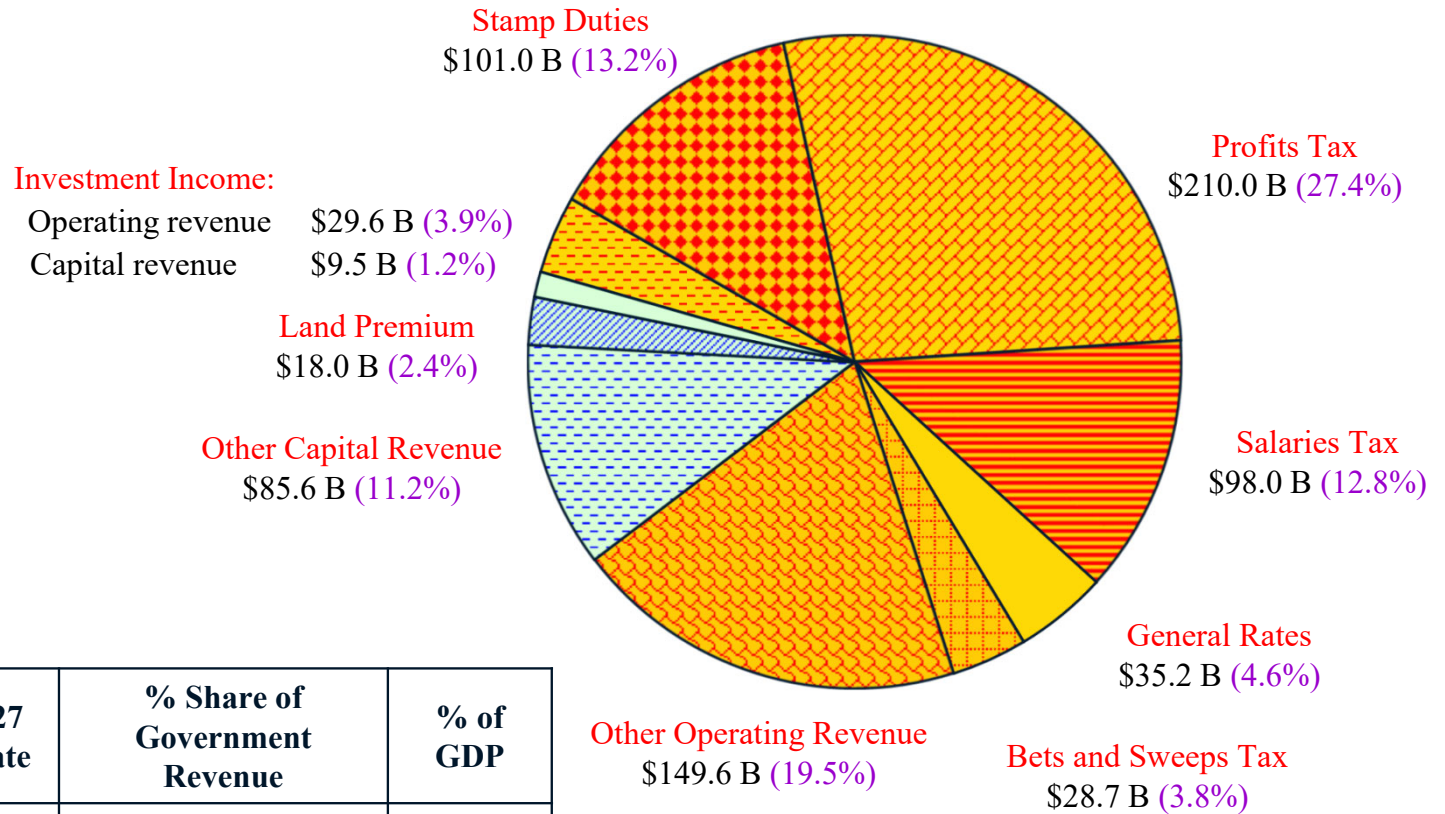
	Original Estimate	Revised Estimate	Variance
Government revenue	659.4	688.8	29.4
Government expenditure	(822.3)	(789.2)	33.1
Consolidated deficit before issuance and repayment of Government Bonds	(162.9)	(100.4)	62.5
<i>Operating surplus/(deficit)</i>	<i>(3.1)</i>	<i>51.3</i>	<i>54.4</i>
<i>Capital deficit</i>	<i>(159.8)</i>	<i>(151.7)</i>	<i>8.1</i>
Proceeds from issuance of Government Bonds	150.0	155.0	5.0
Repayment of Government Bonds	(54.1)	(51.7)	2.4
Consolidated surplus/(deficit) after issuance and repayment of Government Bonds	(67.0)	2.9	69.9
Forecast balance of fiscal reserves as at end-March 2026	587.3 [#]	657.2	69.9


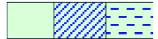
[#] The forecast fiscal reserves balance is revised to take into account the actual results in 2024-25

2026-27 Estimate

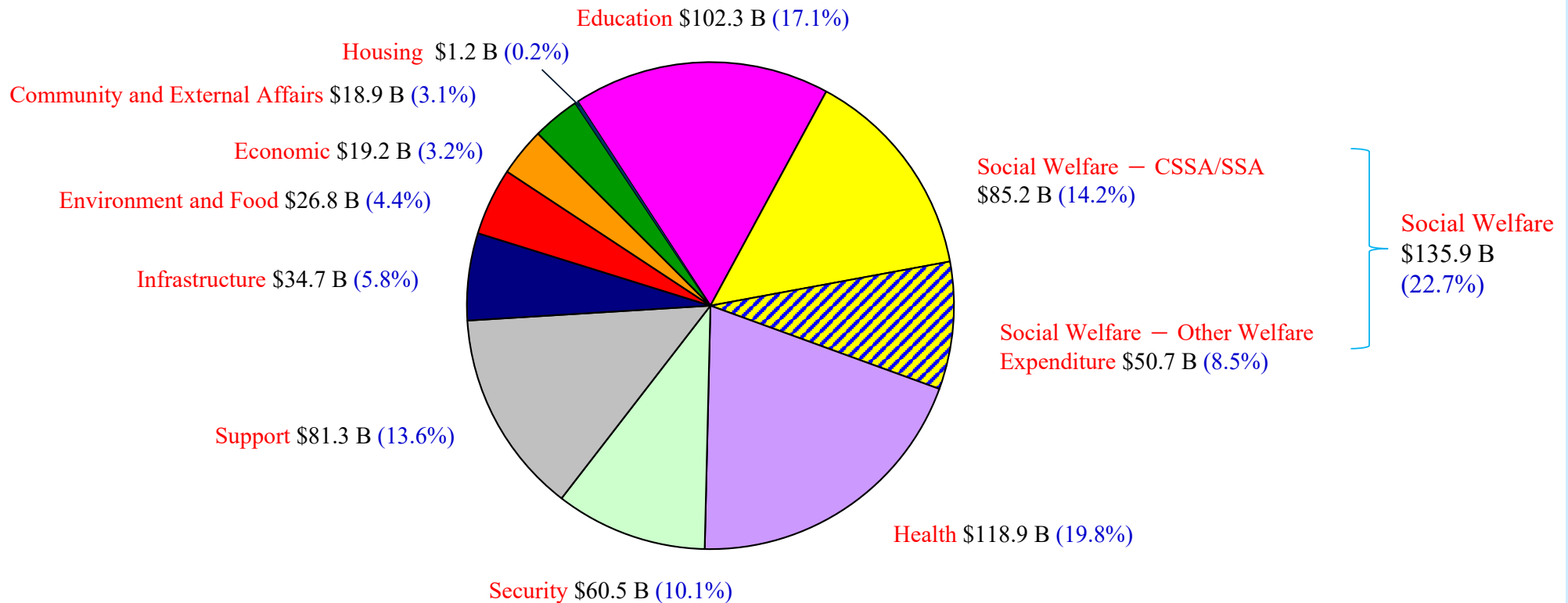
	<i>\$ billion</i>
Government revenue	765.2
Government expenditure	(843.4)
Consolidated deficit before issuance and repayment of Government Bonds	(78.2)
<i>Operating surplus</i>	<i>11.9</i>
<i>Capital deficit</i>	<i>(90.1)</i>
Proceeds from issuance of Government Bonds	160.0
Repayment of Government Bonds	(59.7)
Consolidated surplus after issuance and repayment of Government Bonds	22.1
Forecast balance of fiscal reserves as at end-March 2027	679.3

2026-27 Revenue Estimates



	2026-27 Estimate	% Share of Government Revenue	% of GDP
 Operating Revenue	\$652.1 B	85.2%	18.7%
 Capital Revenue	\$113.1 B	14.8%	3.2%
Total	\$765.2 B	100%	21.9%

2026-27 Recurrent Expenditure Estimates



Recurrent government expenditure: \$599.7 billion (71.1% of total government expenditure of \$843.4 billion)
 Increase of 4.8% against 2025-26 Revised Estimate

One-off Relief Measures

	Implications	Number of Beneficiaries
1. Provide rates concession for domestic and non-domestic properties for the first two quarters of 2026/27 (subject to a ceiling of \$500 for each rateable property)	\$3.5B	About 3.15 million domestic properties liable to rates and about 440 000 non-domestic properties liable to rates
2. Reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2025/26 by 100% (subject to a ceiling of \$3,000)	\$5.8B	About 2.12 million taxpayers and about 170 800 businesses
3. Provide an allowance to eligible social security recipients, equal to one month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance, while similar arrangements will also apply to recipients of the Working Family Allowance	\$6.5B	About 1.76 million recipients of social security payments and about 56 000 households in receipt of WFA

Tax Concessions

	Implications	Number of Beneficiaries
Increasing the following allowances and deduction ceiling –		
(a) Basic allowance: from \$132,000 to \$145,000 Married person’s allowance: from \$264,000 to \$290,000 Single parent allowance: from \$132,000 to \$145,000	\$3,560M	About 2.09 million taxpayers
(b) Dependent parent/grandparent allowance: <ul style="list-style-type: none"> • from \$50,000 to \$55,000 (aged 60 or above, or disabled) • from \$25,000 to \$27,500 (aged 55 or above but below 60) Additional dependent parent/grandparent allowance: <ul style="list-style-type: none"> • from \$50,000 to \$55,000 (aged 60 or above, or disabled) • from \$25,000 to \$27,500 (aged 55 or above but below 60) Deduction ceiling for elderly residential care expenses: from \$100,000 to \$110,000	\$970M	About 830 000 taxpayers
(c) Child allowance and additional child allowance: from \$130,000 to \$140,000	\$680M	About 360 000 taxpayers

Public Finance Management Strategies



Public Finance Management

Continue to implement the Reinforced Fiscal Consolidation Programme

- Managing expenditure growth
- Consolidating and optimising the use of Government financial resources
- Identifying new revenue resources (“user pays” and the “affordable users pay” principles)



Bond Issuance
(to accelerate infrastructure projects)

Continue to implement the Reinforced Fiscal Consolidation Programme

Strictly Contain the Growth of Government Expenditure

- Take forward the Productivity Enhancement Programme as planned:
To cut the Government's recurrent expenditure by 2% in both 2026-27 and 2027-28
(Further savings of about \$7.8 billion and \$15.6 billion respectively over 2025-26)
- Reduce the civil service establishment by 2% each in 2026-27 and 2027-28 as planned
(Cumulative deletion of over 10 000 posts within this term of Government)
- Comprehensive Social Security Assistance, Social Security Allowance and statutory expenditure not affected

Continue to implement the Reinforced Fiscal Consolidation Programme

Increase Revenue

- Increase the stamp duty rate for residential property transactions over \$100M from 4.25% to 6.5%
(Increase revenue by about \$1 billion per year)
- Implement the global minimum tax proposal drawn up by the Organisation for Economic Co-operation and Development to address base erosion and profit shifting
(Bring in tax revenue of about \$15 billion starting from 2027-28)

Continue to implement the Reinforced Fiscal Consolidation Programme

Consolidate and Optimise the Use of Government Financial Resources

Consolidate Funds Established Outside the Government's Accounts

- Bringing back about **\$15.8 billion** from seven funds to the Government's Accounts

Environment and
Conservation Fund

Self-financing
Post-secondary
Education Fund

HKSAR Government
Scholarship Fund

Beat Drugs Fund

Trust Fund in Support
of Reconstruction in
the Sichuan Earthquake
Stricken Areas

Hong Kong
Paralympians Fund

Arts Development
Fund for Persons with
Disabilities

Continue to implement the Reinforced Fiscal Consolidation Programme

Consolidate and Optimise the Use of Government Financial Resources

Bond Fund

- Transfer the Accumulated Surplus of about \$37 billion of the Bond Fund to the Government's Consolidated Account
- The Bond Fund is established outside the Government's Consolidated Account
- The majority of bonds issued under the Government Bond Programme will be held to maturity for redemption by the end of this year
- Accumulated surplus of about **\$37 billion** after deducting outstanding bond balances and interest payments etc.
- Introduce a resolution to LegCo to enable the transfer during the year

Continue to implement the Reinforced Fiscal Consolidation Programme

Consolidate and Optimise the Use of Government Financial Resources

Exchange Fund

- The Exchange Fund delivered an annual investment income of \$330 billion last year; the total value of assets under the Exchange Fund exceeded \$4.1 trillion, which would suffice to maintain monetary and financial stability in Hong Kong
- In accordance with the Exchange Fund Ordinance, on the premise that the Exchange Fund's function to maintain the stability and integrity of the local monetary and financial systems will not be compromised, transfer \$75 billion in each of the coming two financial years, totalling \$150 billion, from the investment income of Exchange Fund to the **Capital Works Reserve Fund**
- To support the Northern Metropolis and other infrastructure projects

Bond Issuance

- Capital works expenditure of the Government will increase to about \$128 billion in 2026-27 and remain at an average level of about \$120 billion per annum during the Medium Range Forecast (MRF) period
- Expand the scale of bond issuance: A total of about \$160 billion to \$220 billion worth of bonds will be issued each year during the MRF period
- Increase the borrowing ceiling level from \$700 billion announced last year to \$900 billion
- The ratio of government debt to GDP will stay at a highly prudent level (14.4% to 19.9%)
- Proceeds from bond issuance will be used to invest in infrastructure only, **but not for government recurrent expenditure**

Medium Range Forecast



Future Fiscal Outlook

- Surplus in Operating Account will increase gradually over the next five years
- Capital Account will record a deficit of over \$100 billion due to expenditure on infrastructure
- Consolidated Account will register a surplus in each of the next five years
- Fiscal reserves will increase gradually to over \$700 billion

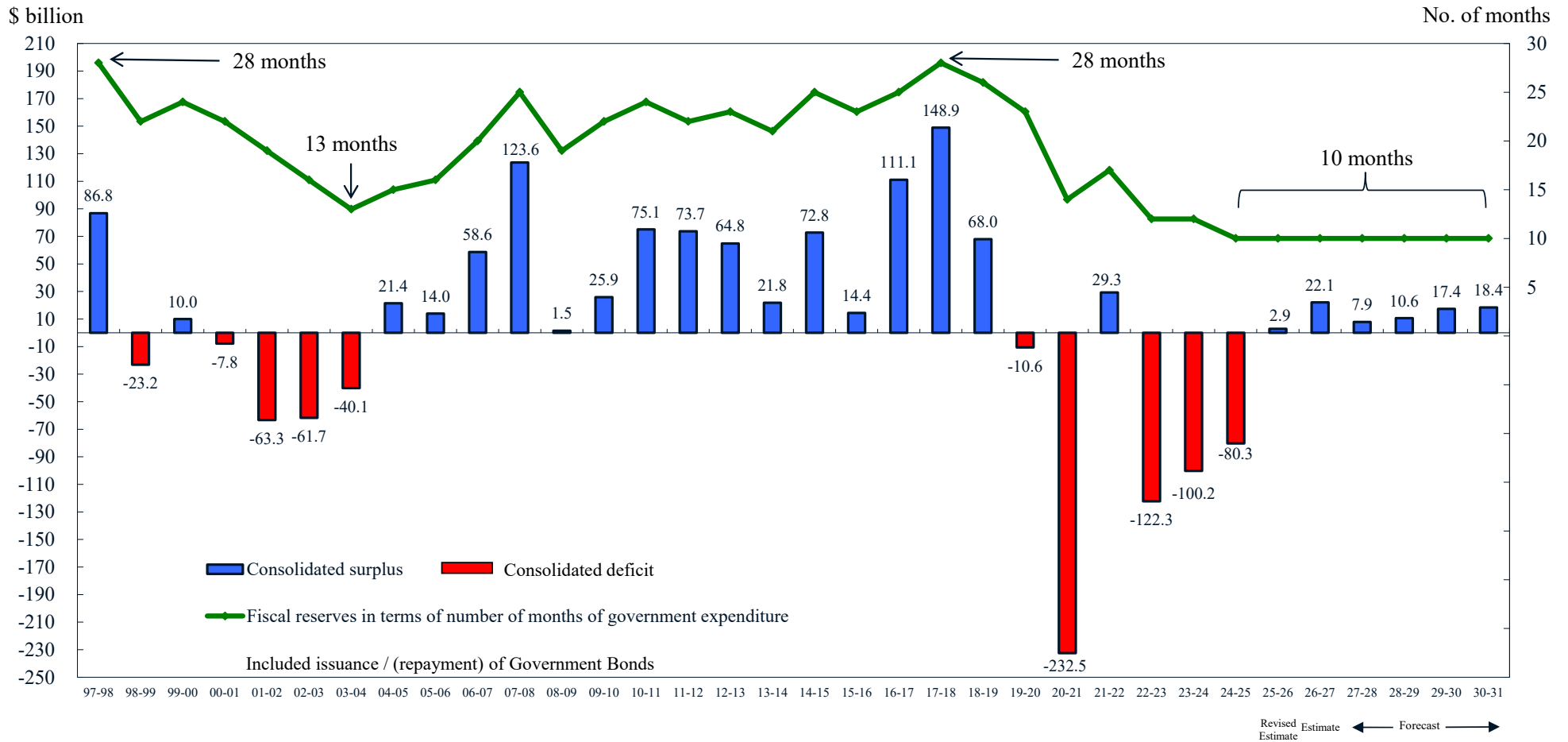
2026-27 Medium Range Forecast

(\$ billion)	2026-27 Estimate	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast	2030-31 Forecast
Operating surplus	11.9	26.4	41.2	52.2	68.8
Capital deficit	(90.1)	(98.6)	(147.3)	(123.2)	(107.3)
Proceeds from issuance of government bonds	160.0	210.0	220.0	190.0	190.0
Repayment of government bonds	(59.7)	(129.9)	(103.3)	(101.6)	(133.1)
Consolidated surplus after issuance and repayment of bonds	22.1	7.9	10.6	17.4	18.4
Fiscal reserves at 31 March	679.3	687.2	697.8	715.2	733.7
In terms of no. of months of government expenditure	10	10	10	10	10
In terms of % of GDP	19.5%	18.8%	18.1%	17.7%	17.3%

* From 2027-28 to 2030-31, a real economic growth of 3% is assumed for the MRF.

Fiscal Reserves

(in terms of number of months of government expenditure)





Thank you