

An aerial photograph of Hong Kong, showing a dense urban landscape with numerous skyscrapers and residential buildings. The city is situated on a peninsula, with the Victoria Harbour visible in the background. The sky is blue with scattered white clouds. The text is overlaid on the upper portion of the image.

2025-26 Budget

Briefing for Legislative Council

27 February 2025

2025-26 Budget

Budget and Support Measures

Public Finance Management Strategies

Medium Range Forecast



Budget and Support Measures



2025-26 Budget Highlights

- (1) Strengthening Foundation to Accelerate Development
- (2) Upholding Principles and Innovation, and Cultivating New Quality Productive Forces
- (3) Innovation and Technology, Northern Metropolis
- (4) Strengthening Industries with Competitive Edge, Talent Hub
- (5) Enhancing Collaboration with Cities in the Greater Bay Area
- (6) Accelerating Green Development
- (7) Land and Housing Supply, Infrastructure Development
- (8) A Caring and Inclusive Community
- (9) Public Finance, Reinforcing Fiscal Consolidation Programme

Economic Indicators

<i>(Rate of change)</i>	2023	2024	2025
	Actual	Actual	Forecast
Real GDP	3.2%	2.5%	2% - 3%
Nominal GDP	6.2%	6.5%	5.5% - 6.5%
Underlying CCPI	1.7%	1.1%	1.5%

2024-25 Revised Estimate

\$ billion

	Original Estimate	Revised Estimate	Variance
Government revenue	633.0	559.6	(73.4)
Government expenditure	(776.9)	(754.7)	22.2
Consolidated deficit before issuance and repayment of Government Bonds	(143.9)	(195.1)	(51.2)
<i>Operating deficit</i>	<i>(33.1)</i>	<i>(73.1)</i>	<i>(40.0)</i>
<i>Capital deficit</i>	<i>(110.8)</i>	<i>(122.0)</i>	<i>(11.2)</i>
Proceeds from issuance of Government Bonds	120.0	130	10
Repayment of Government Bonds	(24.2)	(22.1)	2.1
Consolidated deficit after issuance and repayment of Government Bonds	(48.1)	(87.2)	(39.1)
Forecast balance of fiscal reserves as at end-March 2025	686.4 [#]	647.3	(39.1)

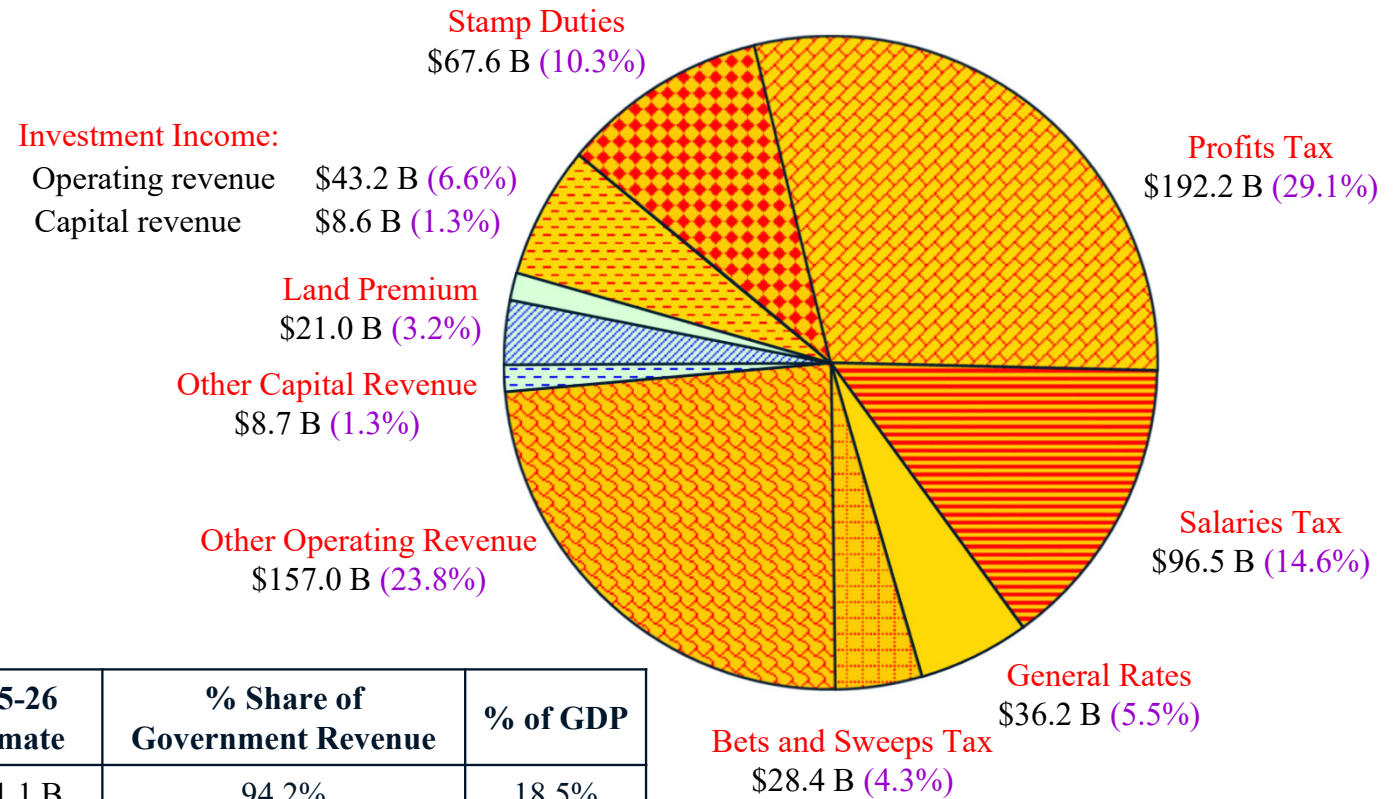
[#] The forecast fiscal reserves balance is revised to take into account the actual results in 2023-24


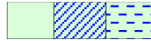
2025-26 Estimate

\$ billion

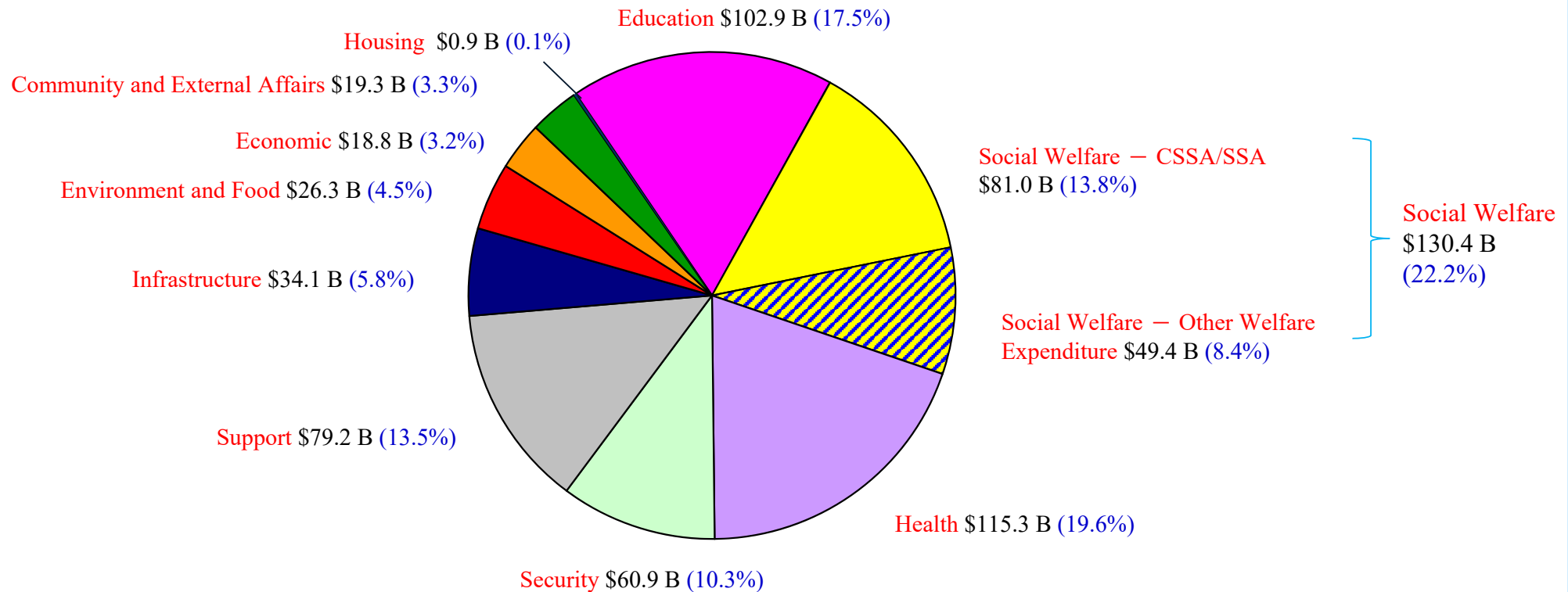
Government revenue	659.4
Government expenditure	(822.3)
Consolidated deficit before issuance and repayment of Government Bonds	<u>(162.9)</u>
<i>Operating deficit</i>	<i>(3.1)</i>
<i>Capital deficit</i>	<i>(159.8)</i>
Proceeds from issuance of Government Bonds	150.0
Repayment of Government Bonds	(54.1)
Consolidated deficit after issuance and repayment of Government Bonds	<u><u>(67.0)</u></u>
Forecast balance of fiscal reserves as at end-March 2026	580.3

2025-26 Revenue Estimates



	2025-26 Estimate	% Share of Government Revenue	% of GDP
 Operating Revenue	\$621.1 B	94.2%	18.5%
 Capital Revenue	\$38.3 B	5.8%	1.1%
Total	\$659.4 B	100%	19.6%

2025-26 Recurrent Expenditure Estimates



Recurrent government expenditure: \$588.1 billion (71.5% of total government expenditure of \$822.3 billion)
Increase of 4.5% against 2024-25 Revised Estimate

Support Measures

	Implications
1. Provide rates concession for domestic and non-domestic properties for the first quarter of 2025/26 (subject to a ceiling of \$500 for each rateable property)	\$1.7 B
2. Reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2024/25 by 100% (subject to a ceiling of \$1,500)	\$3.1 B
3. Provide an equivalent of half month extra allowance to eligible recipients of social security payments and apply similar arrangements to the Working Family Allowance (WFA) Scheme	\$3.1 B
4. Adjust the value band of the \$100 ad valorem stamp duty payable for the sale and purchase of residential and non-residential properties from \$3 million to \$4 million	\$0.4 B

An aerial photograph of the Hong Kong skyline, featuring prominent skyscrapers like the Bank of China Tower and the International Finance Centre. The city is situated on a peninsula with mountains in the background and the harbor in the foreground. The title 'Public Finance Management Strategies' is overlaid in a white box on the right side of the image.

Public Finance Management Strategies

Two Major Accounts For Government Revenue and Expenditure

Government Consolidated Account

Operating Account

- Various types of tax revenue
- Investment income
- Government fees and charges
- Government's daily expenses

Capital Account

- Land-related revenue
- Infrastructure works projects expenditures
- Land acquisition

Fiscal Targets For Two Major Accounts

Government Consolidated Account

Operating Account

- Keeping expenditure within the limits of revenues
- With a target of achieving a surplus

Capital Account

- Expenditure is investment for the future
- Meeting the needs for social and economic development

Government's Fiscal Targets

- **Operating Account** will return to a surplus starting from 2026-27
- Level of deficit of the **Capital Account** will decline year on year
- **Consolidated Account** will return to a surplus starting from 2028-29

Public Finance Management

Reinforcing Fiscal Consolidation Programme

- Managing expenditure growth (Government will lead by example)
- Making good use of the Government's fiscal resources
- Identifying new revenue resources ("user pays" and the "affordable users pay" principles)



Bond Issuance

Reinforcing Fiscal Consolidation Programme

Strictly Contain the Growth of Government Expenditure

- Step up the Productivity Enhancement Programme: To reduce recurrent government expenditure by 2% from 2025-26 to 2027-28
(Using 2023-24 as the basis, a saving of around \$11.7B, \$19.5B and \$27.3B in each year)
- Reduce the civil service establishment by 2% each in 2026-27 and 2027-28
(About 10 000 posts to be deleted within this term of Government)
- Reflect 2% reduction target each year in the Government's funding (\$68.1 billion) to the University Grants Committee-funded universities in the coming three years
- Comprehensive Social Security Assistance, Social Security Allowance and statutory expenditure not affected

Reinforcing Fiscal Consolidation Programme

Strictly Contain the Growth of Government Expenditure (Cont')

- Enhance the \$2 Scheme and the Public Transport Fare Subsidy Scheme
(Save \$6.2 billion in the coming five year)
- Review and enhance the Government's procurement regime
- Review the expenditures on social welfare, health and education
- The executive authorities, the legislature, the judiciary and members of the District Councils take a pay freeze
(Saving of approximately \$2.9 billion for every 1% increase)

Reinforcing Fiscal Consolidation Programme

Consolidate and Optimise the Use of Government Financial Resources

- Bringing back six funds with relatively large unspent balance, totalling about \$62 billion to the Government's accounts in 2025-26

Research
Endowment
Fund

Hospital
Authority's
Public-Private
Partnership Fund

Language Fund

Student
Activities
Support Fund

Qualifications
Framework Fund

Gifted Education
Fund

- Bringing back the remaining balance of about \$15 billion from the Anti-epidemic Fund to the Government's account
(Already reflected in the revised estimate for 2024-25)

Reinforcing Fiscal Consolidation Programme

Increase Revenue

- Increase the rate of air passenger departure tax from \$120 to \$200
(Increase revenue by about \$1.6 billion per year)
- Introduce / increase the application fee and visa fees of various talent and capital investor admission schemes
(Increase revenue by about \$620 million per annum)
- Review the tolls of relevant government tunnels and trunk roads, the annual licence fee for electric private cars, parking meter charges, as well as the fixed penalties for traffic offences
(Increase revenue by about \$2 billion per annum)

Reinforcing Fiscal Consolidation Programme

Increase Revenue (cont')

- Explore introducing a boundary facilities fee on private cars departing via land boundary control points
(Bring in revenue of about \$1 billion per annum by taking a fee of \$200 as an example)
- 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)

Bond Issuance

- The capital works expenditure of the Government will start reaching its peak and is expected to increase to about \$120 billion per annum in the coming five-year
- Expand the scale of bond issuance: A total of about \$150 billion to \$195 billion worth of bonds will be issued each year during the coming five-year period
- Increase the existing borrowing ceiling level from \$500 billion to \$700 billion
- The ratio of government debt to GDP will stay at a prudent and manageable level (12% to 16.5%)
- Bond issuance will be used to invest in infrastructure, **but not to fund government recurrent expenditure**

Medium Range Forecast



2025-26 Medium Range Forecast

(\$ billion)	2025-26 Estimate	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Operating surplus / (deficit)	(3.1)	28.4	41.0	42.3	55.8
Capital deficit	(159.8)	(148.9)	(118.5)	(102.1)	(87.6)
Proceeds from issuance of government bonds	150.0	160.0	195.0	190.0	190.0
Repayment of government bonds	(54.1)	(59.5)	(134.3)	(119.6)	(133.2)
Consolidated surplus / (deficit) after issuance and repayment of bonds	(67.0)	(20.0)	(16.8)	10.6	25.0
Fiscal reserves at 31 March	580.3	560.3	543.5	554.1	579.1
In terms of no. of months of government expenditure	8	8	8	8	8
In terms of % of GDP	17.2%	15.8%	14.5%	14.0%	13.9%

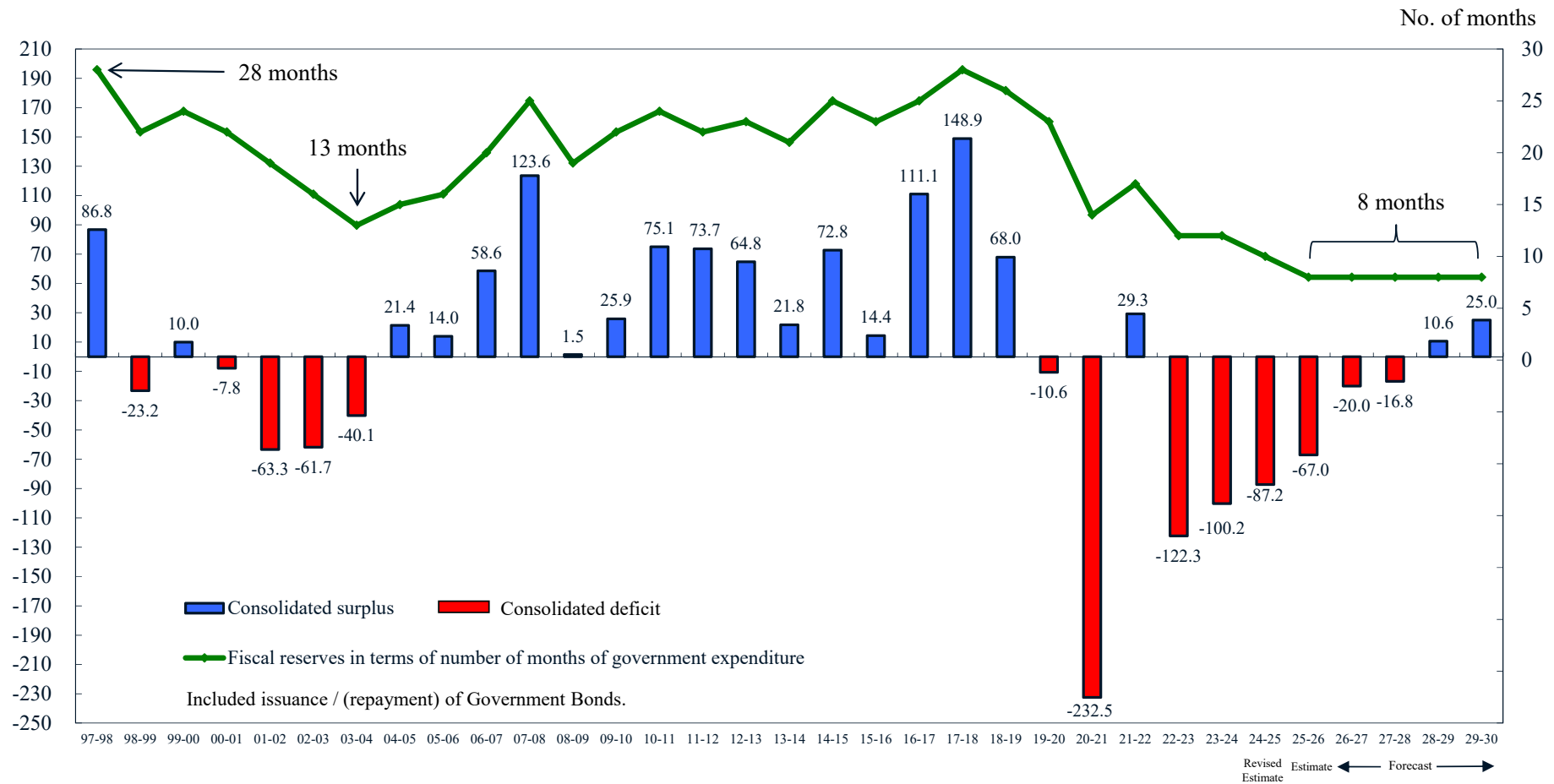
Trend Growth

	2020-21 to 2025-26 Estimate	2025-26 Estimate to 2029-30 Forecast
Government Revenue	+ 3.2%	+ 6.2%
Government Expenditure	+ 0.2%	+ 1.4%
Nominal GDP	+4.7%	+5.5%*

* From 2026-27 to 2029-30, a real economic growth of 2.9% is assumed for the MRF.

Fiscal Reserves

(in terms of number of months of government expenditure)





Thank you