

Head 3 — INTERNAL REVENUE

Details of Revenue

Sub-head (Code)	Actual revenue 2024–25	Original estimate 2025–26	Revised estimate 2025–26	Estimate 2026–27
	\$'000	\$'000	\$'000	\$'000
010 Bets and sweeps tax	28,511,716	28,390,000	28,100,000	28,700,000
030 Earnings and profits tax—				
(020) Profits tax	177,687,849	192,200,000	209,000,000	210,000,000[†]
(030) Personal assessment	8,223,258	8,280,000	8,900,000	9,000,000[†]
(040) Property tax	3,983,656	4,200,000	4,100,000	4,200,000
(050) Salaries tax	88,878,791	96,470,000	97,000,000	98,000,000[†]
Sub-total	278,773,554	301,150,000	319,000,000	321,200,000
050 Estate duty	10,064	8,000	8,000	100,000
060 Hotel accommodation tax	—	970,000	770,000	800,000
070 Stamp duties.....	63,880,244	67,585,000	99,500,000	101,000,000[^]
080 Air passenger departure tax	2,279,277	3,417,000	3,066,000	4,396,000
Total.....	<u>373,454,855</u>	<u>401,520,000</u>	<u>450,444,000</u>	<u>456,196,000</u>

[†] After the proposed tax reductions in the 2026–27 Budget, subject to the passage of the relevant legislation by the Legislative Council.

[^] After the proposed measure relating to stamp duty for residential property transactions in the 2026–27 Budget, subject to the passage of the relevant legislation by the Legislative Council.

Description of Revenue Sources

This revenue head covers direct taxes on earnings and profits, which include profits tax, property tax and salaries tax. A number of indirect taxes are also included.

Bets and sweeps tax is charged on horse racing bets, lotteries and football betting.

Profits tax is levied on individuals, corporations, bodies of persons and partnerships in respect of assessable profits arising in or derived from Hong Kong. The two-tiered profits tax regime has taken effect from the year of assessment 2018/19. The tax rate for the first \$2 million profits of corporations is lowered from 16.5% to 8.25%. Profits above that amount will continue to be subject to the tax rate of 16.5%. For unincorporated businesses, the two-tiered tax rates are correspondingly set at 7.5% and 15%.

Property tax is charged on owners of land and/or buildings at the standard rate of 15% on the net assessable value of the property for each year of assessment.

Salaries tax is charged on all income arising in or derived from Hong Kong from any office or employment or any pension. The amount of tax is calculated at progressive rates on one's net chargeable income or at standard rates on one's net income, whichever is lower. The two-tiered standard rates regime for salaries tax has taken effect from the year of assessment 2024/25. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax is to be charged at standard rates, the first \$5 million net income is subject to the standard rate of 15% while the portion of their net income exceeding \$5 million is subject to the standard rate of 16%.

An individual may elect for *personal assessment* of his total income which provides for the deduction of all probable personal allowances, and would, in appropriate circumstances, reduce the total tax liability of the individual.

Estate duty is charged on assets situated in Hong Kong valued at more than \$7.5 million according to a schedule scaled from 5% on estates of value up to \$9 million to 15% on estates of value over \$10.5 million. The duty was abolished on 11 February 2006. Estate duty in respect of persons dying on or after 15 July 2005 and before 11 February 2006 is reduced to a nominal amount of \$100.

Hotel accommodation tax is levied on charges paid for accommodation in hotels and guesthouses. The tax rate was previously reduced from 3% to 0% from 1 July 2008. With effect from 1 January 2025, the Government has resumed the collection of the tax at a standard rate of 3%.

Stamp duties are charged on transfer of Hong Kong stocks and immovable properties in Hong Kong and on certain other documents. The rate is either a fixed rate or ad valorem. Fixed duties vary from \$3 to \$100, whereas the ad valorem duties range from 0.1% to 4.25%. The Government proposes increasing the stamp duty rate for residential property transactions over \$100 million from 4.25% to 6.5% with effect from 26 February 2026.

Head 3 — INTERNAL REVENUE

Air passenger departure tax is charged at a fixed rate of \$120 for a passenger aged at 12 or above departing by aircraft from the Hong Kong International Airport, or by helicopter from Hong Kong at the Hong Kong Macau Ferry Terminal Heliport. The rate has been increased from \$120 per passenger to \$200 with effect from 1 October 2025. The new tax rate is applicable to air tickets purchased on or after 1 October 2025.

Revenue from internal revenue generated 70.7% of total revenue in 2025–26.

Underlying Changes in Revenue Yield

The 2025–26 revised estimate of \$450,444 million reflects a net increase of \$48,924 million (12.2%) over the original estimate.

Under *Subhead 060 Hotel accommodation tax*, the decrease of \$200 million (20.6%) is mainly due to the lower-than-expected number of hotel/guesthouse rooms that are subject to the tax and the slight decrease in room rates.

Under *Subhead 070 Stamp duties*, the increase of \$31,915 million (47.2%) is mainly due to the higher-than-expected turnover in the stock market.

Under *Subhead 080 Air passenger departure tax*, the decrease of \$351 million (10.3%) is mainly due to the new arrangement to offset the air passenger departure tax (APDT) administration fees payable to airlines and helicopter companies against the revenue from APDT since 1 August 2025 and the revenue foregone from the expanded scope of passengers exempted from APDT with effect from 1 October 2025. The estimated administration fees payable offset by APDT revenue in 2025–26 is about \$54.8 million.

The 2026–27 estimate of \$456,196 million reflects a net increase of \$5,752 million (1.3%) over the revised estimate for 2025–26.

Under *Subhead 050 Estate duty*, the increase of \$92 million (1 150%) is mainly due to the anticipated conclusion of an old case in 2026–27.

Under *Subhead 080 Air passenger departure tax*, the increase of \$1,330 million (43.4%) is mainly due to the full-year effect of the increase of the tax from \$120 to \$200 and an anticipated increase in the number of departing passengers.