The 2025-26

Accelerating Development through Reform and Innovation



Innovation and Technolog

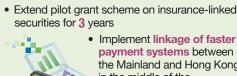
- Set aside \$1 billion to establish the Hong Kong Artificial Intelligence Research and Development Institute to promote the application of research outcomes
- HKIC to host the first International Conference on **Embodied Al Robot** and International Young Scientist Forum on **Artificial Intelligence**

Industries

- **Pilot Manufacturing and Production Line Upgrade Support Scheme:** \$100 million earmarked to provide funding of up to **\$250.000** on a 1 (government) to 2 (company) matching basis to enterprises The scheme will launch this year
- Study the streamlining of vetting procedures of licence applications for operating **Low Earth Orbit satellites**

- HKEX will establish a dedicated "technology enterprises channel" ("TECH") to help companies prepare for listing applications
- Invite institutions to submit proposals for the establishment of the third InnoHK research cluster
- Review tax-deduction arrangements for purchase of intellectual property usage rights and related transactions
- World Intellectual Property Organization's publication event of the top 100 science and technology clusters to be held in Hong Kong this year
- Low-altitude Economy Regulatory Sandbox: announcing results soon: consider dedicated legislation for various types of Advanced Air Mobility
 - HKTDC to add thematic pop-up display area during major innovation and technology exhibitions to showcase high-quality innovative technology products





the Mainland and Hong Kong in the middle of the vear earliest

 Launch public consultation on specific proposals of MPF "Full Portability" this year

Multinational Supply Chain

continue to support Mainland enterprises

to go global and provide credit insurance,

Consider legislative amendments to enable

concessions to eligible commodity traders.

Target to introduce a bill into the Legislative

one-stop professional consulting

the Belt and Road Summit period

Management Centre:

- Improve vetting process for listing, optimise thresholds for listing, review market structure and more
- Propose measures to enhance the "board lot" system and issuance mechanism for structured products and Encourage sectors to hold events around increase position limits for key index derivatives
- Formulate proposals on enhancing preferential trade document digitalisation tax regimes for funds and single family offices
- Host the Hong Kong Global Financial and Industry Summit and a flagship forum on fixed income and currencies
- Propose measures to promote gold market development this year
- Announce second policy statement Propose provision of half-rate tax on the development of virtual assets and conduct consultation on licensing regimes of virtual asset over-the-counter trading services and custodian services
- Establish the Hong Kong Maritime • Explore enhancement measures to the legal and Port Development Board this year and regulatory regime related to issuance and to strengthen research, promotion and transactions of digital bonds manpower training
 - Allocate over \$210 million to install the port community system, enhancing the flow and sharing of data among stakeholders in the maritime, port and logistics industries

Council next year

 Announce findings of the study on a development model for logistics sites in the Northern Metropolis

- Hong Kong International Aviation Academy: expand its training programmes to cover C919 aircraft-related subjects
- Promote Hong Kong's development into Asia's first aircraft dismantling parts recycling, processing and trading centre

Healthcare

 Release timetable for establishing the **Hong Kong Centre for Medical Products** Regulation and roadmap for adoption of "primary evaluation" in the first half of this year



 Set aside resources to support, on a matching basis, universities in developing a third medical school

Cultural and Creative Industries

- Organise the second edition of the Hong Kong Performing Arts Expo next year
- OASES to attract cultural and creative enterprises that integrate technologies in business
- Support over 30 cultural IP projects in the next 5 years

ourism Everywhere

- Allocate \$1.23 billion to the Hong Kong Tourism Board to pursue "tourism is everywhere" concept and implement Development Blueprint for Hong Kong's Tourism Industry 2.0
- 2025 WTCF Fragrant Hills Tourism Summit to be held in Hong Kong in April for the first time
- Earmark resources to encourage cruise lines to increase their number of ship calls to Hong Kong, make overnight calls and use Hong Kong as homeport
- Strategically attract sports events that can bring significant economic benefits in Hong Kong, e.g. LIV Golf
- Set up refreshment stalls at harbourfront locations in Central, Tsim Sha Tsui, Wan Chai and North Point
- Study to re-plan the waterfront and former pier sites to the south of the Hung Hom Station into a new harbourfront landmark including major commercial and residential developments and a vacht club

Education and Talen

- Launch a new round of Research Matching Grant Scheme, totalling \$1.5 billion, to attract organisations to support research endeavours of institutions
- Increase the quota of the Hong Kong PhD Fellowship Scheme to 400 places a year
 - HKIC, HKSTPC and Cyberport to arrange over 100 technology enterprises to engage with primary and secondary school students
- Offer 4 000 short-term internship placements in policy bureaux and departments and public organisations in the coming year
- GBA Youth Employment Scheme: Relax the requirements for joining the scheme to include people aged 29 or under with sub-degree or higher qualifications, and increase the allowance limit to **\$12.000** a month
- Organise the second "Global Talent Summit Hong Kong" early next year
- Enhance the New Capital Investment **Entrant Scheme** to provide 3 000 electric taxis greater flexibility

Green Development

- InnoCentre in Kowloon Tong to become GreenTech Hub, housing over 200 green technology companies
- Launch a \$300 million subsidy scheme in the middle of the year to encourage the industry to install fast chargers across the city



- Additional funding of \$180 million to increase the number of residential food waste smart recycling bins or food waste-collection facilities across the city
- Provide tax exemptions for green methanol used for bunkering
- Announce a Sustainable Aviation Fuel (SAF) consumption target this year
- Earmark \$470 million for subsidising franchised bus operators to purchase 600 electric buses and over \$130 million for subsidising the taxi trade to purchase
- Extend the Pilot Green and Sustainable **Finance Capacity Building Support** Scheme to 2028

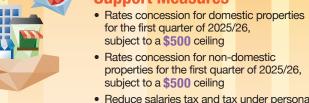
Rates concession for domestic properties for the first quarter of 2025/26 subject to a \$500 ceiling Rates concession for non-domestic properties for the first quarter of 2025/26,

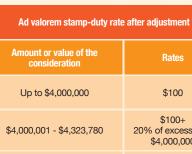
Small and **Medium Enterprises**

- Inject \$1.5 billion into the BUD Fund and the Export Marketing and Trade and Industrial Organisation Support Fund, and streamline application arrangements
- principal moratorium application period to last until November 2025
- by participating banks of the Taskforce on SME Lending exceed \$390 billion
- HKTDC to launch the E-Commerce **Express** to provide Hong Kong enterprises with consultation services, and organise the second edition of the Hong Kong **Shopping Festival**

subject to a \$500 ceiling

- SME Financing Guarantee Scheme:
- Funds dedicated for SME financing





assessment for the assessment year 2024/25

2024/25 by 100%, subject to a \$1,500 ceiling

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Provide extra half-month allowance

for Working Family Allowance

of standard CSSA payments, Old Age

Allowance, Old Age Living Allowance or

Domestic and non-domestic property

transactions: increase to \$4 million

Disability Allowance. Similar arrangements

the maximum value of properties chargeable

to a stamp duty of \$100, with immediate effect

Reduce profits tax for the assessment year

20% of excess over \$4,000,000 \$4,323,781-\$4,500,000 \$4,500,001 and above















Northern Metropol

- Hong Kong Park in Hetao Co-operation Zone: \$3.7 billion earmarked to expedite Phase 1 infrastructure and public facilities: identify suitable land parcels for private development proposals this year
- San Tin Technopole: HKSTPC is expected to complete master planning study in third quarter of this year
- Large-scale land disposal: Begin tendering work for 3 pilot areas from second half of the year
- Data facility cluster at Sandy Ridge: Re-zoning procedures expected to be completed in mid-2025
- Convention and exhibition facilities Identify suitable sites for developing convention and exhibition facilities
- Railway development Conduct investigation and design study of the Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu - Qianhai) and detailed planning and design of the Northern Link Spur Line this year

- About 13 700 units from the 2025/26 Land Sale Programme (8 residential sites), railway property developments URA projects and private development and redevelopment projects
- No commercial sites will be put on sale in the coming year



- Consider re-zoning some commercial sites to residential sites, and allow more flexibility of land use
- Postpone the completion date for in-situ Funding of about \$95 million from land exchange of commercial site in Hung Shui Kiu/Ha Tsuen New Development Area Make available land for about 80 000 private housing units in the coming 5 years

Total public housing supply will reach 190 000 units in the coming 5 years

Private housing: Completion of over

17 000 private residential units annually in the coming 5 years. Expected first-hand private residential unit supply to be about 107 000 units over the next 3-4 years

Infrastructure Developmen

- Set aside \$15 million for the Centre of Excellence for Major Project Leaders to enhance professionalism, innovation capabilities and cost-effective management in construction industry
- the Government and CIC to provide on-the-job training subsidies for trainees enrolled in part-time degree programmes



construction industry's on-the-job training for graduates of degree

engineering, architecture, surveying, planning and landscape architecture GBA Standards for the first pilot

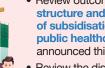
construction trade to be announced

• 2025-26:

No. of Residential Care Service Vouchers

- for the Elderly to increase to 6 000 No. of Community Care Service Vouchers for the Elderly to increase to 12 000
- Additional annual provision of over \$180 million to increase emergency places for residential child care and strengthen professional support for child-abuse victims and their families
- Additional 1 280 day community rehabilitation and home-care service places for persons with disabilities. involving additional annual expenditure of about \$160 million
- of about \$100 million





· Review the distribution scale and priority of hospital development

and expenditure

Other Revenue

\$230.3B

2025-26

 Regularise the Pilot Project on Enhancing Vocational Rehabilitation Services from third quarter of 2025, an annual expenditure



 Review outcomes on structure and levels of subsidisation for public healthcare to be announced this year

projects under the **Second Hospital Development Plan**

Combatting Illegal Betting

 Explore regulating basketball betting activities and invite Hong Kong Jockey Club to submit proposal



Profits Tax



Health

Economic

Stamp Duties

Salaries Tax

Social Welfare

\$139.1B

Infrastructure



1.1%

2025 forecast

• 2024/25: forecast consolidated deficit of \$87.2 billion. Fiscal reserves are forecast to be \$647.4 billion by end March 2025

• 2025/26: forecast consolidated deficit of \$67.0 billion

Education

\$112.4B

Others

- Operating Account: estimated to return to a surplus within 2 years, i.e. from 2026/27
- Fiscal reserves are estimated at \$579.1 billion by end-March 2030

nhancing Fiscal

- Strictly control government expenditure as the main focus. supplemented by increasing revenue, to minimise the impact on the general public
- Ensure delivery of high-standard public services, and accelerate the development of the Northern Metropolis and infrastructure projects related to people's livelihood and the economy
- Maintain competitiveness of Hong Kong's low and simple tax regime
- Uphold "user pays" principle and the "affordable users pay" principle when increasing revenue

Strictly containing governmen

- Pay freeze for all personnel of executive authorities, the legislature, the judiciary and Members of the District Councils in 2025/26
- Stepping up the Productivity Enhancement Programme: a cumulative 7% cut from 2024/25 – 2027/28. Recurrent government expenditure in 2027/28 to decrease by \$27.3 billion compared to 2023/24. CSSA, Social Security Allowance and statutory expenditure are not affected
- Civil service establishment: reduce by 2% each in 2026/27 and 2027/28. Reduction of about 10 000 posts by April 2027
- Funding for UGC-funded universities: funding of \$68.1 billion in next 3 years,
- on all fronts reflecting an annual reduction target of 2% Formulate policies on direct procurement and central procurement by a single department

 Adjust the two transport subsidy schemes to reduce government expenditure by about \$6.2 billion in the next **5** years:

The \$2 Scheme:

- ► Targeted beneficiaries remain unchanged; ▶ Implement the "\$2 flat rate cum
- 80% discount" (for trips with fare above \$10, 80% discount); and number of concessionary trips limited

\$400 to **\$500** starting from June 2025

subsidy amounting to one-third in excess

will remain unchanged

in reducing expenditure:

at reasonable prices

Capital Works Expenditure:

► Enhance cost control

of at least \$40 billion in works expenditure

Assist bureaux and departments

and optimal use of public funds

enhance procurement system

while the subsidy cap at \$400 per month

▶ strengthen the exercise of fiscal prudence

to procure quality goods and services

relevant bureaux to review expenditure

Review district cooling systems in new

development areas; estimated savings

on social welfare, healthcare, and education

Enhance public service

efficiency: leveraging

technology, streamlining

transformation of public

processes and driving digital

- to 240 per month Under various talent and capital **Public Transport Fare Subsidy Scheme:**
- threshold for subsidy collection raised from
- Raise visa fee to \$600 or \$1.300 based or of the threshold will continue to be provided, the duration of limit of stay
 - thereby increasing revenue by \$620 million per year
 - Review tolls of government tunnels and strategic routes, licence fees for electric private cars, parking meter charges and fixed penalties for traffic offences. Government
 - Explore boundary facilities fee on private ca departing via land boundary control points (taking a fee of \$200 per private car as an example, the measure will bring in revenue of about \$1 billion per vear) without affecting tour

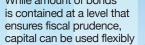


ncrease revenue:

- Starting from October 2025, increasing air passenger departure tax from \$120 to \$200. Government revenue to rise by about \$1.6 billion per year
- investor admission schemes, with immediate effect:
- Charge an application fee of \$600

- revenue estimated to increase by \$2 billion
- coaches and goods vehicles
- Implement global minimum tax proposal to address base erosion and profit shifting i.e. BEPS 2.0, to bring in tax revenue of \$15 billion annually





- and for investing in future economic development, bringing greater returns and benefits to the society As works are rolled out in the Northern
- Metropolis, government expenditure on works will reach its peak. Average annua capital works expenditure will grow from about \$90 billion to about \$120 billion over the next 5 years
- to \$195 billion each year under the Government Sustainable Bond Programme and the Infrastructure Bond Programme over the next 5 years. About 56% of which is to be used for re-financing short-term debts

Ratio of government debt to GDP will be

Issue bonds worth \$150 billion

- maintained at 12% 16.5%, which is still considered a stable and manageable low-debt level, and much lower than that of many advanced economies
- Proceeds from bond issuance will not be used for funding government recurrent expenditure

