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Fiscal Sustainability in Hong Kong Under the Linked Exchange Rate System: Risks, Challenges, and Policy Recommendations for Deficit Reduction and Structural Reform

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Abstract

Hong Kong's public finances have entered a period of heightened scrutiny following the recent expansion of the government bond issuance ceiling to HK$900 billion to finance ambitious infrastructure projects, including the Northern Metropolis (NM) development. Despite official projections maintaining a government Debt-to-GDP ratio at a prudent 12-16.5% level during the Medium Range Forecast (MRF) period, this paper project the Debt-to-GDP ratio will be more than 20% in beyond 2030's, so, we argues that such metrics understate underlying vulnerabilities inherent in Hong Kong's currency board arrangement. The Linked Exchange Rate System (LERS) precludes independent monetary policy, compelling interest rates to shadow U.S. Federal Reserve decisions and amplifying fiscal leverage risks amid volatile revenue streams from land sales, stamp duties, and property markets. Drawing on monetary economics and fiscal theory, including Ricardian equivalence and debt sustainability analysis, this study examines the interplay between structural deficits, contingent liabilities from large-scale public works (infrastructure project), and the credibility of the LERS. Policy recommendations emphasize administrative competency gains through new tech adoption in tax administration, and supply-side diversification of the tax base via regulated gaming in order to maximize the revenue, and Build-Operate-Transfer (BOT) models for infrastructure in order to minimize the expenditure. These measures aim to enhance fiscal resilience, broaden the revenue base, and safeguard intergenerational equity without compromising the currency peg's stability. The analysis underscores that sustained fiscal prudence is essential for maintaining investor confidence and Hong Kong's role as an international financial center.

Keywords: Hong Kong fiscal policy, Linked Exchange Rate System, Government Debt Sustainability, Structural Deficit, Bond Issuance, Public-Private Partnerships, Tax Base Diversification, AI in Public Administration

Introduction

Hong Kong's fiscal landscape in 2026 reflects a tension between ambitious developmental goals and the imperatives of macroeconomic stability under its unique institutional framework. The 2026-27 Budget raised the total borrowing ceiling for government bond programmes from

HK$700 billion to HK$900 billion, with annual issuances projected at HK$160-220 billion over the next five years, primarily earmarked for infrastructure such as the Northern Metropolis and other capital works. While the government projects operating account surpluses from 2026-27 and consolidated surpluses thereafter, underlying capital account deficits and reliance on debt financing raise questions about long-term sustainability. Which, the Linked Exchange Rate System (LERS), established in 1983, anchors the Hong Kong dollar to the U.S. dollar at approximately 7.8:1 through a currency board mechanism. This arrangement eliminates discretionary monetary policy and demands reserves to support the peg. Especially, the more reserves, the more it can ensure monetary stability and capital account openness. So, fiscal policy thus becomes the primary tool for macroeconomic adjustment, placing a premium on prudence. As noted in analyses of the LERS, sound fiscal management bolsters the credibility of the peg by providing ample fiscal reserves that can support the Exchange Fund in times of stress.

Methodology:

This study adopts a qualitative, document-based analytical approach to examine Hong Kong's fiscal sustainability under the Linked Exchange Rate System. The analysis draws on official budget documents, fiscal reserve data, debt projections, policy briefings, and relevant institutional reports to assess the government's revenue structure, expenditure pressures, and borrowing strategy. Using fiscal sustainability approach and institutional analysis as the main interpretive lenses, the study evaluates how Hong Kong's narrow tax base, reliance on land-related income, and growing recurrent commitments interact with the constraints of a currency board regime. The methodology involves three stages. First, it identifies key fiscal trends, including revenue volatility, structural deficits, and increasing capital expenditure needs. Second, we analyzes the implications of these trends for reserve adequacy, debt credibility, and policy flexibility under limited monetary autonomy. Our research paper uses budget policy analysis to synthesize official evidence and economic theory into a coherent assessment of sustainability risks. This approach is appropriate because the research problem is institutional and structural in nature, requiring interpretation of fiscal dynamics within Hong Kong's unique monetary framework rather than illumination alone. The methodology therefore supports a balanced evaluation of current policies and informs recommendations for expenditure discipline, revenue diversification, and long-term fiscal resilience.

Background and Historical Context

Hong Kong's fiscal position has historically been characterized by volatility tied to its narrow tax base and asset-market dependence. During the Asian Financial Crisis and post-9/11 period, structural deficits emerged, under then-Financial Secretary Antony Leung and predecessors. Recovery in the mid-2000s, aided by Closer Economic Partnership Arrangement (CEPA) benefits, rebounding HK property and HK stock markets, and surging stamp duty revenues, transformed deficits into substantial surpluses, peaking near HK$100 billion in 2007 amid a Hang Seng Index high above 32,000 points. Subsequent administrations have navigated cycles of surplus and deficit. Recent years saw fiscal reserves drawn down significantly, with underlying deficits persisting despite headline improvements from bond proceeds. Revenue instability, land premiums and stamp duties functioning akin to “casino-like” volatile income, exacerbate challenges. Proposals for a goods and services tax (GST) or sales tax have been shelved due to administrative costs, public opposition, and concerns over regressivity on lower-income groups. The current strategy defers full deficit eradication, favoring gradual expenditure restraint (capped at ~2% annual reduction) and “open source” measures. While pragmatic, repeated postponements risk eroding investor confidence, as markets interpret delayed consolidation as weakened commitment to fiscal discipline. This echoes U.S. experiences post-Kennedy, where the dollar’s exorbitant privilege as global reserve currency permitted sustained deficits, a luxury unavailable to Hong Kong under its currency board.

Discussion: Risks and Economic Implications

Hong Kong’s fiscal sustainability under the Linked Exchange Rate System depends on more than balancing annual books; it depends on preserving the confidence that underpins the currency board, maintaining adequate reserves, and adjusting the revenue-expenditure structure before deficits become entrenched. The core issue is that Hong Kong has entered a phase where cyclical weakness and structural pressures are colliding, so deficit reduction now requires both immediate restraint and deeper reform. Under the Linked Exchange Rate System, Hong Kong cannot rely on an independent monetary policy to absorb shocks, so fiscal policy becomes a primary stabilization tool. The BIS notes that strong fiscal reserves are especially important in a fixed exchange rate regime with open capital mobility because they allow countercyclical support without dependence on volatile debt markets. This makes fiscal sustainability a monetary-stability issue as well as a public-finance issue, since credible fiscal discipline reinforces confidence in the Hong Kong dollar and reduces pressure on the peg. The present challenge is that Hong Kong’s fiscal deficit is not just a temporary gap. The 2025-26 Budget projects a consolidated deficit of HK$67.0 billion for 2025/26, after an estimated HK$87.2 billion deficit in 2024/25, while fiscal reserves are expected to fall to HK$579.1 billion by end-March 2030. These figures show that reserves remain substantial, but they also show a narrowing buffer if expenditure rises faster than recurring revenue [1][2] (figure 1).

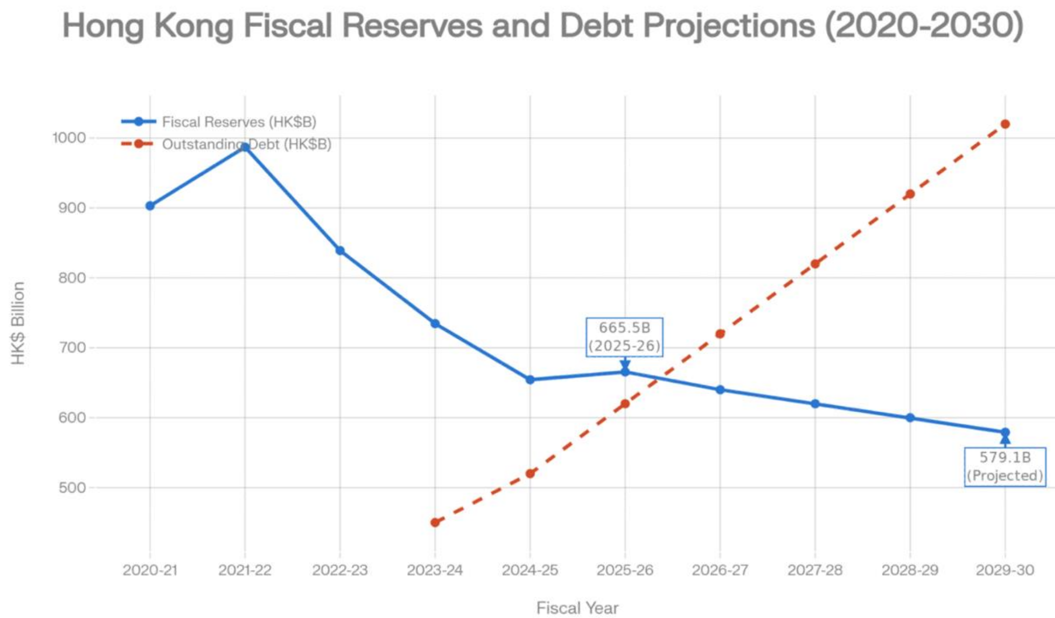

Figure 1: HK Fiscal Reserves, Debt Now & Beyond

Structural challenges

A major vulnerability is Hong Kong's narrow and volatile revenue base (Table 1, Table 2). Historically, the government has relied heavily on land-related income and other non-tax receipts, which makes revenue highly sensitive to asset-market conditions and property-cycle swings. When land premiums weaken, the fiscal position can deteriorate quickly and may seriously affect the confidence of the Linked Exchange Rate System (LERS), even if the broader economy avoids recession, which is why deficits may persist across multiple years rather than disappear with a modest recovery.

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10-Year Hong Kong Government Budget & Fiscal Base (2016-2026)

Table 1. Core fiscal aggregates (HK$ billion)

Financial year	Revenue	Expenditure	Deficit before bonds	Net bond proceeds	Surplus/(Deficit) after bonds	Fiscal reserves (end-March)	Debt outstanding (latest snapshot)
2016-17	573.1	462.1	+111.1 (surplus)	0.0	+111.1	954.0	—
2017-18	619.8	470.9	+149.0	0.0	+149.0	1,102.9	—
2018-19	599.8	531.8	+68.0	0.0	+68.0	1,170.9	—
2019-20	590.9	607.8	−16.9	7.8	−10.6	1,160.3	—
2020-21	543.5	820.4	−276.9	19.3	−257.6	902.7	—
2021-22	591.1	727.8	−136.7	35.1	−101.6	801.1	—
2022-23	—	—	—	—	—	—	—
2023-24	549.4	721.3	−171.9	72.5	−100.2	734.6	—
2024-25	564.9	753.2	−188.3	130.0	−80.3	654.3	≈293.2 (Dec-24)
2025-26 (rev. est.)	688.8 (rev.) / 697.5 (latest)	789.2 (rev.) / 790.3 (latest)	−92.9	156.0	+11.2	665.5 (est. end-Mar-26)	≈414.8 (Jan-26)

Table 1: 10-Year Hong Kong Government Budget & Fiscal Base (2016-2026)

In addition, Hong Kong's primary fiscal vulnerability stems from its limited and highly volatile revenue base. The government has predominantly depended on land sales revenue, along with other non-tax revenues such as stamp duties and land premiums, which are inherently cyclical and subject to fluctuations in the real estate market. This heavy reliance on land-related income renders the fiscal framework particularly susceptible to asset market volatility and property cycle fluctuations. During periods of weakening land premiums, the government's fiscal stance can deteriorate rapidly, even when the broader macroeconomic environment shows resilience and avoids recessionary conditions. Consequently, fiscal deficits may persist over multiple fiscal years, rather than being alleviated by modest economic recoveries, given the procyclical nature of land-dependent revenues and the lag effects in revenue collection.

HK budget 10yrs Proxy Billions (HKD)

year	land_premium	stamp_duty	fiscal_reserves
2016	79.8	46.7	961.7
2017	119.5	123.0	1061.2
2018	171.2	143.2	1107.2
2019	93.3	63.6	1153.1
2020	90.2	84.0	1137.1
2021	65.2	112.0	916.7
2022	82.4	89.9	804.7
2023	28.6	67.2	734.6
2024	17.0	68.1	654.3
2025	17.5	99.5	657.2

Table 2: HK budget 10yrs Proxy Billions (HKD)

Moreover, demographic ageing creates a second structural pressure. Rising health-care and welfare spending will increase recurrent obligations over time, while a narrow-tax system limits how much revenue can be raised without affecting competitiveness. This creates an asymmetry: expenditure commitments rise steadily, but revenue can fall sharply when property markets soften or economic sentiment weakens. In addition, is policy rigidity. Hong Kong’s fiscal framework values prudence, low taxes, and high-quality public services, but these goals can conflict when deficits widen. The Budget’s current consolidation plan depends heavily on expenditure cuts, selective fee increases, and bond issuance for capital works, which may help near-term balance but does not by itself solve the underlying mismatch between recurring spending and recurring income. If the structural gap is not addressed, deficits may recur even after a temporary rebound [1][2].

Policy priorities

So, in this sense, this research advises the first priority should be expenditure discipline, especially on recurrent spending. The 2025 Budget already signals pay freezes, civil-service reductions, tighter transport subsidies, and stronger productivity targets, which is appropriate as an initial consolidation response. However, across-the-board cuts should be avoided where they weaken essential services or create hidden costs later; the objective should be to shift resources toward high-impact public investment and away from low-value recurrent outlays. The second priority is revenue diversification. Hong Kong should broaden its tax base in ways that preserve competitiveness while reducing dependence on land income and transaction-sensitive sources. The Budget’s planned measures, including raising departure tax, reviewing user fees, and implementing BEPS 2.0, are not useful since most of the revenue may just go to administrative costs for the tax department. It is limited effect relative to the size of the structural expansion gap. A more durable approach would involve a more stable mix of expansion on gambling-related revenue sources, accompanied by careful protection for lower-income households. The third priority is structural reform of public spending. Hong Kong should review long-term commitments in health care and social welfare expenditure. The government's emphasis on digital transformation, procurement reform, and capital-project cost control is therefore important, but these reforms need to be institutionalized rather than treated as one-off austerity measures. Better spending quality matters as much as spending restraint because it preserves public confidence and supports long-run growth [1-11].

Role of bonds and reserves

Bond issuance can support sustainability if it is used for productive infrastructure, not recurrent consumption. The Budget states that bond proceeds will not fund recurrent expenditure and that Debt-to-GDP is intended to remain within a manageable 12% to 16.5% range. This is consistent with a prudent approach, because borrowing for long-lived assets can be justified when the projects improve future capacity and economic returns. Still, debt is not a substitute for reform. This research emphasizes that fiscal reserves and low borrowing needs strengthen the credibility of the currency board system and help avoid procyclical pressure during crises. If Hong Kong becomes too dependent on debt financing without fixing its revenue structure, market confidence could eventually weaken, which would be especially dangerous under a linked exchange rate system that relies on credibility and reserve backing [1][2][3][4] (Figure 1).

Debt Sustainability and Leverage under LERS

Official Debt-to-GDP projections (rising from 14.4% to 19.9%) (Figure 2) appear conservative by international standards. However, these overlook financial leverage dynamics specific to Hong Kong's small open economy. With no independent monetary policy, fiscal expansion during downturns cannot be accommodated by lower interest rates or quantitative easing. Rising public debt could elevate sovereign risk premia, increasing borrowing costs and pressuring the Exchange Fund's liquidity buffers, critical for defending the peg against speculative attacks.

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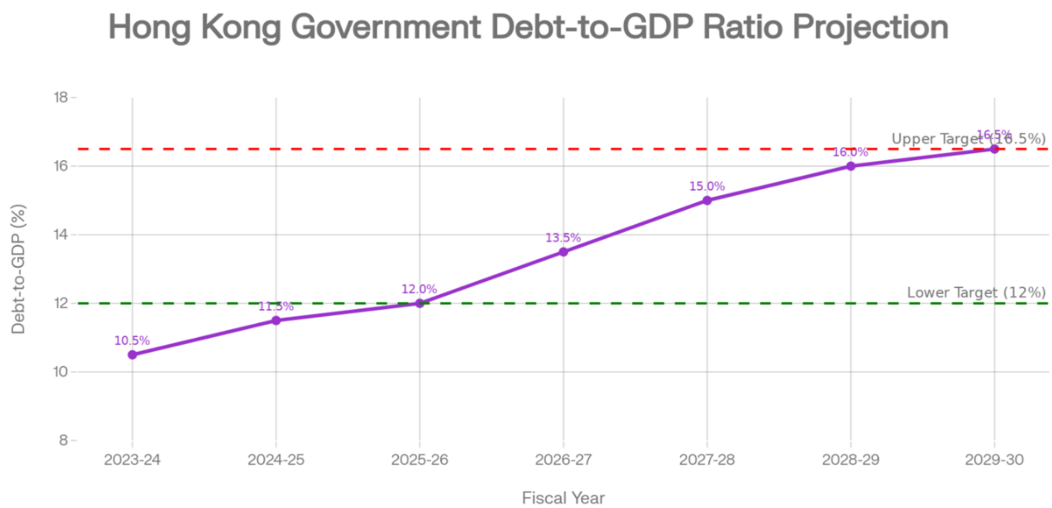

Figure 2: HK Gov't (Projection) Debt-to-GDP Ratio Now & Beyond

Additionally, an increase in public debt levels has the potential to elevate sovereign risk premia by amplifying perceived default risk, which in turn can lead to higher borrowing costs for the government. This escalation in borrowing costs may place additional strain on the Liquidity Buffer of the Exchange Fund, a vital reserve mechanism utilized to maintain the stability of the currency peg. The depletion or erosion of this buffer could undermine the effectiveness of the central bank's foreign exchange interventions and risk provoking speculative attacks, especially if market confidence diminishes due to heightened sovereign credit risk (Figure 2, 3).

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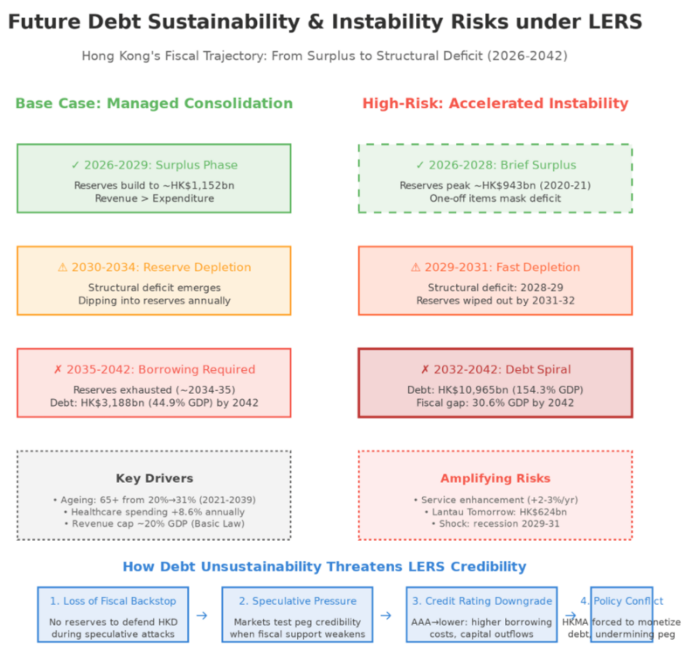

Figure 3: Debt Sustainability & Future LERS HK

Moreover, Hong Kong is projected to encounter a substantial structural fiscal deficit within a 5 to 15-year horizon, approximately between 2029 and 2034 under most scenarios. This deficit is anticipated to deplete the government's fiscal reserves by the period between 2031 and 2035, thereby compelling the government to resort to significant borrowing. Such borrowing could escalate the aggregate Debt-to-GDP ratio significantly, potentially reaching levels between 44.9% and 154.3% by 2041-2042. This fiscal trajectory poses serious risks to the sustainability and credibility of the Long-term Economic Stability and Reserve (LERS) framework, as it may undermine investor confidence and erode fiscal buffers through multiple transmission channels, including increased debt servicing costs, diminished fiscal space for policy maneuvering, and potential downgrades by credit rating agencies (Figure 2, 3).

Ricardian Equivalence Theory

Ricardian equivalence posits that forward-looking economic agents, such as households and firms, explicitly anticipate future fiscal policy adjustments, specifically, potential tax increases or expenditure reductions aimed at debt servicing. Consequently, these agents may rationally preemptively alter their current consumption and investment behaviors, leading to a dampening of immediate economic activity (especially, the current consumption and investment) that reflects their expectations of future fiscal austerity. More critically, if infrastructure projects yield suboptimal returns amid global slowdown, population ageing, and Greater Bay Area competition (prompting northward consumption leakage), the marginal product of public capital may fall below the cost of funds, eroding net wealth. This mirrors pre-crisis such as, Southern European Crisis dynamics, where low perceived risk encouraged debt accumulation until sudden stops in capital flows triggered crises. Liquidity and balance sheet management considerations are of critical importance from a comprehensive risk assessment perspective. International credit rating agencies and hedge funds analyze not only fundamental ratios such as debt-to-equity or EBITDA multiples but also evaluate liquid asset coverage ratios, including the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), alongside the assessment of contingent liabilities and off-balance sheet exposures. Excessive dependence on self-issued bonds and RMB derivatives as instruments for capital management and regulatory arbitrage could potentially undermine the institution's perceived creditworthiness and international market credibility, thereby increasing risk premiums and widening credit spreads [1][2][3][4] (Figure 2, 3).

Revenue Volatility and Tax Base Issues

Moreover, Hong Kong's fiscal revenue generation demonstrates pronounced procyclicality (Table 1, 2), with key revenue streams such as stamp duties and land transaction levies exhibiting significant sensitivity to fluctuations in global risk sentiment and local real estate market cycles. This volatility hampers effective medium-term fiscal planning and budget formulation. Additionally, operational incompetency within the Inland Revenue Department (IRD), characterized by disproportionate staffing costs relative to performance metrics, exacerbate resource allocation challenges. Public discourse, amplified by media coverage, frequently underscores widespread dissatisfaction concerning service standards and administrative conflicts, reflecting underlying institutional and procedural shortcomings [Appendix 2-11].

Expenditure Pressures

Also, Demographic aging trends significantly influence the escalation of healthcare and social welfare expenditures (Table 3), driven by increased demand for age-related health services and support factor. Subsidies allocated to infrastructure, including mega projects in the North Metropolitan city, may crowd out the usual expenditure in the educational sector in the near future, which may constitute recurring pressure on fiscal commitments.

Especially, demographic aging trends exert a substantial impact on the upward trajectory of healthcare and social welfare expenditures (see Table 3), primarily driven by the increasing demand for age-specific health services, chronic disease management, and supportive care infrastructure. The allocation of subsidies to infrastructure projects (Such as the North City Project) represents sustained fiscal commitments that affect public budget planning and economic stability. These patterns reflect broader demographic shifts and near-future instability in expenditure, with the implicit implications for long-term public finance instability within social insurance and public-goods provision frameworks, with the Hong Kong's population is aging at an unprecedented rate, creating inexorable expenditure growth in the near future.

HK population is aging at an unprecedented rate, creating inexorable expenditure growth

Indicator	2021	2039 (Projected)	Change
Population 65+	1.5 million (20%)	2.52 million (31%)	+68%
Elderly dependency ratio	18.3% (2012)	49.7% (2041)	+172%
Median age	42.8 (2012)	51.8 (2041)	+9 years
Workforce (15-64)	Peak 2018	Declining through 2030s	-4% by 2041

Table 3: HK population is aging at an unprecedented rate, creating inexorable expenditure growth

The cost of these expenses remains challenging, including the North Mega City Project, as their long-term impact on human capital development and economic productivity is subject to debate. Moreover, infrastructure investments, exemplified by the HK$150 billion annual commitment to the Northern Mega City development, entail substantial capital outlays that risk manifesting as fiscal inertia, potentially entrenching high levels of public investment without proportionate gains in productivity or economic return. These expenditure patterns reflect complex trade-offs between current fiscal pressures and future economic growth, necessitating a nuanced analysis of competency and allocative effectiveness.

Policy Recommendations

Recommended package

In addressing the above challenge, our paper recommends a few packages **to help the government** restore its resilience and strength. The best policy response is a three-part package. First, maintain medium-term expenditure control with a focus on recurrent spending growth, service competency, and targeted subsidy reform. Second, broaden revenue gradually through fair, stable, and competitiveness-preserving measures, especially those less tied to the property cycle. Third, protect fiscal reserves and use convertible bonds to public share financing only for future listed government infrastructure functions. In practical terms, Hong Kong should aim for a fiscal framework that distinguishes between cyclical deficit management and structural deficit correction. Cyclical deficits can be tolerated if reserves remain ample and the economy needs support, but structural deficits require permanent policy adjustment. Under the Linked Exchange Rate System, that distinction is crucial because fiscal credibility is part of the defense of monetary credibility itself. A stronger Hong Kong fiscal model would therefore rest on disciplined spending, diversified revenue, and strategic investment. If those reforms are implemented early and consistently, Hong Kong can preserve both fiscal sustainability and the stability of the peg while continuing to fund the public services and infrastructure that support its long-term competitiveness.

In addition, our research analysis concludes that Hong Kong requires a more resilient fiscal architecture capable of withstanding external shocks, demographic pressures, and structural changes in its revenue base. This architecture should be built on six inter-linking pillars that jointly enhance sustainability, transparency, and policy credibility in a small, highly open economy operating under a currency board arrangement.

The first pillar is a more stable and transparent revenue strategy. Hong Kong's heavy reliance on land premiums, stamp duties, and other asset-market-related receipts has rendered public finances excessively volatile and vulnerable to property and equity cycles. A resilient system should therefore broaden the revenue base through carefully calibrated, growth-friendly instruments, such as a modest broad-based gambling tax, expanded environmental levies, or targeted property-related taxes, while preserving the city's reputation for simplicity and competitiveness. Transparency must be strengthened through clearer medium-term revenue projections, explicit disclosure of one-off measures, and regular reporting on the cyclicality and sustainability of each major revenue source. This would reduce uncertainty for households and firms and allow more consistent planning of public services and investment.

The second pillar involves prioritization of recurrent and capital expenditure. Structural growth in recurrent spending risks crowding out productive capital investment. A disciplined approach should embed explicit medium-term expenditure frameworks, programme-based budgeting, and periodic zero-base reviews to assess the continuing relevance and cost-effectiveness of major spending programmes. Clear rules distinguishing recurrent from capital spending, coupled with independent fiscal scrutiny, would help contain structural deficits while safeguarding high-priority investments in innovation, human capital, and critical infrastructure.

The third pillar is the modernization of tax administration through digital tools and risk-based compliance systems. Particularly, in the past and recent practices is quite un-popular and un-welcome to the publics, causing a lot of disputed [Appendix 2-11], so, in order to modify these dimensions, we purposed to advance the rollout of integrated e-filing portals and electronic payment platforms, provide a foundation for deeper transformation. Advanced menu cost, machine-driven risk profiling, and automated pre-population of returns can substantially reduce manual costs and reduce redundant staff. By shifting resources away from routine transactional work toward high-value audit, taxpayer education, and policy analysis, the Inland Revenue Department can improve compliance while gradually reducing redundant frontline staffing. Such a transition must be accompanied by workforce redeployment, retraining, and change-management strategies to ensure that competency gains do not undermine service quality or institutional capacity. In addition, administrative Competence and high-tech adoption in Tax Administration can line-stream the IRD through automated auditing, compliance, and accounting, which will eventually reduce IRD staffing while enhancing capability. This reform will lower recurrent costs in manpower in IRD, improve aptitude, and minimize proportional administrative bloat. Estimated savings could redirect resources to high-priority areas such as education.

The fourth pillar is a more disciplined framework for evaluating long-horizon infrastructure commitments. Large-scale projects in transport, housing, and urban regeneration entail significant fiscal risks, including cost overruns, demand shortfalls, and contingent liabilities.

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Evaluation should move beyond static cost–benefit analysis to incorporate stochastic fiscal scenario testing, real-options valuation, and explicit debt-sustainability and contingent-liability constraints. Multi-year capital budgets should be integrated with medium-term fiscal frameworks, with clear triggers for scaling back, deferring, or restructuring projects when macroeconomic or demographic assumptions deviate materially from baseline forecasts. This would prevent the accumulation of hidden fiscal burdens and ensure that infrastructure spending remains aligned with long-term growth and welfare objectives.

The Fifth pillar is to modify the alarm system of the LERS in linking up with the Gov't Reserves. This pillar involves the strategic enhancement of the LERS alarm system to establish a secure integration with government reserve infrastructures, thereby ensuring robust security protocols and operational resilience. This pillar entails the strategic recalibration of the Linked Exchange Rate System (LERS) early-warning architecture to achieve secure, real-time integration with the Government's Exchange Fund reserve infrastructure. This enhancement is designed to fortify systemic safeguards by embedding robust protocols and operational resilience mechanisms, thereby mitigating vulnerabilities to both external shocks and internal coordination [Appendix 1].

The sixth pillar, rather than relying on temporary windfalls or optimistic growth assertions, is that a credible reform agenda must be anchored immediately in feasible, sequenced policy measures. In previously, the financial secretary Tong's have purposed the good and services tax (GST), but it is unaccepted and opposed from the publics [Appendix 2-3], so, these measures should reflect the specific macroeconomic realities of a small, open economy with a currency board: limited monetary autonomy, high exposure to global financial conditions, and intense competition for mobile capital and talent. Reforms should therefore prioritize instruments that preserve external competitiveness, avoid abrupt increases in the effective tax burden on key sectors, and embed automatic stabilizers and contingency buffers within a medium-term fiscal framework. Embedding these few pillars in law or formal fiscal rules would enhance policy credibility, reduce pro-cyclical pressures, and position Hong Kong to navigate future economic and demographic challenges with greater resilience.

Our research paper's policy recommendation aligns with supply-side economics theory, aiming to raise potential growth, improve allocative efficiency, and strengthen automatic stabilizers by lowering the recurrent government expenditure in order to strengthening the government reserve by limiting the gov't expenditure.

Conclusion:

Hong Kong's fiscal challenges, while manageable in the short term due to robust reserves and low starting debt levels, demand proactive structural adjustments to preserve LERS credibility and intergenerational equity. Over-reliance on debt-financed infrastructure without commensurate returns risks a "bottomless pool" of borrowing, eroding confidence and amplifying vulnerabilities in an externally dependent economy. By embracing efficiency-enhancing technologies, supply-side expansions in education and health by privatization, diversified revenues, and innovative financing, policymakers can achieve sustainable

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consolidation while fostering inclusive growth. Future research should quantify fiscal multipliers of proposed infrastructure, model debt trajectories under stress scenarios (e.g., U.S. rate shocks or property downturns), and evaluate political economy barriers to implementation. Ultimately, fiscal discipline remains the bedrock of Hong Kong's monetary and financial stability. Hope our research paper can **help the government** and the citizen.

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Appendix’s:

Appendix [1]:

The Fifth pillar is to modify the alarm system of the LERS in linking up with the Gov’t Reserves

Table 4: **Early Warning Indicators** for LERS vulnerability

Indicator	Safe Zone	Warning Zone	Critical Zone
Fiscal reserves	>18 months expenditure	12-18 months	<12 months
Debt-to-GDP	<10%	10-20%	>20%
Structural deficit	Surplus	<2% GDP	>2%GDP
Credit rating	AAA/Aa1	AA+/A1	A+/A2 or below
Reserve depletion timeline	>15 years	10-15 years	<10years

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Appendix [2]:

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新聞 — 港聞

三千舖貼標籤抗議新稅

19/07/2006

【本報訊】「銷售稅、齊反對！」由廿多個商會組成的反對銷售稅大聯盟昨手持抗議標籤，反對政府硬銷打擊各行各業的商品稅，大聯盟九月起將於出版社、書局、校巴及逾三千間商戶張貼反商品稅標籤，匯聚民意務求反對商品稅。

身兼大聯盟主席的立法會批發及零售界議員方剛表示，本港一直奉行簡單稅制，推行商品稅只會自毀優勢，況且港府有二千多億元財政儲備，看不到有加稅理由。他炮轟商品稅將七百萬市民一網打盡，「睇醫生、買麵包都要畀稅，市民生老病死都要畀稅，真係好唔合理。」

方剛又舉例，新加坡推行商品稅後，內部銷售額減少近一成，英國開徵百分之十七點五的商品稅，但經濟表現依舊「一塌糊塗」，他批評商品稅乃「劫貧濟富」的累退稅，窮戶較富戶繳交更高稅率，加劇貧富懸殊情況。

有電器及餐飲業界人士估計，商品稅令業界年減六十億元和七十億元生意額。大聯盟在九月起將舉辦一系列活動，包括發起「一舖一信」、「一人一信」和簽名運動、設立反商品稅網站 www.nogst.org.hk 和熱線電話，並進行問卷調查和辦研討會。

香港房地產建築業協進會名譽會長何鴻燊昨日表明，反對港府開徵商品稅，「我哋係做生意嘅人，任何新稅我哋都唔鼓勵，香港係金融中心，收入咁好，使乜納咁多稅？」

增成本恐令廠商撤走

香港工業總會主席丁午壽表示，不少本地廠商將工序北移，如半製成品每次進入香港也要繳交商品稅，將會增加廠商成本，可能令部分廠商撤離香港。

有「蘭桂坊之父」之稱的盛智文說，個人並不反對銷售稅，但必須推行恰當，認為百分之五稅率可以接受；羅兵咸永道香港稅務合夥人王銳強說，任何能擴闊稅基而不損香港的競爭優勢，都值得考慮，他指百分之五的商品稅稅率可以接受。

orisun.com

放大圖片

由廿多個行業商會組成的反對銷售稅大聯盟，昨高舉「銷售稅、齊反對！」的抗議單張。（黃仲民攝）

Cc: on.cc, 19-07-2006

Appendix [3]:

檢索: 帳戶 密碼 登入 檢索 | 新用戶 | 加入最愛 | 本報PDF版 | 繁體 | 簡体

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2006年10月18日 星期三

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調查指67%市民反對銷售稅 (圖)

調查指67%市民反對銷售稅

http://paper.wenweipo.com [2006-10-18]

放大圖片

■民主黨於10月份調查指出，約69%受訪者表示不贊成開徵銷售稅。 實習記者劉珮淳 攝

【本報訊】（實習記者 劉珮淳）根據研究公司TNS的調查顯示，在1001名受訪的香港市民中，有67%不接受開徵GST的建議，其中72%認為會減低零售業的競爭力，68%認為會影響香港對旅客的吸引力，及擴闊貧富懸殊的距離。

同時，有50%受訪者認為，應以提高薪俸稅的最高稅率來代替開徵GST，43%則認為應提升漸進利得稅等。

民主黨的調查顯示，有69%受訪市民反對開徵GST，較8月份同類調查僅下跌了1.6個百分點。不過，被問及徵收GST後稅款的用途時，有36%受訪者認為應用於增加社會服務，21%認為應減稅，18.6%市民認為稅收會作庫房儲備。

自由黨主席田北俊回應時亦指：「政府以為商界會贊成剝削窮人，怎知道我們都不同意。」

【打印】 【投稿】 【推薦】 【上一條】 【回頁頂】 【下一條】 【關閉】

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Cc: Wen Wei Po. Hong Kong News. 18-10-2006.

Appendix [4]:

A16 責任編輯：謝孟宜 香港新聞 HONG KONG NEWS 2010年12月16日(星期四) 香港 文匯報 WEN WEI PO

8萬當868萬 稅局烏龍評稅拒賠償

香港文匯報訊（記者 嚴敏慧）稅務局評錯稅，令市民費「神」傷「金」。有市民向立法會議員投訴指，稅局評稅出錯，把原本填報的86,868元總入息，誤當為8,686,800元，無端將其收入增大近100倍，應繳稅款高達260萬元。投訴人與稅局交涉，但當局多月後才更正，期間投訴人為繳交有關稅款，蒙受金錢損失及精神困擾，要求稅局賠償也被拒絕。當局回應，個案為稅局人員工作流程出錯，屬個別事件；根據法例，稅局不用就評稅錯誤向市民作出賠償。

收入增百倍 事主須繳稅260萬

有立法會議員昨在立法會上向政府質詢，指近年接獲多名市民投訴，指稅務局評稅結果出現失誤，令有關市民須支付巨額稅款。有投訴人填報的總入息原本約8.6萬元，稅局卻誤以為是868萬元，要求事主繳稅260萬元。財經事務及庫務局局長陳家強回應說，有關個案為稅局人員在工作流程出錯，並非評稅機制出現問題，已盡快作出更正，屬個別事件。

陳家強：加強培訓改進系統制度

陳家強表示，當局已致力確保評稅工作公正無誤，但仍難免出現零星錯誤。他又指，錯誤評稅的成因包括，呈報予當局的文件或資料出錯，又或是納稅人或評稅員的人為錯誤等，有些個案則難以清晰判斷錯誤是由稅務局還是納稅人所致，當局亦沒有就有關失誤作出統計。

不過，陳家強強調，一般評稅過程中，會審閱納稅人提交的報稅表，以確定表面資料正確，稅務局亦設有電腦監察系統，以檢視報稅表所申報的資料正確，例如納稅人申報的入息遠超其入息紀錄的應課稅入息等。對於有懷疑的個案，評稅員會核對納稅人所呈交的資料，然後才發出評稅通知書。當局會加強評稅員的培訓，改進系統和制度。

他表示，市民如發現評稅有誤，應盡快與稅務局聯絡，並於評稅通知書發出後1個月內，以書面向稅務局局長提出反對。當局重新審核個案後，若納稅人勝訴，稅局會付還已繳的稅款，但法例沒有規定當局須就納稅人的損失作出賠償。

Cc: Wen Wei Po. Hong Kong News. A16. 16-12-2010.

Appendix [5]:

三、 行政失誤：寄錯稅單洩私隱、評稅「屈得就屈」

- **寄錯巨額稅單事件 (2026年初)**：社群網絡廣泛熱議一宗嚴重行政失誤，有市民突然收到稅局寄來要求繳交 9.2 萬元稅款的信件。事主核對後發現，信件雖然寫著自己的名字，但內附的檔案號碼、薪酬及評稅細節全然屬於另一名陌生人。此舉不但嚇壞市民，更暴露了稅局郵寄系統出錯，引致第三方個人資料嚴重外洩，稅局隨後公開表示強烈關注並展開深入調查。 香港01

Cc: Google Search, HK01

Appendix [6]:

icac.org.hk

舉報貪污熱線: 25 266 366

ICAC

新聞公佈

新聞公佈 › 新近新聞公佈

新近新聞公佈

廉署起訴助理稅務主任涉貪助納稅人減稅兼「起底」追債

2025年10月14日

廉政公署今日(10月14日)落案起訴一名稅務局助理稅務主任，控告他涉嫌向四名納稅人索取及收受賄款共逾19,000元，以協助他們減少稅款及「起底」追債。該名助理稅務主任又與一名食物環境衞生署(食環署)管工串謀干犯公職人員行為失當罪，涉嫌透過稅務局電腦系統未經授權檢索食環署投訴人資料。

李應華，46歲，稅務局助理稅務主任，被控共六項貪污罪名，即五項公職人員接受利益及一項公職人員索取利益，違反《防止賄賂條例》第4(2)(a)條。

他另被控一項串謀干犯公職人員行為失當罪名，違反普通法及《刑事罪行條例》第159A條；一項公職人員行為失當交替罪；以及一項普通襲擊罪名，違反《侵害人身罪條例》第40條。

同案被告何樂林，36歲，食環署管工，被控一項串謀干犯公職人員行為失當罪。

兩名被告獲廉署准予保釋，案件星期四(10月16日)在東區裁判法院提訊，控方稍後會申請將案件轉介區域法院答辯。

案發時，李應華為稅務局助理稅務主任，曾任職追討欠稅組及評稅組，職責包括處理追討欠稅的文件、協助薪俸稅評稅和處理查詢。因工作關係，李應華獲授權使用稅務局的電腦系統，該系統載有納稅人和公司的資料、其稅務文件，以及與稅務局通訊的地址。

Cc: ICAC Website

ISSN: 2456-7760

Appendix [7]:

icac.org.hk

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舉報貪污熱線: 25 266 366

案發時，李應華為稅務局助理稅務主任，曾任職追討欠稅組及評稅組，職責包括處理追討欠稅的文件、協助薪俸稅評稅和處理查詢。因工作關係，李應華獲授權使用稅務局的電腦系統，該系統載有納稅人和公司的資料、其稅務文件，以及與稅務局通訊的地址。

該六項貪污控罪指李應華涉嫌於2022年6月至2023年9月期間，在處理四名納稅人的查詢時，從其中三人接受賄款共19,000元，以及向餘下一名納稅人索取賄款，但沒有指明金額。

李應華涉嫌協助及指導該四名納稅人填寫報稅表或相關表格以減少稅款，並向其中一人提供其欠債人的個人資料，以便該名納稅人追討欠債。

該項普通襲擊控罪發生於2023年9月19日。李應華涉嫌在啟德稅務中心評稅組指導上述其中一名女納稅人填寫表格時，蓄意觸摸其右手並向她索取賄款1,000元。

此外，李應華及何樂林又涉嫌於2023年5月至6月期間一同串謀，使李應華在擔任公職期間，無合理辯解或理由，故意行為失當，即涉嫌未經授權查詢稅務局的資料，並在與其職務無關的情況下將該等資料洩露予何樂林。交替控罪指李應華涉嫌作出上述失當行為。

案發時何樂林任職食環署西貢區防治蟲鼠組管工，並遭投訴沒有妥善處理區內蚊患問題。廉署調查發現，李應華涉嫌應何樂林要求，透過稅務局的電腦系統，檢索該投訴人及其家人的個人資料。

廉署早前接獲稅務局轉介的貪污投訴而展開調查。稅務局及食環署在廉署調查案件期間提供全面協助。

廉署發言人指，廉潔奉公的公務員隊伍是政府有效施政的關鍵。廉署一直透過宣傳教育，提醒公務員須時刻保持高度誠信，恪守法規，絕不可利用職權參與貪污或非法勾當。廉署並與稅務局保持緊密聯繫跟進情況，包括檢視涉及個人資料管控的措施，加強監管及提供防貪和教育的協助，以杜絕貪污及其他不當行為。

Cc: ICAC Website

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Appendix [8]:

Yahoo新聞

更新時間 2025年5月20日

對於多間獨立傳媒機構及其成員被追稅，稅局表示不評論個別個案。圖為去年九月大量記者在灣仔區域法院外採訪情況。 (Photo by Martin Henry/Anadolu via Getty Images)

【Yahoo 新聞報道】自 2023 年底開始，最少六個傳媒機構或單位、十多名新聞工作者被稅務局覆查及追收長達七年前的稅款，涉及金額數以十萬元計。一直跟進事宜的香港記者協會質疑稅局針對獨立傳媒機構背後的動機，「想要錢？定係要煩到你執笠？」稅務局拒絕披露受查傳媒機構數字，僅稱受查人士行業或背景不影響查核工作。

獨媒、法庭線、ReNews 證實受查

Cc: Yahoo News

Vol. 10, No.08; 2026

ISSN: 2456-7760

Appendix [9]:

yahoo!新聞

獨媒、法庭線、ReNews 證實受查

《Yahoo 新聞》從不同渠道得知，自 2023 年 11 月起，自少有六間獨立傳媒機構或單位、十多名新聞工作者被稅局追查過去收入，被追討金額每間機構或每人由數千至數萬元不等。受查的均為規模較小的媒體，其中《獨立媒體》、《法庭線》及《ReNews》的負責人均向《Yahoo 新聞》證實，過去一至兩年曾接獲稅務局信件，指稱其媒體或媒體成員若干年前申報收入少於實際應評稅收入，須補繳少交的「短報」稅款或罰款。

Cc: Yahoo Search, Yahoo News

Appendix [10]:

yahoo!新聞

首頁 港聞 財經 體育 娛樂 國際 Style Tech 飲食 旅遊 健康 專題

鄭嘉如說，記協最關注的是，要求小型媒體或個人保存七年前的財務紀錄，相對困難，不利於他們應付稅局的審查。受影響新聞工作者亦要花相當時間及精力應付稅局的指控，以致妨礙他們的日常新聞工作，本身是自由身傳媒人的她亦因此減少了工作。她說：「一般新聞工作者有冇資源請核數師處理？我哋擔心追稅會對傳媒人造成財政同精神上嘅壓力，對佢哋嘅新聞工作造成騷擾，令佢哋無法專注新聞工作。」

記協主席鄭嘉如亦於今年收信，被追討七年前「欠繳」的薪俸稅。 (Photo by Vernon Yuen/NurPhoto via Getty Images)

Cc: Yahoo Search, Yahoo News

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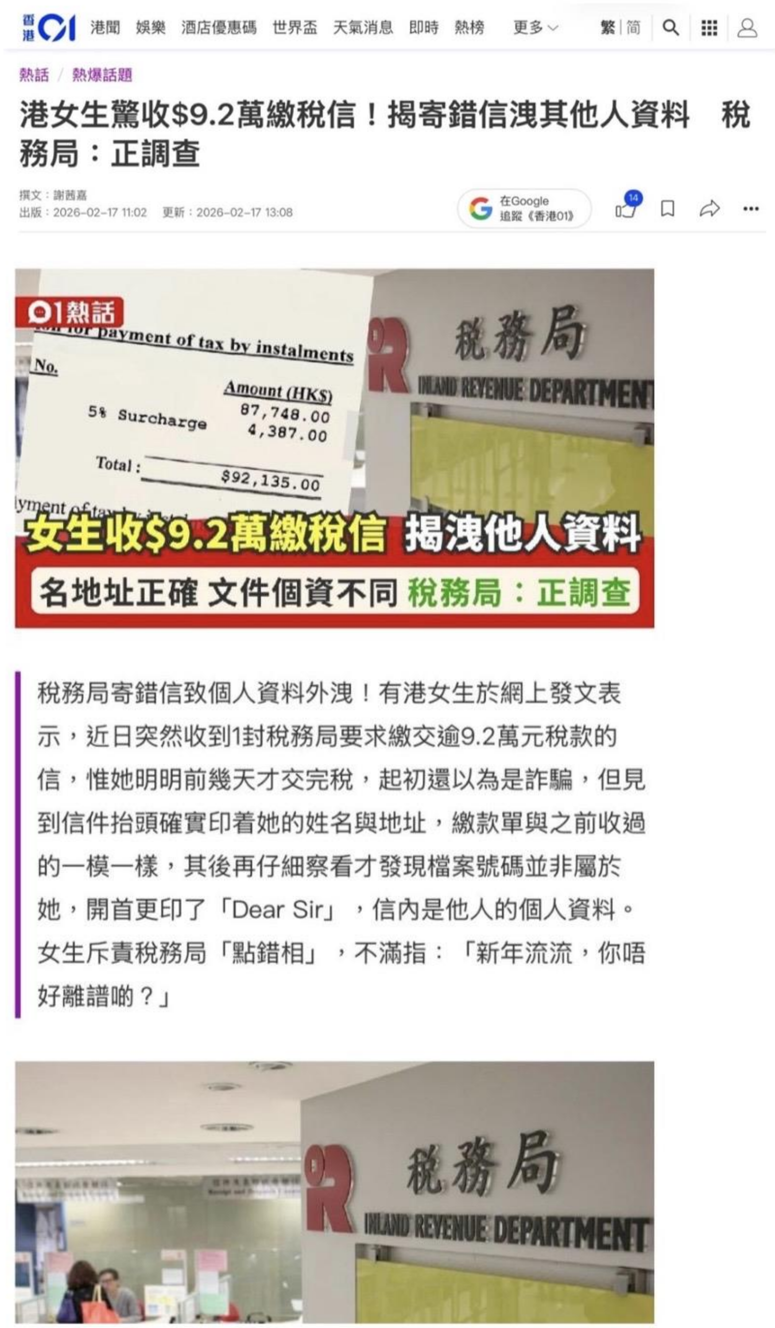
Appendix_[11]:



港聞 娛樂 酒店優惠碼 世界盃 天氣消息 即時 熱榜 更多 繁 | 简

熱話 / 熱爆話題

港女生驚收$9.2萬繳稅信！揭寄錯信洩其他人資料　稅務局：正調查

撰文：謝茜嘉
出版：2026-02-17 11:02　更新：2026-02-17 13:08

在Google 追蹤《香港01》

稅務局寄錯信致個人資料外洩！有港女生於網上發文表示，近日突然收到1封稅務局要求繳交逾9.2萬元稅款的信，惟她明明前幾天才交完稅，起初還以為是詐騙，但見到信件抬頭確實印着她的姓名與地址，繳款單與之前收過的一模一樣，其後再仔細察看才發現檔案號碼並非屬於她，開首更印了「Dear Sir」，信內是他人的個人資料。女生斥責稅務局「點錯相」，不滿指：「新年流流，你唔好離譜啲？」

Cc: HK01