

The 2008-09 Budget

Major Proposals

Promoting Long-term Development

Investing in Infrastructure

- To vigorously implement various infrastructure projects over the next few years, including the ten major projects announced by the Chief Executive.
- Discounting the upfront endowment of \$21.6 billion to the West Kowloon Cultural District Authority, the estimated expenditure on infrastructure projects will be \$21.8 billion for 2008-09, and is expected to increase further in the coming years.

Efficient Use of Land Resources

- To increase the number of sites in the 2008-09 Application List to 62, covering a total area of 60 hectares.
- To adopt a more proactive and flexible approach in the use of land resources, and study ways to beautify vacant land or convert it to other temporary public use.
- To study the relocation of the three government office buildings at the Wan Chai waterfront.
- To state clearly the development parameters for each site on the Application List.
- To conduct a review of the Urban Renewal Strategy, and to make effective use of part of the fund the Government originally injected into the Urban Renewal Authority to strengthen its work to revitalise old areas and conserve historic buildings.

Strengthening Pillar Industries

- To earmark an additional \$150 million in the next five years to promote Hong Kong as an international convention, exhibition and tourism capital and attract more high quality conventions and exhibitions to Hong Kong.
- To waive the Hotel Accommodation Tax. This will cost \$470 million a year.
- To designate sites as “restricted to hotel use” and provide 10 sites in the 2008-09 Application List for hotel development.
- To enhance the competitiveness of our commercial and financial sectors, to improve the regulatory regime, and to promote Hong Kong’s financial services in the Mainland and overseas.
- To gradually increase the runway capacity of the Hong Kong International Airport to 68 aircraft movements per hour by 2015 and start feasibility studies for a third runway.
- To identify suitable locations for the development of Container Terminal 10.

Tapping New Markets

- To coordinate the industry's participation in the China International Cultural Industry Fair to be held in Shenzhen and organise exhibitions in Europe and the US for local designs under the "9707 Project".
- To earmark \$69 million for designing and constructing the Hong Kong Pavilion at the World Exposition 2010 Shanghai China.
- To exempt the duties on wine, beer and all other alcoholic beverages except spirits. This will cost about \$560 million a year.

Developing Human Capital

- To offer free senior secondary education starting from the 2008-09 school year. The additional expenditure on education for each school year will amount to \$1.2 billion.
- To implement small-class teaching in primary schools in phases from the 2009-10 school year.
- To provide 800 additional publicly-funded places for postgraduate research programmes in phases from the 2009-10 school year. This will incur additional expenditure of nearly \$300 million a year.
- To set up an \$18 billion Research Endowment Fund to replace the existing annual funding arrangement for the Research Grant Council of the University Grants Committee and to finance research projects on specific themes.

Community Building

- To provide about \$120 million to convert the Yau Ma Tei Theatre into a Cantonese opera centre.
- To provide \$21.6 billion upfront endowment for the West Kowloon Cultural District development.
- To allow the public to use recreational facilities managed by the Leisure and Cultural Services Department free of charge from July to September 2008. Receipts from these facilities will be reduced by about \$100 million.
- To provide more than \$20 million to further promote the Basic Law throughout the community.
- To increase funding for 18 District Councils to \$600 million a year to carry out various community involvement activities and district minor works.
- To provide additional manpower for District Offices to support more effective community participation in district administration.

Environmental Improvement

- From December 2007, the Government has offered a concessionary duty rate of \$0.56 per litre for Euro V diesel for two years. This concession will cost about \$1.56 billion a year if calculated according to the normal duty rate of diesel.
- To offer First Registration Tax concession for commercial vehicles meeting the Euro V emissions standards. This will cost about \$26 million a year.
- To provide a 100 per cent profits tax deduction for capital expenditure on environment-friendly machinery and equipment in the first year of purchase and shorten the depreciation period for environment-friendly installations ancillary to buildings to five years.

Supporting Disadvantaged Groups

Ceiling for Tax Deductible Donations

- To raise the ceiling for tax deductible donations under profits tax, salaries tax and personal assessment to 35 per cent of assessable profits or income. This will cost about \$80 million a year.

Family and Children

- To provide \$45 million over the next three years to strengthen day foster care services and child care services.
- To provide additional annual funding of about \$40 million to increase the places of refuge centres for women, strengthen the Social Welfare Department's hotline services, sustain efforts in publicity campaigns and public education, and enhance the training of front-line professionals.

Youth

- To provide about \$1 billion over the next three years to create 3 000 three-year jobs for those aged between 15 and 29.
- To provide \$53 million in 2008-09 to tackle the problem of psychotropic drug abuse by young people.
- To launch a pilot scheme to establish district cyber centres.

Persons with Disabilities

- To provide about \$100 million a year for an additional 300 pre-school training places, an additional 450 day training places and an additional 490 subvented residential places for persons with disabilities.
- To provide about \$35 million a year extra funding to establish 16 community support centres to strengthen one-stop services and support for persons with disabilities as well as their family members and caretakers.

Supplement

- To allocate \$20 million for eight new Rehabuses and to replace 24 old ones.
- To provide an additional supplement of \$200 a month to Disability Allowance recipients aged between 12 and 64, and Comprehensive Social Security Assistance (CSSA) recipients in the same age group with 100 per cent disability to further encourage them to participate in activities away from home. The proposal costs \$230 million a year.

Patients with Financial Difficulties

- To inject \$1 billion into the Samaritan Fund to allow new medicines to be included in the subsidy list of the Fund in accordance with the established mechanism.

Ethnic Minorities

- To grant a recurrent annual allowance of \$300,000 from the 2008-09 school year to 19 “designated schools” to help them implement the School-based Support Scheme for non-Chinese speaking students, and to increase the number of these schools to 25 within two school years. This will entail additional provision of \$13 million a year.
- To set up, on a trial basis, four support service centres to provide interpretation services as well as Chinese and English language courses, to provide \$16 million as operating expenses of these centres for the coming year and to provide an additional \$8 million to subsidise their start-up costs.

Social Security Recipients

- To provide one additional month of the standard rate CSSA payments for CSSA recipients and one additional month of allowance for recipients of Disability Allowance. The proposal costs about \$1.2 billion.
- To adjust the CSSA payment rates in accordance with the existing mechanism ahead of the normal schedule.

Public Housing Tenants

- To pay one month’s rent for lower income families living in the rental units of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS). This measure will not apply to HA tenants who are required to pay extra rent or tenants of HS Group B estates. \$1 billion will be earmarked for this measure.

Low-income Group

- To raise the ceiling for monthly income for the pilot Transport Support Scheme to \$6,500, to extend the subsidy period to 12 months and to allow eligible persons working and living in the same district to apply for the allowance.
- To provide a subsidy of \$1,800 for each residential electricity account. This measure will cost about \$4.3 billion.

The Elderly

- To extend the scheme of “Elder Academies” to tertiary institutions.
- To increase funding by about \$60 million a year to provide an additional 160 day care places, an additional 278 subsidised residential care places and an additional 180 infirmary places in residential care homes for the elderly.
- To provide additional funding of about \$18 million a year for District Elderly Community Centres to recruit more staff.
- To provide \$200 million in the next five years to provide minor home maintenance and improvement services as well as the necessary fittings to those elderly people living in dilapidated homes with poor fittings, subject to a cap of \$5,000 per household.
- To provide \$1 billion in the next five years to subsidise the elderly in need to carry out maintenance or safety improvement works for their self-occupied properties, subject to a cap of \$40,000 per elderly.
- To study how to improve the Old Age Allowance Scheme and to aim for a decision by the end of 2008.
- To provide \$1.5 billion for a one-off grant of \$3,000 for every recipient of Old Age Allowance.

Tin Shui Wai Community

- To set up an integrated community centre for mental wellness.
- To provide land for long-term commercial or hotel development.
- To launch a two-year pilot scheme for chronically ill persons to obtain private clinic services for the same fee as that charged by clinics under the Hospital Authority.
- To construct a general out-patient clinic in Tin Shui Wai North and consider building a hospital in the district.

Leaving Wealth with the People

Salaries Tax and Tax under Personal Assessment

- To lower the standard rate to 15 per cent. This proposal will cost about \$960 million a year.
- To waive 75 per cent of salaries tax and tax under personal assessment for 2007-08, subject to a ceiling of \$25,000. This proposal will cost \$12.4 billion.
- To raise the basic allowance and the single parent allowance to \$108,000, and to increase the married person’s allowance to \$216,000. These proposals will cost \$1.31 billion annually.
- To widen tax bands to \$40,000. The proposal will cost \$1 billion annually.

Profits Tax

- To lower the corporate profits tax rate to 16.5 per cent. This proposal will cost \$4.4 billion a year.
- To waive 75 per cent of profits tax for 2007-08, subject to a ceiling of \$25,000. The proposal will cost \$1.73 billion.

Business Registration Fee

- To waive the business registration fee for 2008-09. This proposal will cost \$1.6 billion.

Property Tax

- To waive 75 per cent of the property tax for 2007-08, subject to a ceiling of \$25,000. The proposal will cost \$680 million.

Rates

- To waive rates for 2008-09, subject to a ceiling of \$5,000 per quarter for each rateable tenement. This proposal will cost \$11.2 billion.

Providing for the Future

Retirement Protection

- To earmark \$8.5 billion to provide every employee and self-employed person who has a Mandatory Provident Fund (MPF) account and earns not more than \$10,000 a month with a one-off injection of \$6,000 into his MPF account. Members of occupational retirement schemes which are defined contribution schemes will also be eligible.

Health Care Financing

- To earmark \$50 billion to assist the implementation of healthcare reform. Upon the implementation of the supplementary financing arrangements, the Government will provide start-up capital for individuals participating in a contribution scheme. Detailed arrangements will depend on the exact supplementary financing arrangements to be implemented.