

2013-14 Budget

Briefing for Legislative Council

28 February 2013

Theme of the 2013-14 Budget

- **Developing the economy and increasing employment**
- **Investing in education and optimising human capital**
- **Investing in infrastructure**
- **Caring for people's livelihood**

Developing the Economy and Increasing Employment

Consolidating Trading and Logistics Industry

- Designate sites of about 12 hectares at Tuen Mun West and Tsing Yi for the development of logistics facilities
- Enhance the external connectivity of transport network

Promoting Tourism Industry

- All-weather Water World at Ocean Park
- “Marvel heroes” themed area at Disneyland

Developing the Economy and Increasing Employment (Cont'd)

Developing Financial Services Industry

- Allow private equity funds to enjoy the same tax exemption as offshore funds
- To introduce the legal framework for the Open-ended Investment Company
- Tax concession for the offshore insurance business of captive insurance companies

Expanding Business and Professional Services

- G2G platforms
- CEPA

Developing the Economy and Increasing Employment (Cont'd)

Nurturing Emerging Industries

- Facilitate art and cultural development in Hong Kong
- Facilitate technology transfer and the realisation of R&D results

Supporting Small and Medium Enterprises

- Extend the special concessionary measures under the SME Financing Guarantee Scheme
- Raise the cumulative grant ceiling under the SME Export Marketing Fund

Investing in Education and Optimising Human Capital

- **Expenditure on education represents more than one-fifth of recurrent government expenditure**
- **Injection into the Language Fund (\$5 billion), HKSAR Government Scholarship Fund (\$500 million) and Self-financing Post-secondary Education Fund (\$20 million)**
- **Promoting career progression**
- **Enhancing vocational training**
 - Establish a training fund for maritime and aviation transport (\$100 million)
- **Funding the Employees Retraining Board (\$15 billion)**

Investing in Infrastructure

- **2013-14 Capital works expenditure will exceed \$70 billion**
- **Traffic infrastructure (such as Central-Wan Chai Bypass)**
- **Healthcare facilities (such as Tin Shui Wai Hospital)**
- **Sports facilities (such as Tseung Kwan O velodrome)**
- **Environmental infrastructure (such as first phase development of the organic waste treatment facilities in Siu Ho Wan)**
- **Desalination study**

Caring for People's Livelihood

Recurrent Expenditure

	<u>2013-14</u> <u>Estimate</u> (\$ billion)	<u>Against</u> <u>2012-13</u> <u>Revised</u> <u>Estimate</u> (\$ billion)	
Education	63.0	+2.3	+4%
Social Welfare	55.7	+13.0	+31%
Health	48.8	+2.7	+6%
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	167.5	+18.0	+12%
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Caring for People's Livelihood (Cont'd)

- **Injection into the Community Care Fund (\$15 billion)**
- **Start making payment of Old Age Living Allowance from April (2013-14 additional expenditure is \$8.3 billion)**
- **Increase recurrent subvention to Hospital Authority (\$2.5 billion)**
- **Injection into the Environment and Conservation Fund (\$5 billion)**

Relief Measures

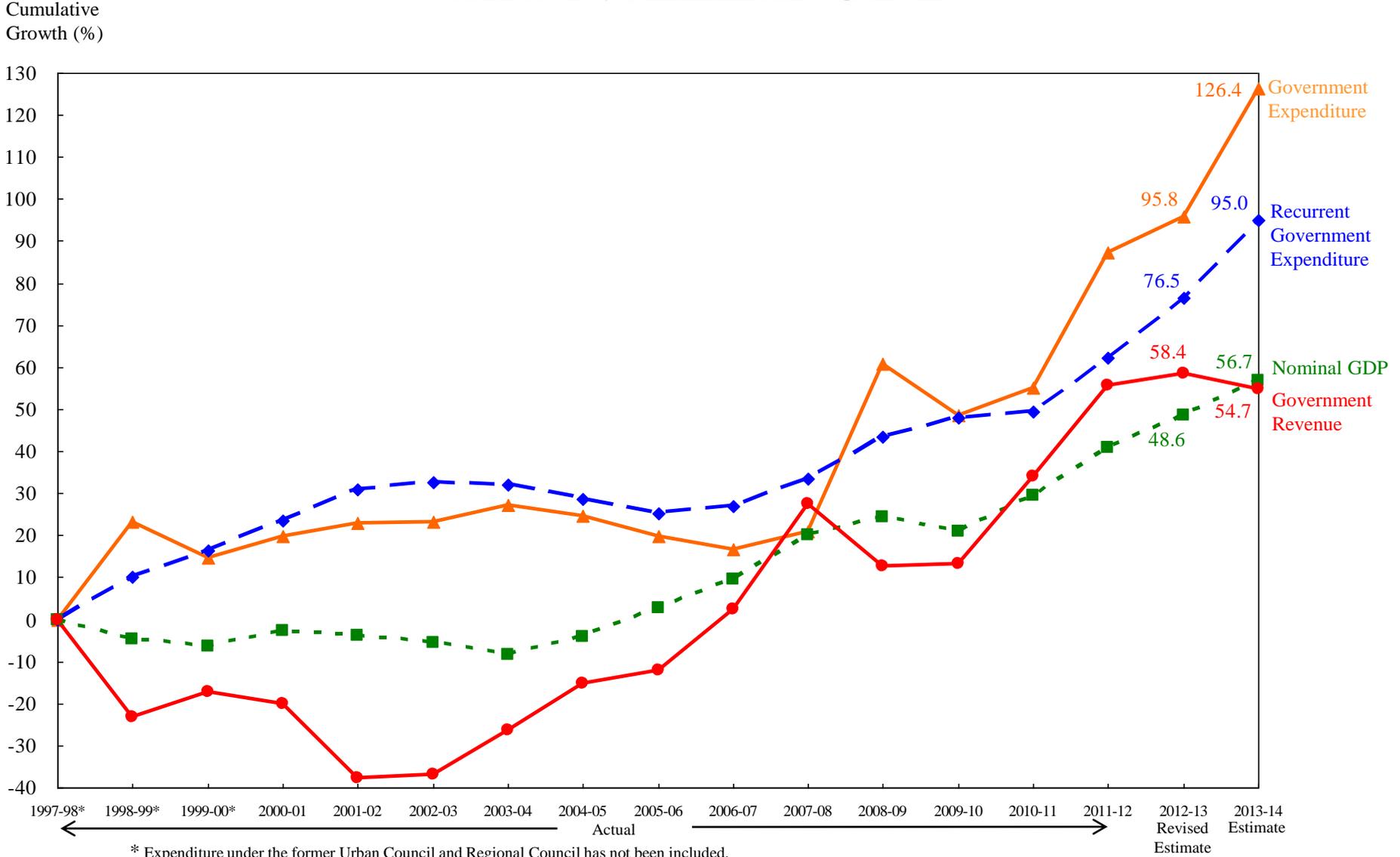
Launch \$33 billion relief measures, including:

- Increase tax allowances and deduction ceilings
- Waive rates for the whole 2013-14
- Reduce 2012-13 salaries tax, tax under personal assessment and profits tax
- Waive 2013-14 business registration fees
- Provide extra Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance
- Pay rent for public housing tenants
- Provide electricity subsidy
- Inject funds into food bank

2013-14 Estimates

	\$ billion
Government revenue	435.1
Government expenditure	(440.0)
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Consolidated deficit	(4.9)
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Forecast balance of fiscal reserves as at end-March 2014	729.1
Against 2012-13 2013 GDP nominal growth	+59.4 billion (16%) 4.5% - 6.5%

Growth of Government Revenue, Expenditure and Nominal GDP



2013-14 Revenue Estimates

Stamp Duties:

Properties	\$20.7 B (4.7%)
Stocks	\$18.6 B (4.3%)
Others	\$0.7 B (0.2%)

Investment Income:

Operating revenue	\$29.8 B (6.9%)
Capital revenue	\$6.2 B (1.4%)

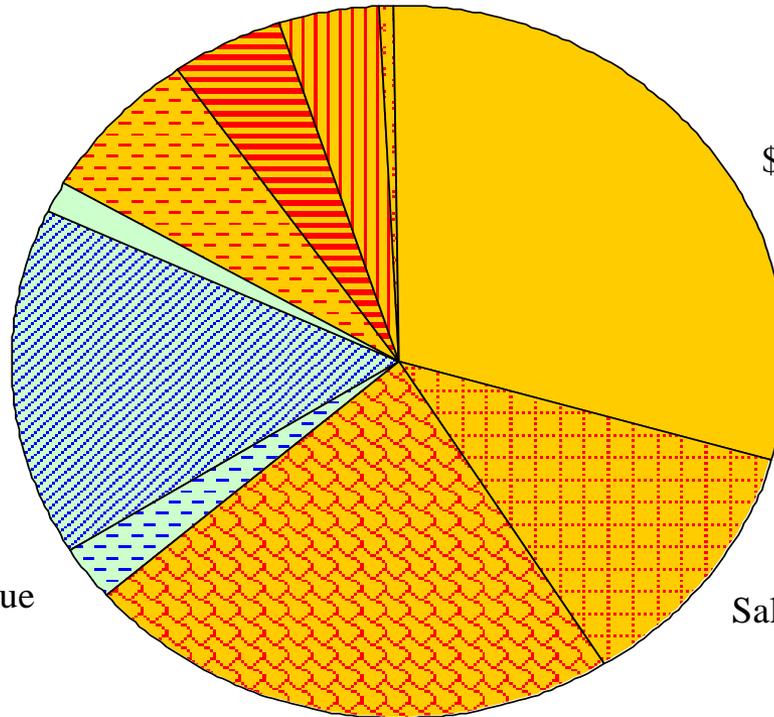
Land Premium
\$69 B (15.9%)

Other Capital Revenue
\$10.4 B (2.4%)

Other Operating Revenue
\$97.7 B (22.4%)

Profits Tax
\$131 B (30.1%)

Salaries Tax \$51 B (11.7%)

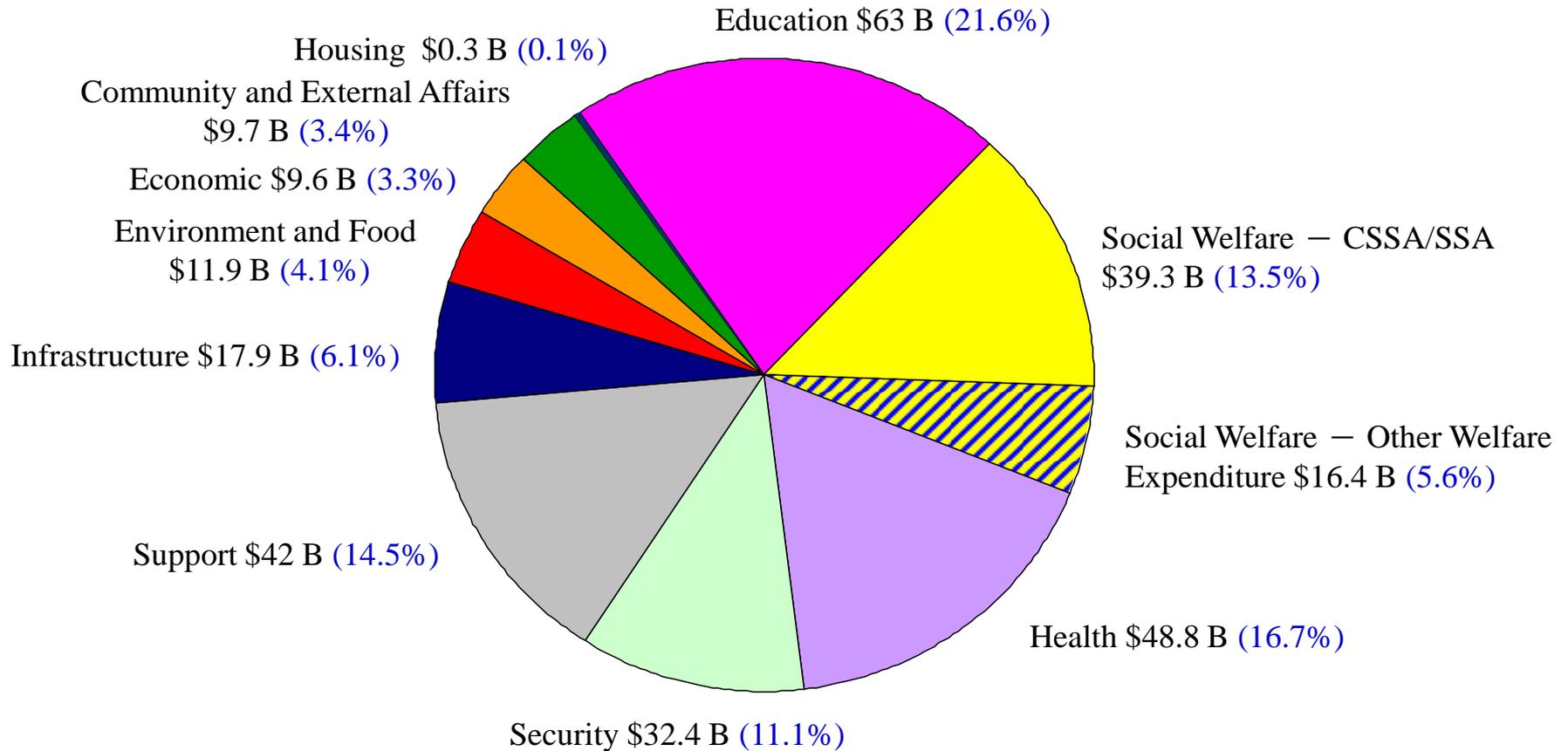


Operating revenue \$349.5 B (80.3%)

Capital revenue \$85.6 B (19.7%)

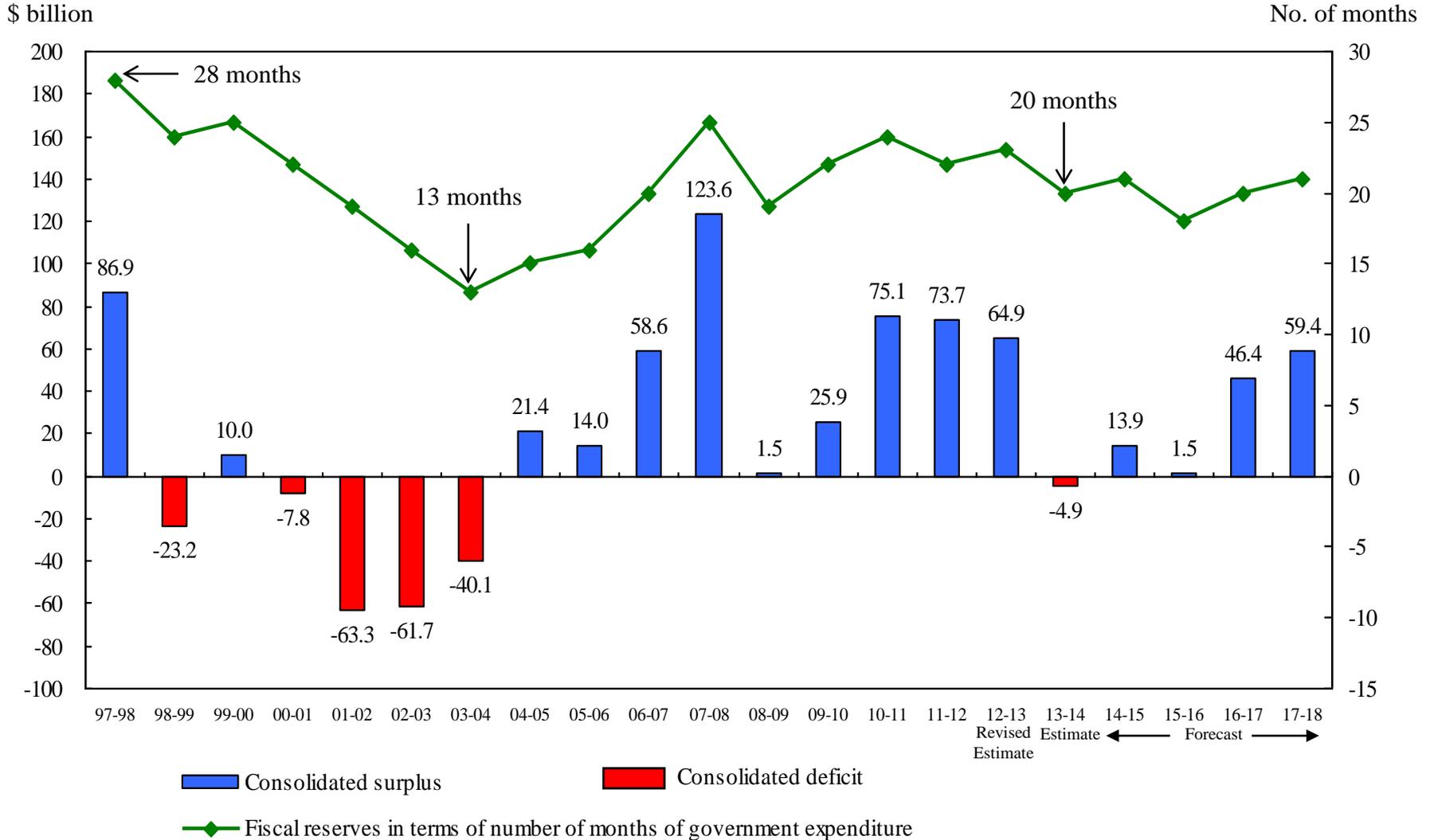
Total government revenue: \$435.1 B

2013-14 Recurrent Expenditure Estimates



Recurrent government expenditure: \$291.3 billion (66.2% of total government expenditure of \$440 billion)
 (Increase of 10.5% against 2012-13 Revised Estimate)

Fiscal Reserves

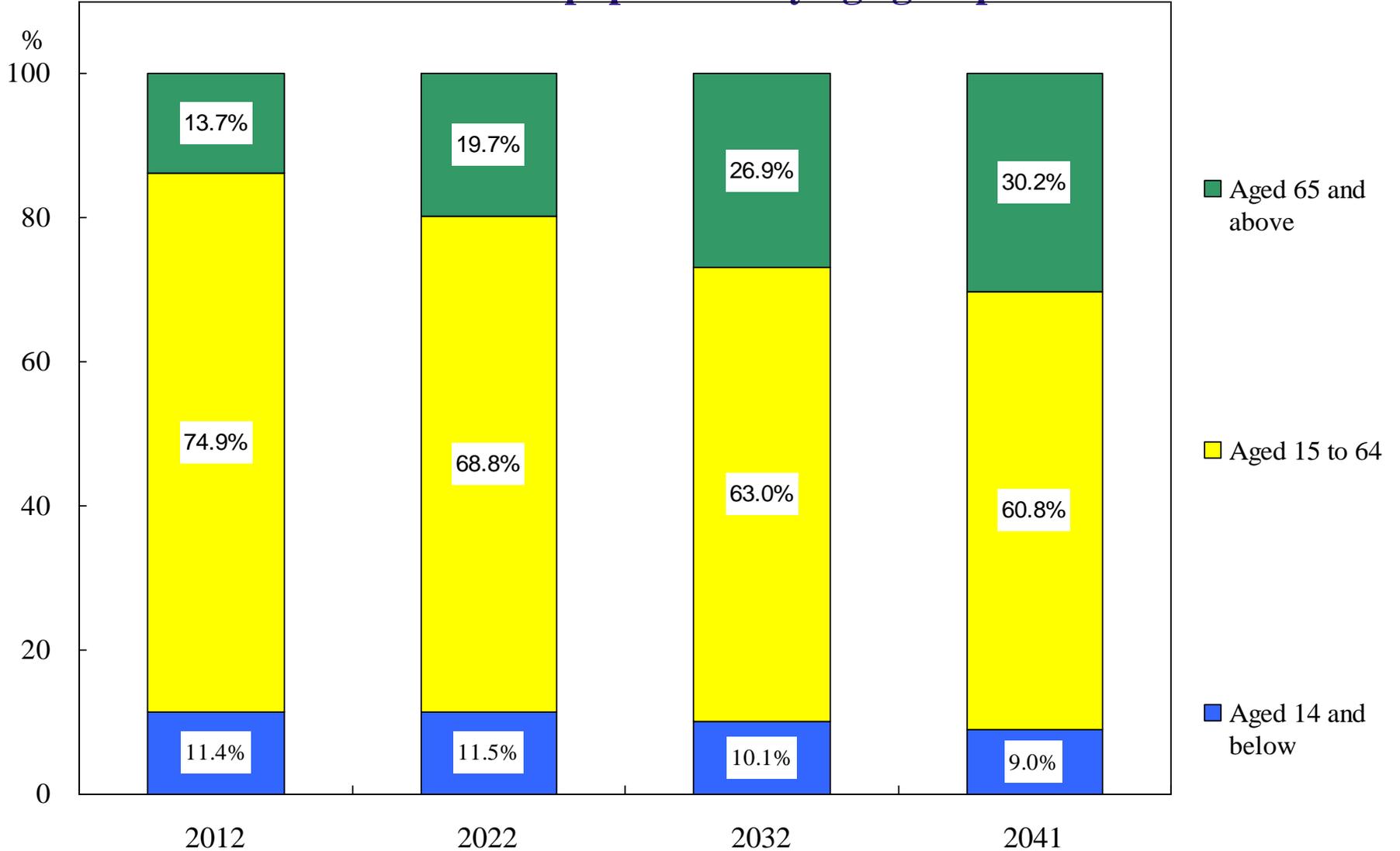


2013 Medium Range Forecast

(\$ billion)	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Operating surplus / (deficit)	(2.5)	71.8	41.2	88.2	93.7
Capital deficit	(2.4)	(48.1)	(39.7)	(41.8)	(34.3)
Consolidated surplus / (deficit) after repayment of bonds and notes	(4.9)	13.9	1.5	46.4	59.4
Fiscal reserves	729.1	743.0	744.5	790.9	850.3
- in terms of number of months of government expenditure	20	21	18	20	21
- in terms of percentage of GDP	33.9%	32.6%	30.8%	30.9%	31.3%

Challenges Ahead

2012-2041 population by age group



Challenges Ahead (Cont'd)

Fiscal reserves have not deducted known liabilities, committed expenditure and contingent liabilities, including:

- **Public officer statutory pension obligations (present value about \$600 billion)**
- **Capital works projects (over \$300 billion)**
- **Guarantees provided (\$100 billion)**

Thank You
