

2016-17 Budget

Briefing for Legislative Council

25 February 2016

Key Aspects of 2016-17 Budget

- **Nurturing Innovation**
- **Finding New Markets**
- **Fostering Talent**
- **Increasing Land Resources**
- **Caring for People's Livelihood**
- **Maintaining Healthy Public Finances**

Nurturing Innovation

- **Application of Research and Development (R&D) Results**
 - **\$8.2 billion** to promote smart production and research, bring together advanced manufacturing industries
 - **\$500 million** to set up an Innovation and Technology Fund for Better Living
 - **\$2 billion** to launch a Midstream Research Programme for Universities
 - To improve the R&D Cash Rebate Scheme (40% cash rebate)
 - To extend the Public Sector Trial Scheme
 - To extend the scheme to provide funding support for the technology transfer work of six universities

Nurturing Innovation (Con'd)

- **Financial Technology (Fintech)**
 - Implement recommendations of Steering Group on Financial Technologies
 - Dedicated team under InvestHK to support relevant enterprises and investors to establish presence in Hong Kong
 - Cyberport to set aside dedicated space of 3 000m²
 - Establish Fintech dedicated platforms
 - Examine “Blockchain” technology

- **Start-ups**
 - **\$2 billion** Innovation and Technology Venture Fund
 - Expand the Science Park, project estimate of **\$4.4 billion**
 - Cyberport to earmark **\$200 million** to invest in its start-ups
 - HKSTPC to support start-ups through Corporate Venture Fund and incubation programmes

Nurturing Innovation (Con'd)

● Creative Industries

- **\$400 million** injection to CreateSmart Initiative to give priority to supporting start-ups and nurturing talents
- **\$500 million** to support the development of fashion industry
- Following a \$200 million injection announced last year, to further inject **\$20 million** into the Film Development Fund to promote locally-produced Cantonese films

● Arts and Sports

- Launch Art Development Matching Grants Pilot Scheme
- Continue to support the training and development of Hong Kong athletes

Finding New Markets

- **Belt and Road Initiative**
 - Organise the Belt and Road Summit in May
 - Establish an office to facilitate infrastructure projects financing
 - Issue the third sukuk in a timely manner
 - Support the work of AIIB

- **Commerce and Logistics**
 - Pursue more trade and investment agreements
 - Strengthen transportation network and postal services to facilitate e-commerce development
 - Establish a “single window”
 - Expand the scope of tax deduction for capital expenditure incurred for the purchase of IP rights

Finding New Markets (Con'd)

- **Financial Services**

- Expand offshore RMB business
- Prepare for the launch of the Shenzhen-HK Stock Connect and enhancement of the Shanghai-HK Stock Connect
- Reinforce asset management businesses
- Develop green finance
- Strengthen the securities market
- Issue iBond

Fostering Talent

- **Internship and Exchange**
 - Broaden students' horizons for promoting a knowledge-based economy
- **Professional Training**
 - Implement a **\$200 million** pilot scheme to subsidise 3 cohorts of students for designated professional part-time programmes
 - Nurture talents for construction, retail and financial services industry

Increasing Land Resources

- **Residential Land**
 - Increase public and private housing supply
 - Injection to the Housing Reserve, current balance stands at \$74 billion
- **Commercial Land**
 - Relocate government offices and facilities to release commercial land

Caring for People's Livelihood

● Investing in Healthcare

- Setting aside \$200 billion for a ten-year hospital development plan
- Allocating \$10 billion to set up an endowment fund for enhancing public-private partnership programmes

● Supporting the Underprivileged

- Enhancing elderly services, refining the Reverse Mortgage Programme and launching a pilot scheme to issue Silver Bond
- Supporting persons with disabilities, grassroot families, help women to manage family commitments alongside work
- Extend for the last time the validity period of unused subsidies of the one-off electricity charges subsidy scheme

Maintaining Healthy Public Finances

- **Containing Expenditure**

- Implement a three-year measure to contain expenditure, with resources saved to be re-allocated to policy bureaux for new services
- Strengthen cost control of public works

- **Preserving Revenue Base**

- Implement Automatic Exchange of Financial Account Information in Tax Matters
- Tackle base erosion and profit shifting
- Review fees and charges of government departments

Maintaining Healthy Public Finances

- **Managing Fiscal Reserves**

- Exercise fiscal prudence and live within our means
- Inject into the Future Fund and make long-term investments

- **Forward Planning**

- Establish the Housing Reserve
- Set up the Future Fund
- Implement the ten year hospital development plan

Economic Indicators

	2014 Actual	2015 Actual	2016 Estimate
GDP real growth	2.6%	2.4%	1%-2%
GDP nominal growth	5.6%	6.4%	2.5%-3.5%
Underlying CCPI	3.5%	2.5%	2%

Support Measures

- Helping Small and Medium Enterprises
- Supporting Tourism
- Easing Financial Pressure

Helping Small and Medium Enterprises (SMEs)

- Improve the SME Financing Guarantee Scheme
- Reduce profits tax for 2015-16
- Waive business registration fees for 2016-17
- Launch a Pilot Technology Voucher Programme to subsidise SMEs to use technological services and solutions

Supporting Tourism

- Waive licence fees for 1 800 travel agents for one year
- Waive licence fees for 2 000 hotels and guesthouses for one year
- Waive licence fees for 27 000 restaurants and hawkers and fees for restricted food permits for one year

Supporting Tourism (Cont'd)

- Allocate \$240 million for Government and the industry to jointly launch measures, including –
 - expanding the scale of major events;
 - launching a new round of publicity;
 - implementing the matching fund for promoting tourist attractions;
 - subsidising small and medium-sized travel agents to make use of IT; and
 - promote HK's natural scenery as well as unique history and culture
- Upgrade tourism infrastructure
- Embark on a pilot scheme on food trucks

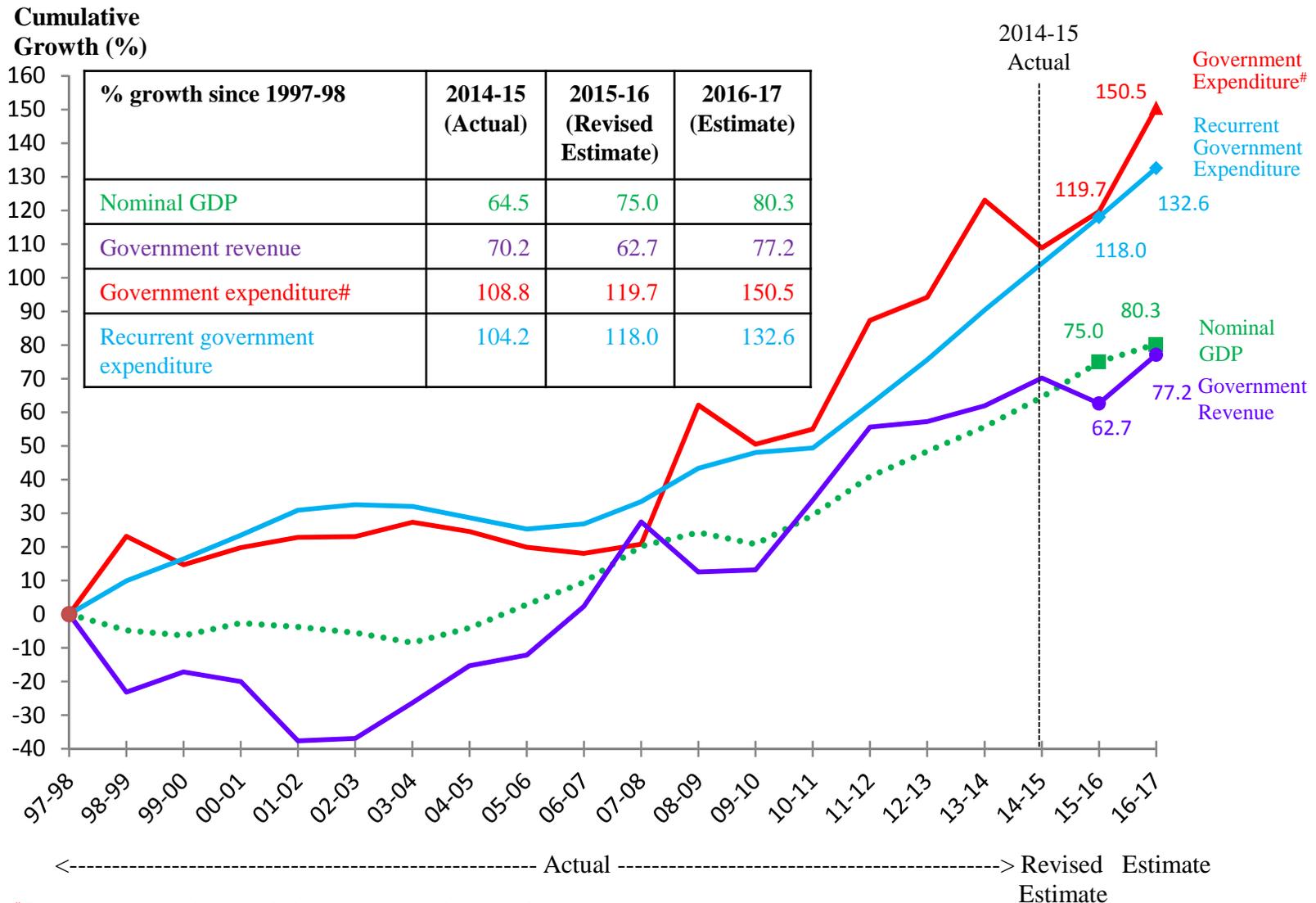
Easing Financial Pressure

- Reduce salaries tax and tax under personal assessment for 2015-16
- Waive rates for four quarters of 2016-17
- Provide an extra allowance to recipients, equal to one month of Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance
- Increase basic allowance, single parent allowance and married person's allowance
- Increase allowances for maintaining a dependent parent or grandparent
- Raise deduction ceiling for elderly residential care expenses

2016-17 Estimates

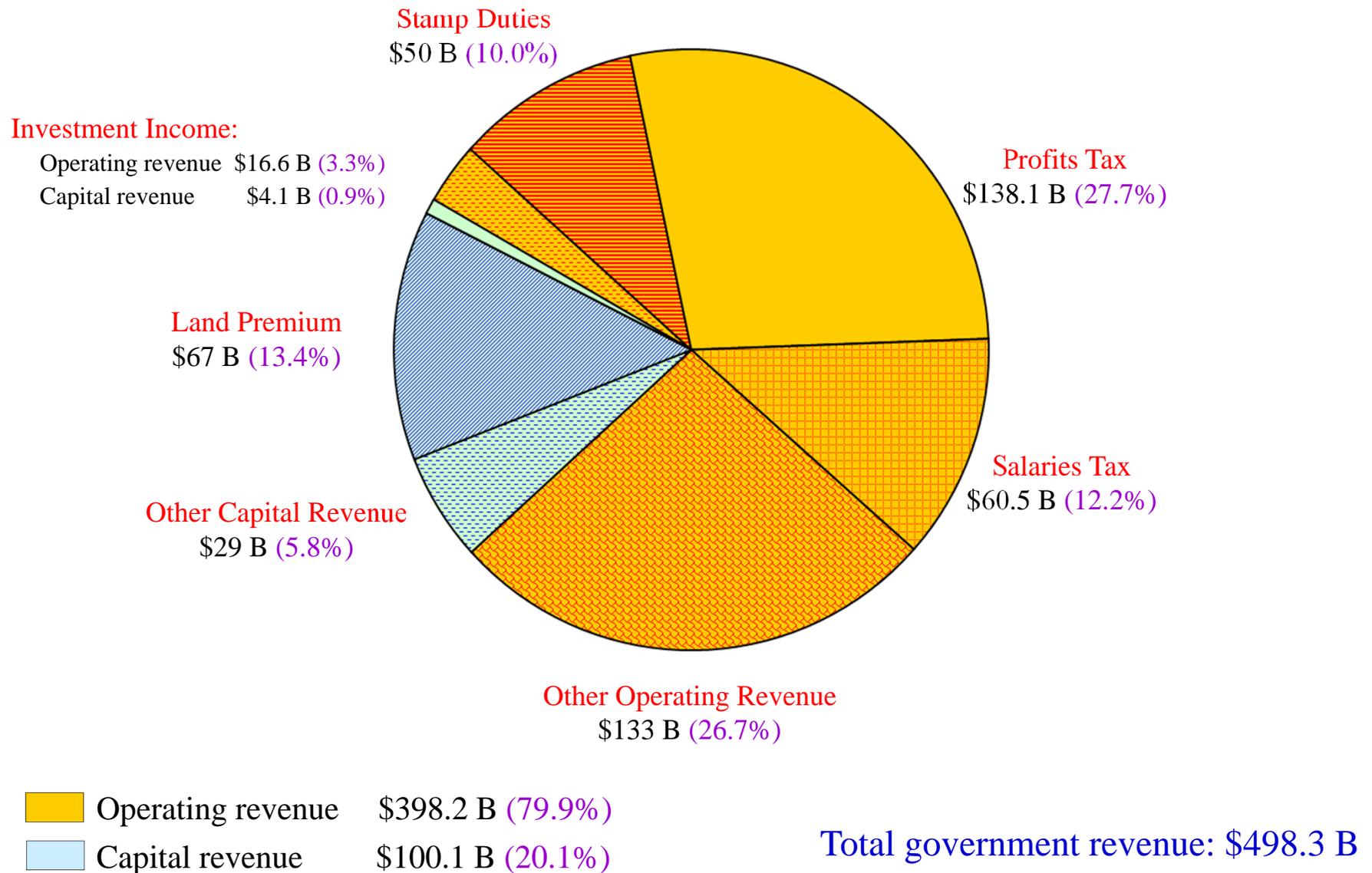
	\$ billion
Government revenue	498.3
Government expenditure	<u>(486.9)</u>
	11.4
Operating surplus	21.4
Capital deficit	<u>(10.0)</u>
Consolidated surplus	<u>11.4</u>
Forecast balance of fiscal reserves as at end-March 2017	870.4

Growth of Government Revenue, Expenditure and Nominal GDP

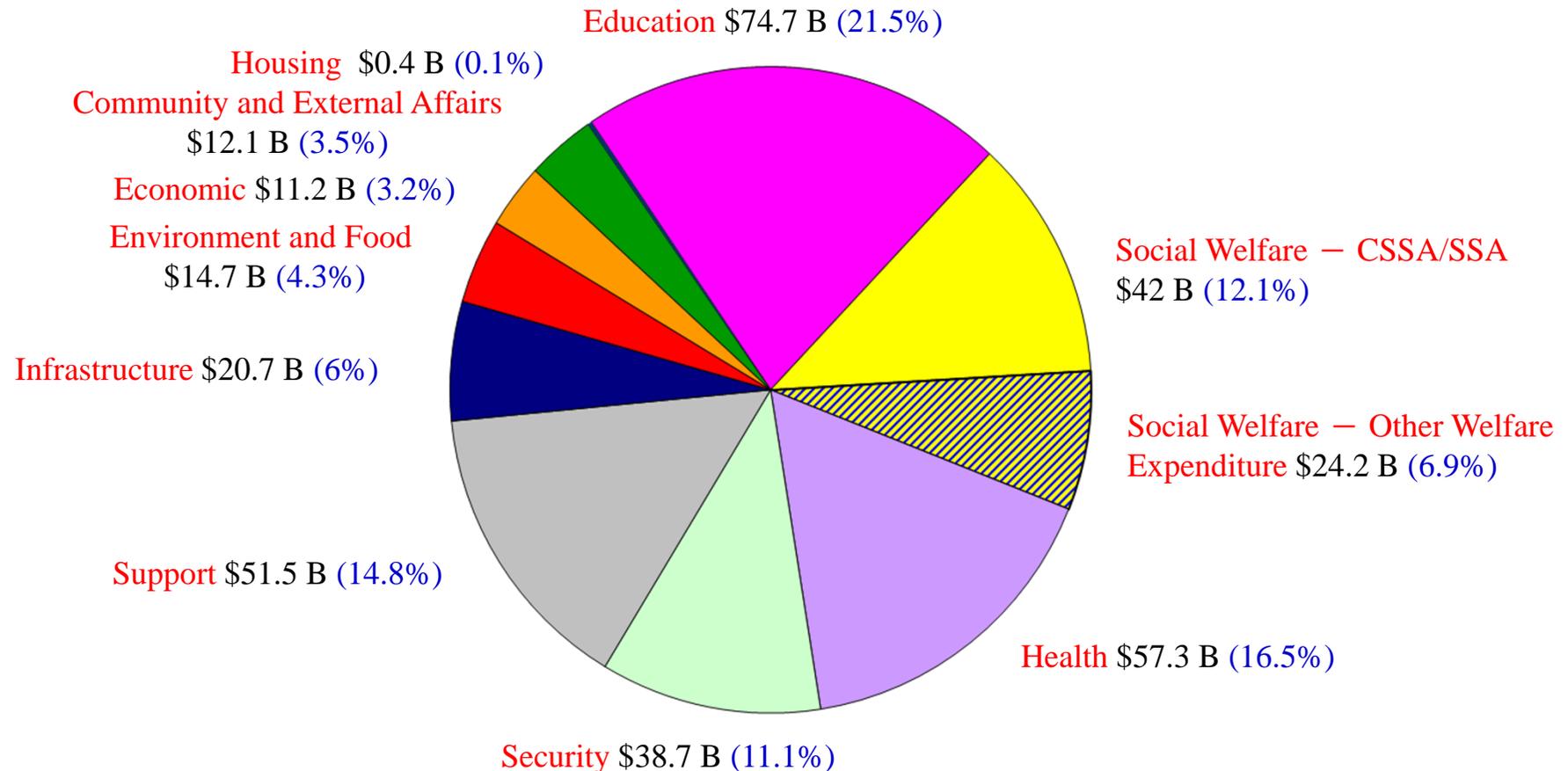


#Government expenditure includes repayment of bonds and notes.

2016-17 Revenue Estimates

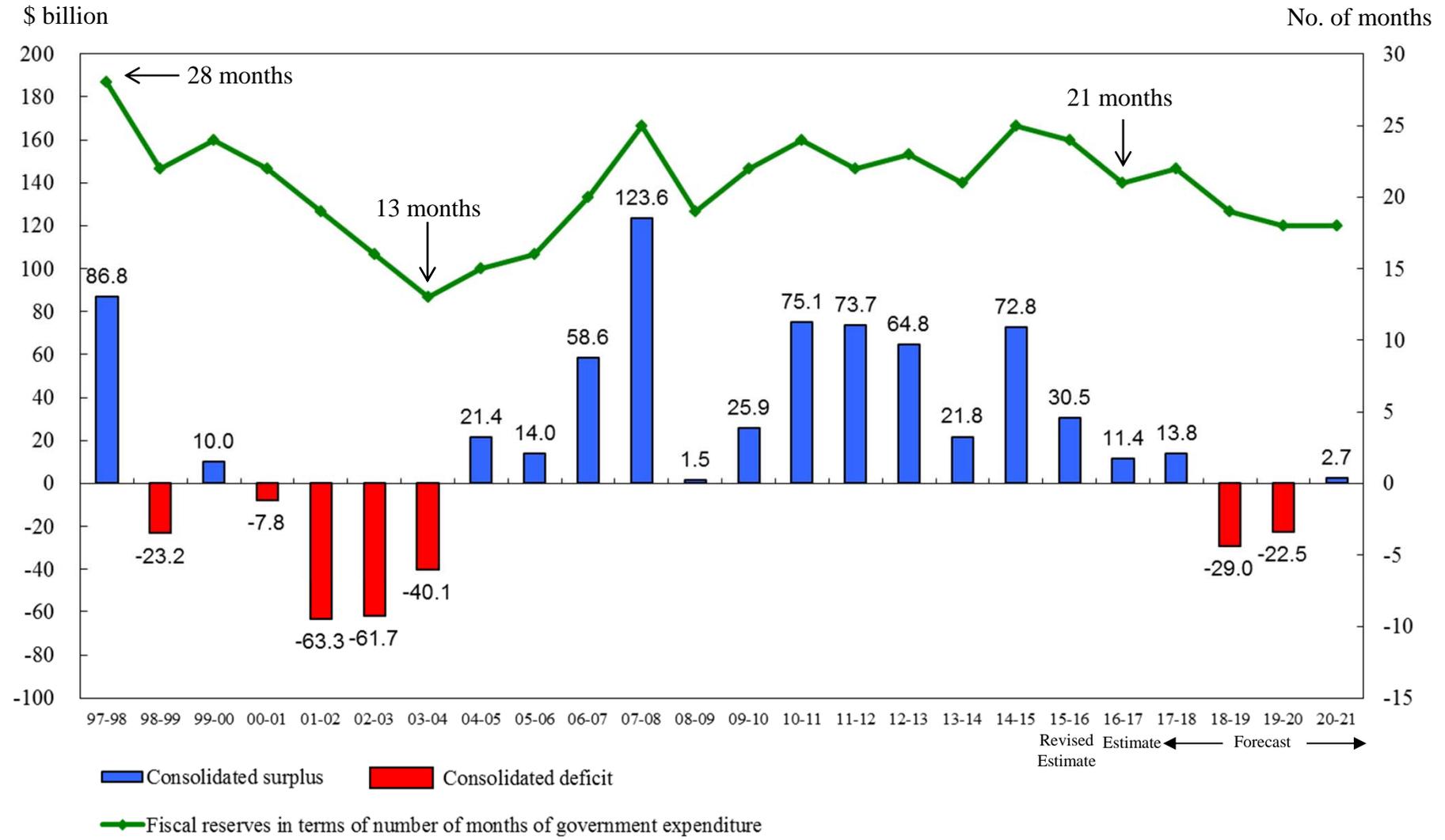


2016-17 Recurrent Expenditure Estimates



Recurrent government expenditure: \$347.5 billion (71.4% of total government expenditure of \$486.9 billion)
 (Increase of 7% against 2015-16 Revised Estimate)

Fiscal Reserves



2016 Medium Range Forecast

(\$ billion)	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Operating surplus	21.4	42.5	5.0	22.9	45.2
Capital deficit	(10.0)	(28.7)	(34.0)	(43.9)	(42.5)
Consolidated surplus / (deficit) after repayment of bonds and notes	11.4	13.8	(29.0)	(22.5) [#]	2.7
Fiscal reserves	870.4	884.2	855.2	832.7	835.4
- in terms of number of months of government expenditure	21	22	19	18	18
- in terms of percentage of GDP	35.2%	34.2%	31.6%	29.4%	28.3%

[#] After repayment of bonds and notes of \$1.5 billion in 2019-20.

Thank You
