Public Finances Management

- Three basic principles:
- Commitment to Society To make available sufficient resources to demonstrate the Government's commitment to economic. social and cultural developments:
- Sustainability To strike a balance between revenue and expenditure; short term and long term social benefits; as well as recurrent expenditure and one-off measures;
- Pragmatism To allocate resources where they are required. Any measure introduced should be targeted.

Investing in Infrastructure and **Promoting Long Term Development**

- To vigorously implement various infrastructure projects, including the ten major projects announced in the Policy Address. 27 000 jobs
- To create about 27 000 new construction jobs with

an estimated expenditure amounting to \$21.8 billion on infrastructure projects for 2008-09. This does not include the upfront endowment of \$21.6 billion to the West Kowloon Cultural District Authority.

• To increase land supply and study the relocation of three government office buildings at the Wan Chai waterfront.

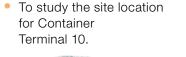


To earmark an additional \$150 million to step up overseas promotion to enhance the appeal of Hong Kong as an international convention, exhibition and tourism capital.

- To waive the Hotel Accommodation Tax.
- To include "restricted to hotel use" sites on the Application List.



 To exempt the duties on wine, beer and all other alcoholic beverages except spirits with immediate effect.





To offer a reduction in the First Registration Tax for environment-friendly commercial vehicles.

- To offer a more concessionary profits tax reduction for capital expenditure on environmentfriendly machinery and equipment.
- To provide a one-off grant of \$18 billion for the establishment of a Research Endowment Fund.

Improving People's Livelihood and Supporting Disadvantaged Groups

• To allocate \$4.3 billion to inject into each domestic electricity account a subsidy of \$1,800.



To inject \$1 billion into the Samaritan Fund so as to relieve the financial burden on needy patients.

To support and take care of the elderly in need:

- To earmark \$200 million to help elderly people without family support improve their home environment;

- To earmark \$1 billion as a subsidy for the elderly in need to carry out maintenance or safety improvement works for their selfoccupied properties;

- To conduct studies on how best to improve the Old Age Allowance Scheme and to reach a decision by the end of this year. The Government will provide each Old Age Allowance recipient with a oneoff grant of \$3,000;
- To increase funding by \$60 million to provide additional places in day care centres, subvented homes and residential care homes for the elderly.
 - To provide families and children with additional
- and promote child care services:
- To provide additional funding of \$40 million to strengthen support to victims of domestic violence and families in need.
- To support disabled people:
- To provide additional funding of \$100 million to offer 300 more pre-school training places, 450 more day training places and 490 more subvented residential places;
- To make an additional provision of \$35 million to establish 16 community support centres to strengthen services

and support for disabled people as well as their family members and caretakers.



 To make provision of \$1 billion in the next three years to create 3 000 three-year jobs for young people.



• To set up four support services centres to provide interpretation services and language courses for members of Good

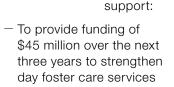
ethnic minorities.



- To adjust the CSSA payment rates in accordance with the existing mechanism ahead of the normal schedule this year.
- To provide one additional month of standard rate CSSA payments for CSSA recipients and one additional month of allowance for recipients of Disability Allowance. This proposal will involve an expenditure of about \$1.2 billion.
- To earmark \$1 billion to pay for one-month's rent for lower income families living in public housing estates.

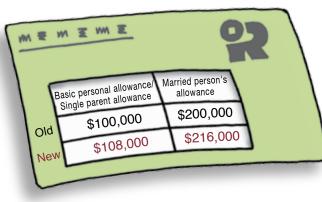






Leaving Wealth with the People and Sharing the Fruits of Prosperity

- To lower the standard rate of salaries tax and personal assessment tax by one percentage point to 15%. This is reversion to the 2002-03 level and will cost the Government \$960 million a year.
- To offer a one-off rebate of 75% of salaries tax and tax under personal assessment assessed for 2007-08, subject to a ceiling of \$25,000. This will cost the Government \$12.4 billion.
- To raise the basic personal allowance and single parent allowance from \$100,000 to \$108,000 and to increase the married person's allowance from \$200,000 to \$216,000. All the major allowances will revert to their 2002-03 levels. The child allowance, allowance for dependent parent/ grandparent will be even higher than the 2002-03 levels. All these will cost the Government \$1.31 billion.



 To widen tax bands from \$35,000 to \$40,000. making them wider than those in 2002-03. This will cost the Government \$1 billion.

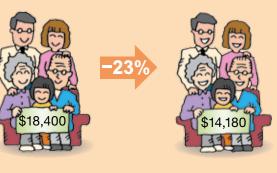
Single person with an annual salary of \$120,000



Married couple with one child with an annual salary of \$300,000



Married couple with one child and two dependent parents with an annual salary of \$480,000



- To lower the profits tax rate by one percentage point to 16.5%. This will cost the Government \$4.4 billion a year.
- To offer a one-off rebate of 75% of profits tax for 2007-08, subject to a ceiling of \$25,000. This will cost the Government \$1.73 billion.
- To waive business registration fees for 2008-09. This will cost the Government \$1.6 billion.
- To offer a one-off rebate of 75% of property tax for 2007-08, subject to a ceiling of \$25,000. This will cost the Waive for Government \$680 million. whole year
- To waive rates for 2008-09, subject to a ceiling of \$5,000 per guarter for each rateable tenement. This will cost the Government \$11.2 billion.

Providing for the Future

• To earmark \$8.5 billion to provide people earning not more than \$10,000 , 50,00°

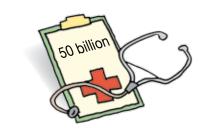


injection of \$6,000 into their MPF accounts. To earmark \$50 billion from the fiscal reserves to promote

a month with a one-off

healthcare reform.

Rates



2008-09

Budget Highlights











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