

2014-15 Budget

Briefing for Legislative Council

27 February 2014

Theme of the 2014-15 Budget

Hong Kong's competitiveness

- Bolstering Hong Kong's position as an international hub
- Promotion of industries
- The keys and limits to development
- Fiscal sustainability

Hong Kong's Position as an International Hub

Transport Network

- Press ahead with planning for a three-runway system
- Imminent completion of cross-boundary transport infrastructure
- Upgrade domestic transport network

Financial Infrastructure

- Promote electronic payment systems
- Introduce the bills concerning a licensing scheme to regulate stored value facilities and the implementation of a scripless securities market

Hong Kong's Position as an International Hub (Cont'd)

Development as a Smart City

- 21 Strategy : “Smarter Hong Kong, Smarter Living”

A Liveable City

- Phase out all pre-Euro IV diesel commercial vehicles
- Extend the exemption of electric vehicles from First Registration Tax
- Improve water quality through the completion of Stage 2A of the Harbour Area Treatment Scheme
- Enhance the facilities for the management of municipal solid waste

Promotion of Industries

Innovation and Technology Industry

- Launch new measures to enhance support to commercialisation of research and development results
- Support start-ups

Promotion of Industries (Cont'd)

Pillar Industries

- Trading and logistics industry : foster closer ties at G2G level, open up new markets, explore and plan dedicated logistic sites
- Financial services : strengthen existing offshore RMB services, waive the stamp duty for the trading of all ETFs and issue iBond
- Tourism : upgrade tourist facilities, provide more support to convention and exhibition visitors and enhance the attractiveness of mega events
- Business and professional services : strengthen G2G ties to access external markets, help industries access Mainland markets through CEPA and promote Hong Kong's legal and arbitration services in resolving international disputes

Promotion of Industries (Cont'd)

Supporting Small and Medium Enterprises

- Extend the special concessionary measures under the SME Financing Guarantee Scheme
- Continue the implementation of the Small Business Policy scheme by HK Export Credit Insurance Corporation
- Support retailers for the use of IT and other technology solutions

The Keys and Limits to Development

Manpower

- The Vocational Training Council will launch a pilot scheme on career navigation and training, including structured apprenticeship training programmes integrated with career progression pathways
- Allocate \$130 million to strengthen the vocational education and training of the retail industry
- Set up \$1 billion endowment fund for Qualifications Framework to promote continuing education and training

The Keys and Limits to Development (Cont'd)

Land Supply

- Adopt multi-pronged measures to increase housing and commercial land supply
- Increase land supply for commercial use in different districts through various measures
- Provide sites for the commercial sector and other industries when planning for new town extensions and new development areas

The Keys and Limits to Development (Cont'd)

Ageing Population

- Enhance elderly services and facilities
- Continue to increase the recurrent subvention to the Hospital Authority
- Consult the public on the details of the voluntary health protection scheme
- Strengthen disease prevention, including the study and implementation of a pilot programme for colorectal cancer screening
- Increase tobacco duty

Fiscal Sustainability

Working Group on Long-Term Fiscal Planning – Major analysis and results

- **Projected slow down on growth of Hong Kong's economy in the coming 20 to 30 years**
 - Nominal GDP : 4.4% per annum
 - Revenue : 4.5% per annum
 - Expenditure : 5.3% to 7.5% per annum
- **If Government expenditure keeps growing and outpacing economic and revenue growth, a structural deficit would be inevitable**

Fiscal Sustainability (Cont'd)

- **Working Group's recommendations**

- (1) **Containing expenditure growth**

- Control public expenditure at about 20% of GDP
 - Hold the forecast nominal GDP growth rates over the medium term as planning ceilings for total government expenditure
 - Prioritise competing funding priorities with appropriate offsetting from different programmes
 - Introduce efficiency measures to do more with less

- (2) **Preserving, stabilising and broadening the revenue base**

- (3) **Considering the setting up of a “Future Fund” to prepare for the future**

Fiscal Sustainability (Cont'd)

- **Current fiscal position is in good shape**
- **Take timely, resolute and effective actions to ensure expenditure growth keeps pace with economic and revenue growth**

Relief Measures

Launch the following measures involving about \$20 billion:

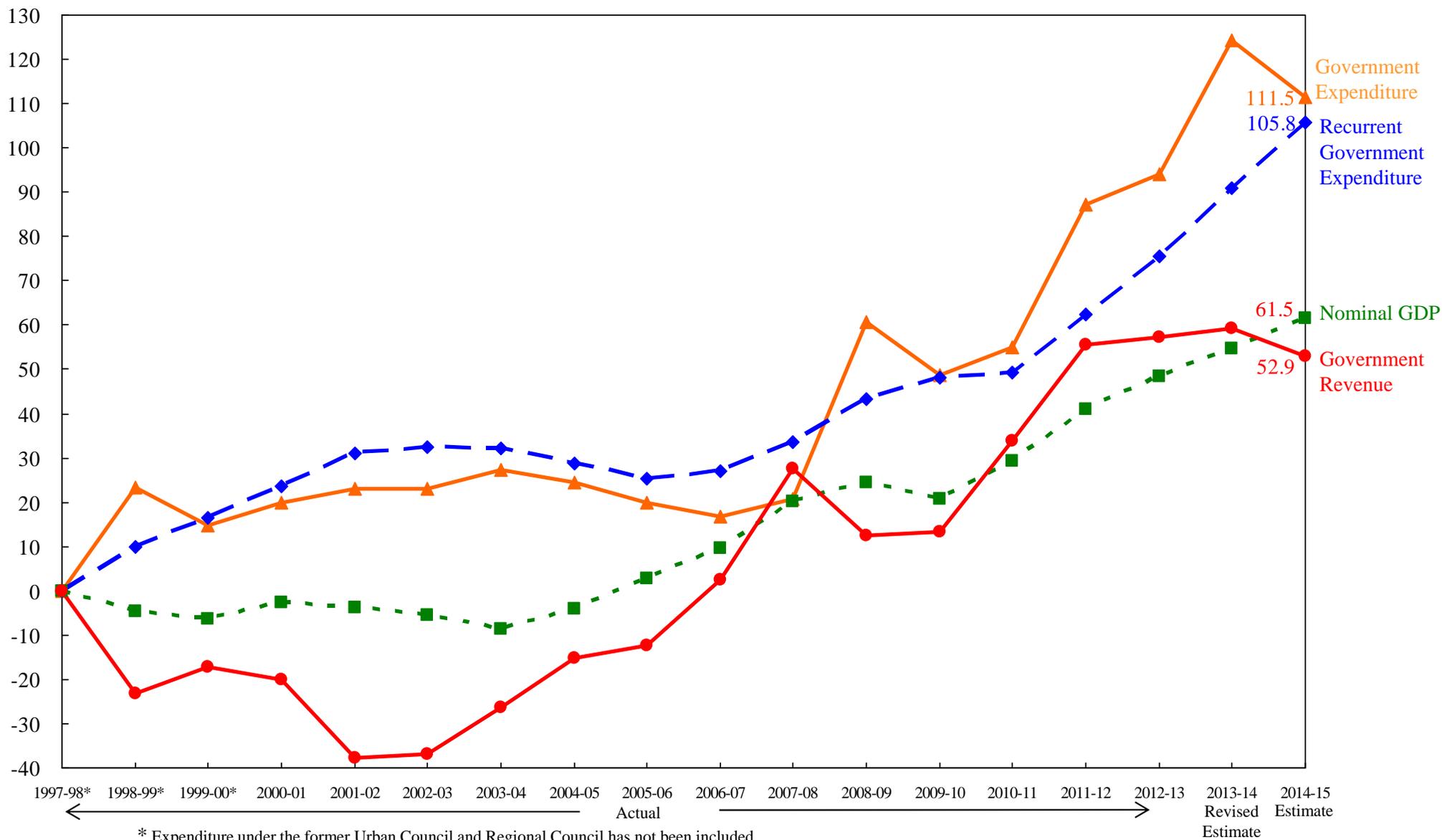
- Reduce 75% (ceiling \$10,000) salaries tax and tax under personal assessment for 2013-14
- Reduce 75% (ceiling \$10,000) profits tax for 2013-14
- Waive rates for the first two quarters of 2014-15
- Pay one month rent for public housing tenants
- Provide extra one month Comprehensive Social Security Assistance, Old Age Allowance, Old Age Living Allowance and Disability Allowance

2014-15 Estimates

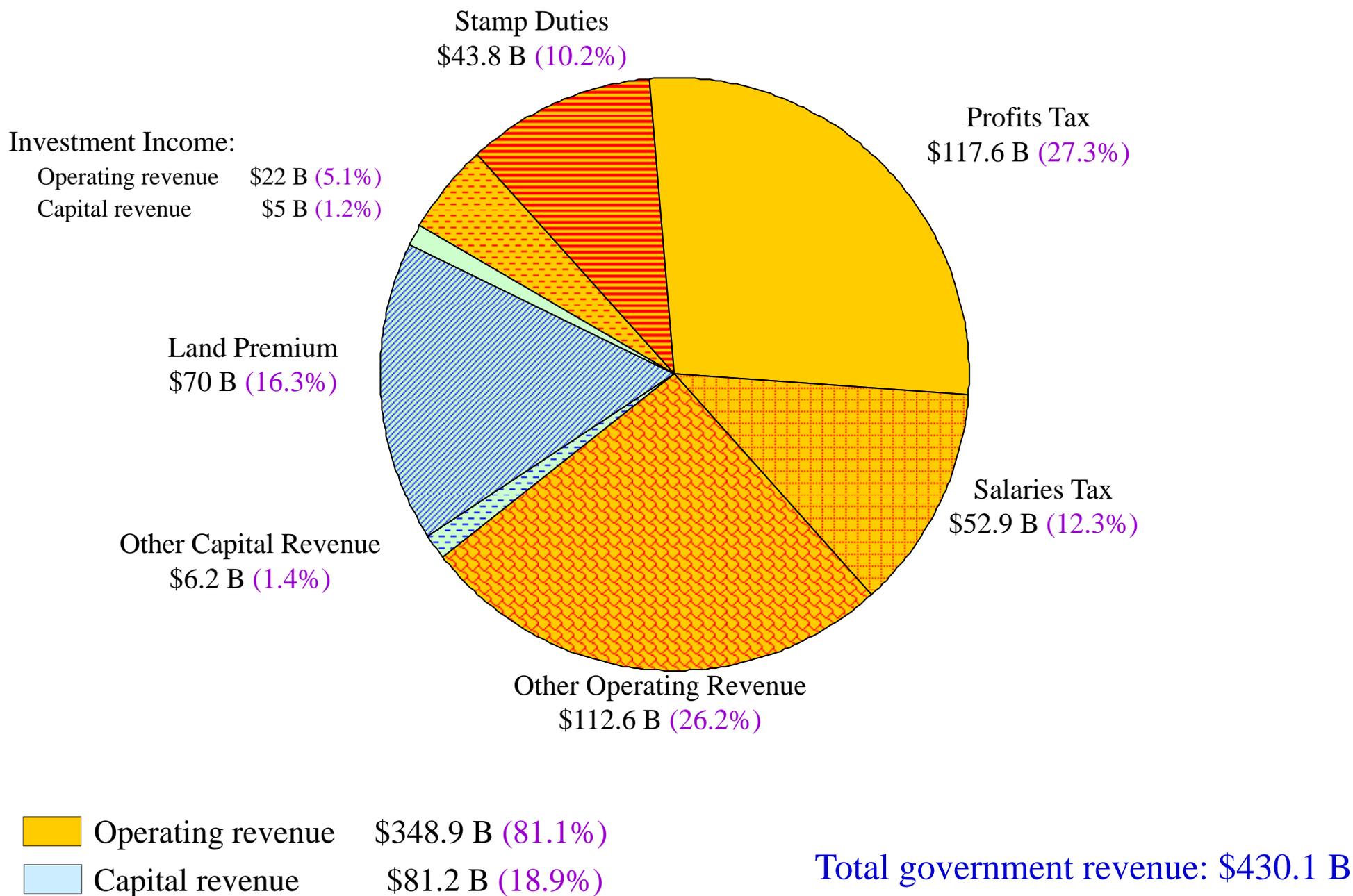
	\$ billion
Government revenue	430.1
Government expenditure	<u>(411.2)</u>
	18.9
Operating surplus	23.9
Capital deficit	(5.0)
Repayment of bonds and notes	<u>(9.8)</u>
Consolidated surplus	<u>9.1</u>
Forecast balance of fiscal reserves as at end-March 2015	755.0

Growth of Government Revenue, Expenditure and Nominal GDP

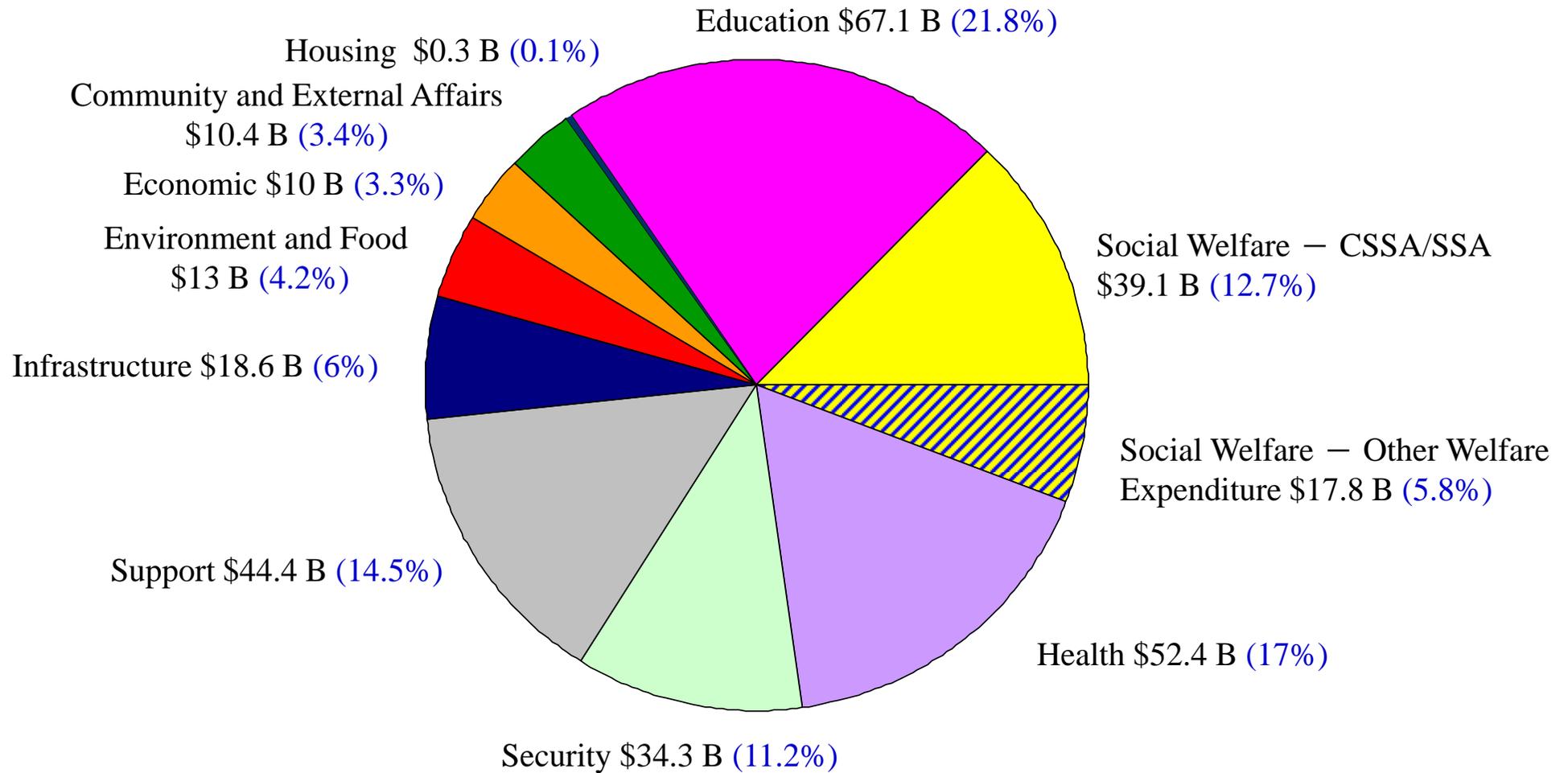
Cumulative Growth (%)



2014-15 Revenue Estimates

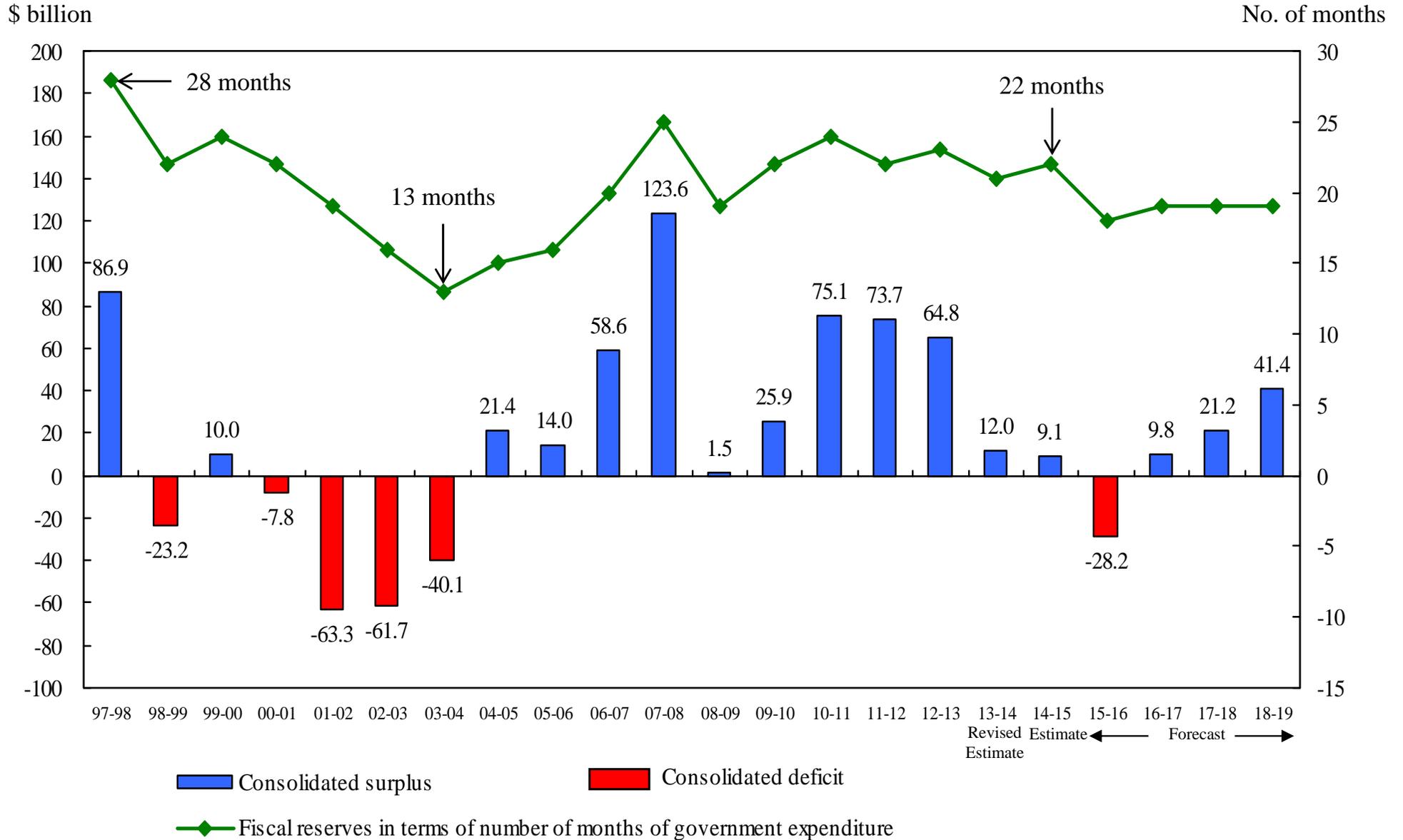


2014-15 Recurrent Expenditure Estimates



Recurrent government expenditure: \$307.4 billion (74.8% of total government expenditure of \$411.2 billion)
 (Increase of 7.8% against 2013-14 Revised Estimate)

Fiscal Reserves



2014 Medium Range Forecast

(\$ billion)	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Operating surplus	23.9	3.5	48.2	54.3	69.7
Capital deficit	(5.0)	(31.7)	(38.4)	(33.1)	(28.3)
Consolidated surplus / (deficit) after repayment of bonds and notes	9.1	(28.2)	9.8	21.2	41.4
Fiscal reserves	755.0	726.8	736.6	757.8	799.2
- in terms of number of months of government expenditure	22	18	19	19	19
- in terms of percentage of GDP	34.0%	31.1%	29.8%	29.1%	29.1%

Thank You
