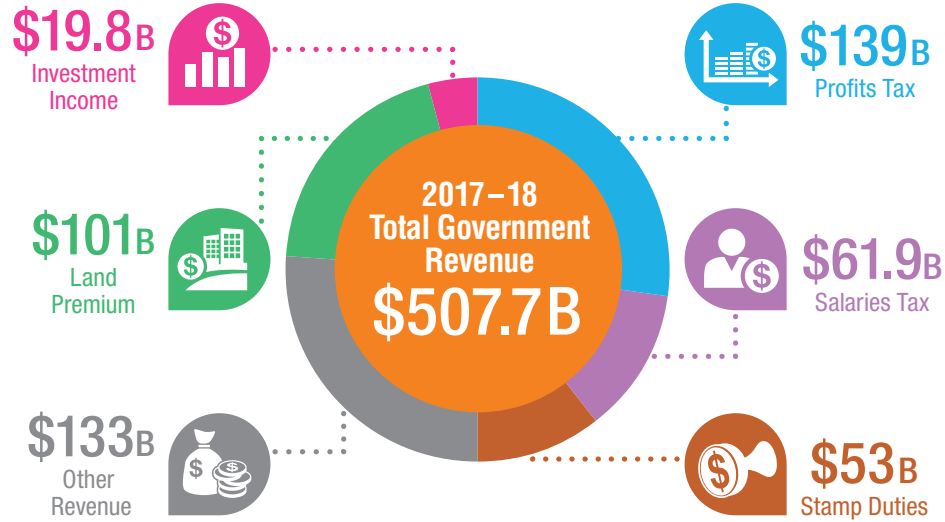


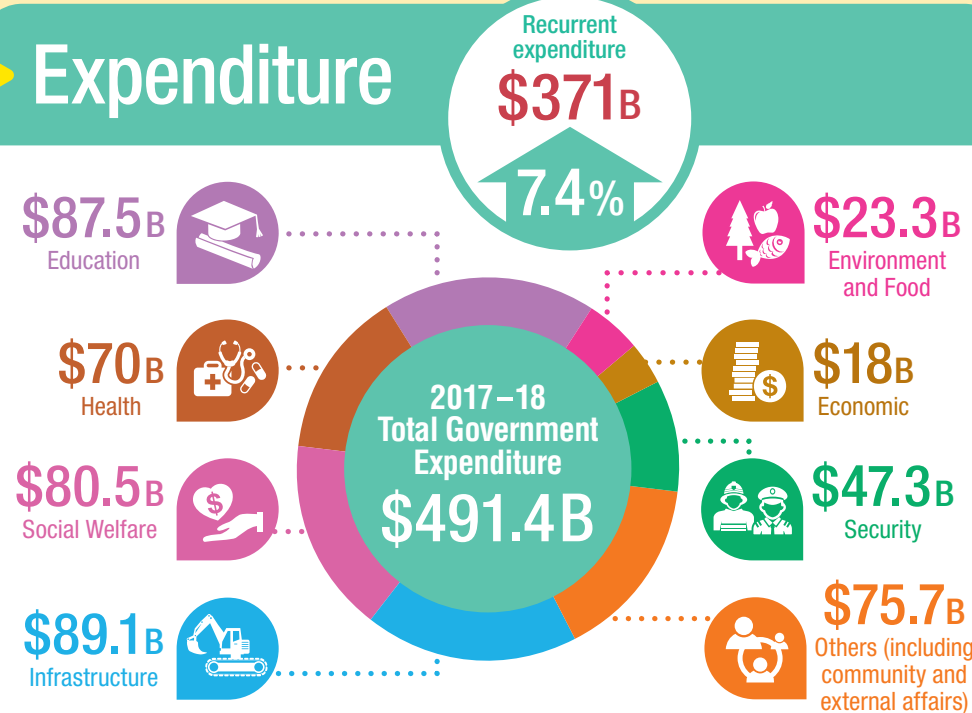


Highlights

Revenue



Expenditure



Considerable Growth of Government Expenditure

	2012-13 to 2017-18	
	Cumulative Growth	Average Growth Per Annum
Total Expenditure	30.2%	5.4%
Recurrent Expenditure	41.4%	7.2%
Government Revenue	14.8%	3.4%
Nominal GDP Growth	27.7%	5%

Economy

	2016 Performance	2017 Forecast
GDP Growth	1.9%	2%-3%
Headline Inflation	2.4%	1.8%
Underlying Inflation	2.3%	2%

Sharing and Caring

Reduce salaries tax and tax under personal assessment for 2016-17 by **75%**, subject to a ceiling of **\$20,000**



Waive rates for **4** quarters of 2017-18, subject to a ceiling of **\$1,000** per quarter for each rateable property



Provide an extra allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance or Disability Allowance, equal to **1** month of the standard rate; similar arrangements will apply to Low-income Working Family Allowance and Work Incentive Transport Subsidy

Extend the entitlement period for tax reduction for home loan interest to **20** years of assessment



Widen the marginal bands for salaries tax to **\$45,000**



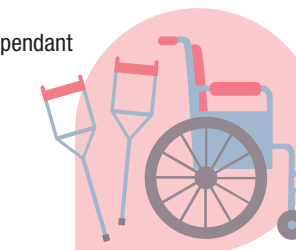
Raise the dependent brother/sister allowance to **\$37,500**



Raise the deduction ceiling for self-education expenses to **\$100,000**



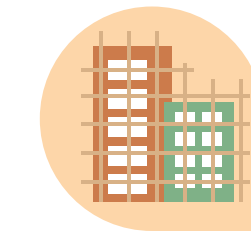
Raise the disabled dependant allowance to **\$75,000**



Examine to provide tax deduction for the purchase of regulated health insurance products



Earmark **\$300** million to allow owners to participate in the Urban Renewal Authority's "Smart Tender" Building Rehabilitation Facilitating Services Scheme



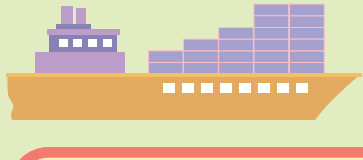
These tax and short-term relief measures of **\$35.1B**, together with other spending initiatives, will have a fiscal stimulus effect of boosting GDP for 2017 by **1.1%**

Supporting Enterprises

Reduce profits tax for 2016-17 by **75%**, subject to a ceiling of **\$20,000**



Continue to implement the SME Financing Guarantee Scheme and the Technology Voucher Programme, and raise the cap on the contingent liability of ECIC under contracts of insurance to support SMEs



Public Finance : Objectives and Approach

Developing the Economy

Proactively foster diversified development of the economy, strengthen the competitiveness of and explore new markets for the pillar industries; help industries which we have advantages as well as emerging industries so that our young people will have better job opportunities and a platform to realise their dreams



Improving Livelihood

Government resources ought to be used for the people, and be allocated according to need and priority to cater for the needy groups



A Sound and Progressive Fiscal Policy Making Good Use of Financial Resources



- Take into account source and nature of surplus, economic situation, future social needs and community's expectations to make optimal allocation of resources; maintain strict fiscal discipline to ensure expenditure of new measures are affordable in the long run
- Maintain healthy public finances to cope with the challenges posed by ageing population and to strengthen resilience to withstand economic fluctuations in order to maintain international confidence in Hong Kong
- Set up a tax policy unit to comprehensively study ways from a macro perspective to foster development of industries through tax measures, to strengthen Hong Kong's international competitiveness, and to enhance our tax regime



Investing for the Future

Developing infrastructure to meet social and economic needs of Hong Kong

The annual expenditure on capital works projects will reach **\$86.8 billion** in 2017-18



Nurture talent for a knowledge-based society and promote high value-added economic development



Enhancing Liveability

Develop Hong Kong into a smart city, protect and enhance our environment, combat climate change

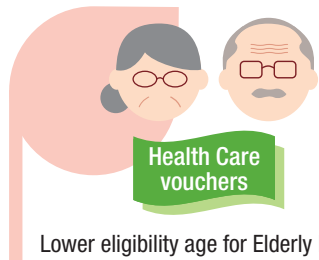
Upholding Social Justice and Sharing Fruits of Success

Allocate resources to render assistance to people in need; share the fruits of economic advancement with people

These measures involve an additional recurrent government expenditure of about **\$9 billion** per year on average over the next 10 years



Enhance the Old Age Living Allowance, about 500 000 elderly persons will be benefited in the first year upon full implementation



Health Care vouchers

Lower eligibility age for Elderly Health Care vouchers to 65 so that about 400 000 more elderly persons will be benefited



Provide financial support for the abolishment of the Mandatory Provident Fund "offsetting" arrangement



Investing for the Future



Earmark \$30 billion to strengthen elderly services and rehabilitation services for persons with disabilities



Provide \$700 million to strengthen vocational and professional education and training, facilitate the training and professional development of principals and teachers, and enhance support for local post-secondary students

Reserve \$10 billion for supporting innovation and technology development



Earmark \$20 billion to launch 26 sports and recreational facilities in different districts in the coming 5 years

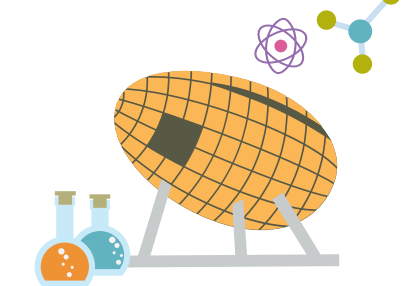


Allocate \$300 million in 2017-18 to expand the Multi-faceted Excellence Scholarship and the International Youth Exchange Programme to broaden young people's horizons

Diversified Development

Innovation and Technology

- Set up a new committee on innovation and technology development and re-industrialisation
- Explore enhanced tax deductions for innovation and technology expenditure
- Continue to support local start-ups



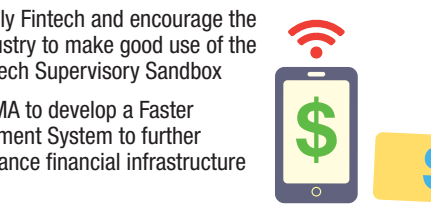
Creative Industries

- Organise exhibitions, thematic film shows and fashion shows in the Mainland and overseas, showcasing our creative industries, including design, film, comics, architecture and fashion



Financial Technologies

- Apply Fintech and encourage the industry to make good use of the Fintech Supervisory Sandbox
- HKMA to develop a Faster Payment System to further enhance financial infrastructure



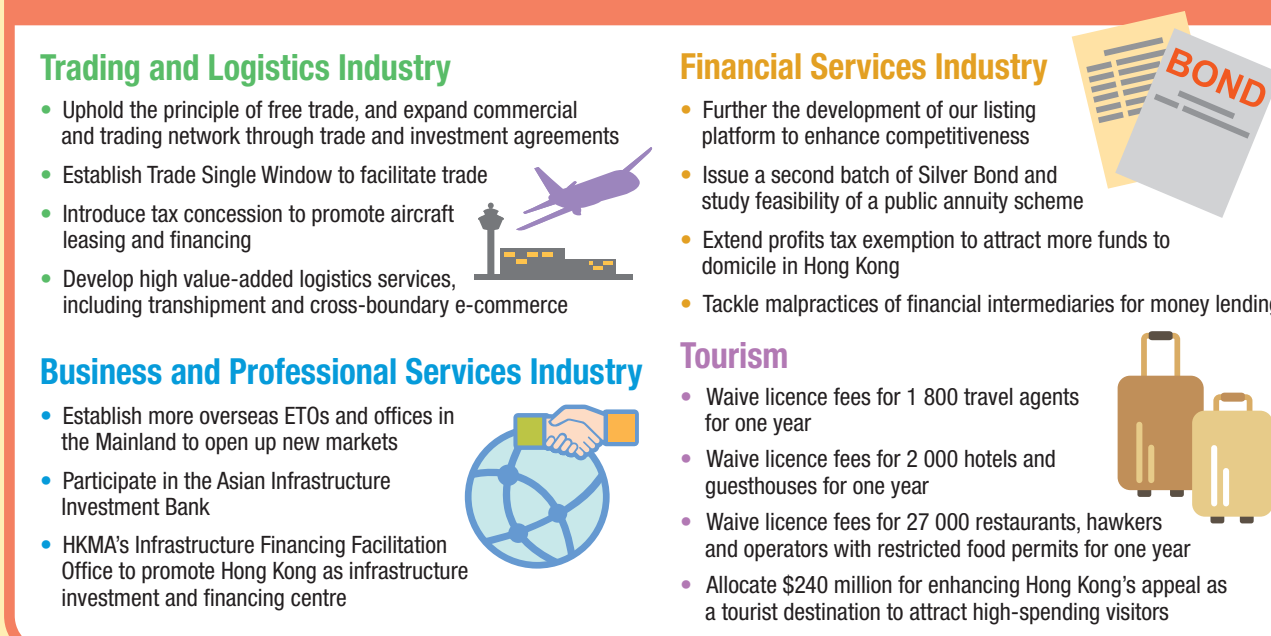
Consolidating Pillar Industries

Trading and Logistics Industry

- Uphold the principle of free trade, and expand commercial and trading network through trade and investment agreements
- Establish Trade Single Window to facilitate trade
- Introduce tax concession to promote aircraft leasing and financing
- Develop high value-added logistics services, including transshipment and cross-boundary e-commerce

Business and Professional Services Industry

- Establish more overseas ETOs and offices in the Mainland to open up new markets
- Participate in the Asian Infrastructure Investment Bank
- HKMA's Infrastructure Financing Facilitation Office to promote Hong Kong as infrastructure investment and financing centre



Financial Services Industry

- Further the development of our listing platform to enhance competitiveness
- Issue a second batch of Silver Bond and study feasibility of a public annuity scheme
- Extend profits tax exemption to attract more funds to domicile in Hong Kong
- Tackle malpractices of financial intermediaries for money lending

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, hawkers and operators with restricted food permits for one year
- Allocate \$240 million for enhancing Hong Kong's appeal as a tourist destination to attract high-spending visitors

Capacity Building

Human Capital

- Implement free quality kindergarten education policy, and the recurrent expenditure on pre-primary education will increase to about \$6.7 billion
- Regularise the Study Subsidy Scheme for Designated Professions/Sectors from the 2018/19 academic year, involving about \$850 million per year
- Inject \$1.5 billion into the Continuing Education Fund and raise the tax deduction ceiling for self-education expenses



Land Resources

- Public housing production is estimated to be 94 500 units from 2016-17 to 2020-21
- The potential land supply for private housing in 2017-18 will have a capacity to produce about 32 000 units
- 2017-18 Land Sale Programme includes 3 commercial/business sites, capable of providing 172 000 square metres of floor area
- "Hong Kong 2030+" long-term development strategy to create sufficient development and environment capacity

