

HONG KONG FILES

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Financial Secretary unveils 2019-20 Budget



The Financial Secretary, Mr Paul Chan (second left), held a press conference on February 27 after delivering the 2019-20 Budget in the Legislative Council. Also in attendance were the Secretary for Financial Services and the Treasury, Mr James Lau (second right); the Permanent Secretary for Financial Services and the Treasury (Treasury), Ms Alice Lau (first left); and the Government Economist, Mr Andrew Au (first right).

Direction of Economic Development

“ While we are amidst a new situation, new landscape and new norm of global politics and economies, we should maintain a clear and flexible mind, identifying the unique positioning of Hong Kong, grasping the opportunities, leveraging on and giving full play to our strengths. ”

The Financial Secretary (FS) Paul Chan announced the 2019-20 Budget on February 27. Noting the public and the business community's concerns about Hong Kong's economic outlook, Mr Chan prepared the Budget along the direction of supporting enterprises, safeguarding jobs, stabilising the economy and strengthening livelihoods. To support the implementation of various measures, including those proposed in the Policy Address, the FS would provide new resources ready for use of about \$150 billion in the Budget, with additional resources earmarked for various purposes. This demonstrates the Government's determination to enhance public services, support enterprises, relieve people's burden and invest for the future.

Major Budget Initiatives *(* All currency quoted in Hong Kong dollar)*

Financial Services Industry

- Issue the first batch of government green bonds to promote the development of green finance



- Consider establishing a limited partnership regime and introducing tax arrangement to attract private equity funds to set up and operate in Hong Kong

- Promote mutual recognition of funds with other jurisdictions to broaden the distribution network of local fund products



- Provide tax concessions for marine insurance and underwriting of specialty risks, and facilitate them to issue insurance-linked securities
- Promote the use of Faster Payment System for payment of government fees and charges
- Issue virtual bank licences

- Establish the Academy of Finance in mid-2019 to promote financial leadership development

- Provide a **\$400** million seed capital for the Financial Reporting Council and enable it to waive levy in the first two years under the new regulatory regime



Tourism

- Allocate **\$353** million for the continued implementation of the Development Blueprint for Hong Kong's Tourism Industry

Diversified Economy

Innovation and Technology

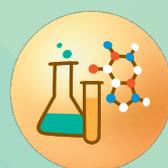


- Set aside **\$5.5** billion for the development of Cyberport 5 to accommodate more technology companies and start-ups

- Set aside **\$16** billion for universities to enhance or refurbish campus facilities, in particular those for R&D

- Inject **\$20** billion into the Research Endowment Fund of the Research Grants Council under the University Grants Committee to provide research funding

- Establish two innovative clusters in the Science Park focusing on "A.I. and robotic technologies" and "healthcare technologies", pooling top-notch universities and institutions to collaborate and undertake R&D activities



- Launch the **\$2** billion Re-industrialisation Funding Scheme in 2019

- Expand the Corporate Venture Fund of the Science Park to **\$200** million

- Allocate **\$800** million to support R&D work and the realisation of R&D results by universities, key laboratories and engineering research centres

- Double the annual funding ceiling for each university under the Technology Start-up Support Scheme for Universities to **\$8** million

- Increase the monthly allowance for researchers under the Researcher Programme to attract local graduates to join the I&T sector



- Extend the funding period under the Researcher Programme and the Postdoctoral Hub Programme

Creative Industries

- Inject **\$1** billion into the Film Development Fund
- Commence the works for the Sham Shui Po Design and Fashion Project



Construction Industry

- Promote the digitisation of works supervision system to enhance the standard of and efficiency in public works monitoring
- Implement Construction 2.0 to improve productivity, quality, safety and environmental impact
- Upgrade the Project Cost Management Office under the Development Bureau to strengthen cost management of public works projects



- Earmark **\$40** million for the first three years of operation of the Centre of Excellence for Major Project Leaders to enhance public officers' capability in delivering public works projects

Professional Services

- Allocate **\$150** million to support the development of an online international dispute resolution platform by NGOs



International Transportation Centre

- Consider introducing tax and related measures to attract ship finance companies to develop ship leasing businesses in Hong Kong
- Provide a **50%** profits tax concession to marine insurance businesses



- Public Housing: estimated production for the next 5 years is about **100 400** units

- Private Housing: projected supply of first-hand private residential property in the next 3-4 years is about **93 000** units

- Annual production of private residential units in the next 5 years is estimated to be about **18 800** units on average

- Potential land supply for private housing in 2019-20 is expected to have a capacity to produce about **15 500** units



- 2019-20 Land Sale Programme includes **7** commercial/hotel sites, capable of providing about **814 600** square meters of floor area

- Set aside **\$2** billion to support NGOs in constructing transitional housing

- Set aside **\$22** billion to implement the first batch of government projects under the "single site, multiple use" initiative

Land and Housing

2019 - 20 BUDGET

Healthcare

- Earmark **\$10 billion** as a Public Healthcare Stabilisation Fund to ensure stable funding for public healthcare services and for coping with unexpected circumstances



- Earmark **\$5 billion** to expedite the upgrading and acquisition of medical equipment
- Provide **\$400 million** additional recurrent funding to expand the scope of the Drug Formulary
- Provide over **\$700 million** additional recurrent funding for the Hospital Authority to implement measures to boost staff morale and retain talents

- Allocate **\$1.2 billion** to establish the Hong Kong Genome Institute for promoting the application and development of genomic medicine

- Continue to pursue two 10-year Hospital Development Plans, enhance training for healthcare manpower, and promote primary healthcare services

Sports

- Inject **\$250 million** into the Hong Kong Athletes Fund to support athletes in pursuing athletic training and academic studies concurrently



- Allocate around **\$100 million** in the next two years to support the operation of **60** national sports associations

Environmental protection

- Allocate **\$120 million** to extend the public charging network of electric vehicles at government car parks, and explore the feasibility of installing chargers in on-street parking spaces



Building the City

- Earmark **\$6 billion** for the enhancement of waterfront



- Allocate **\$600 million** to refurbish **240** public toilets by phases



- Set up a **\$200 million** Urban Forestry Support Fund to strengthen public education and promotion on tree care, enhance the professionalism of the arboriculture and horticulture sector, and attract new blood

Smart City

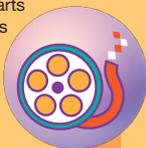
- Earmark **\$300 million** to develop a geospatial data sharing platform and 3D digital maps of the whole territory
- Assign and auction spectrum by batches to prepare for the development of 5G



A Liveable City

Arts and Culture

- Provide **\$176 million** for hosting large-scale world-class arts programmes and strengthening district arts activities in the next 5 years
- Allocate **\$20 million** to support the digital conversion of film copies and film heritage
- Provide additional recurrent funding of **\$54 million** to support the operation of art groups



Relieve people's burden

Relieve people's burden
Support enterprises

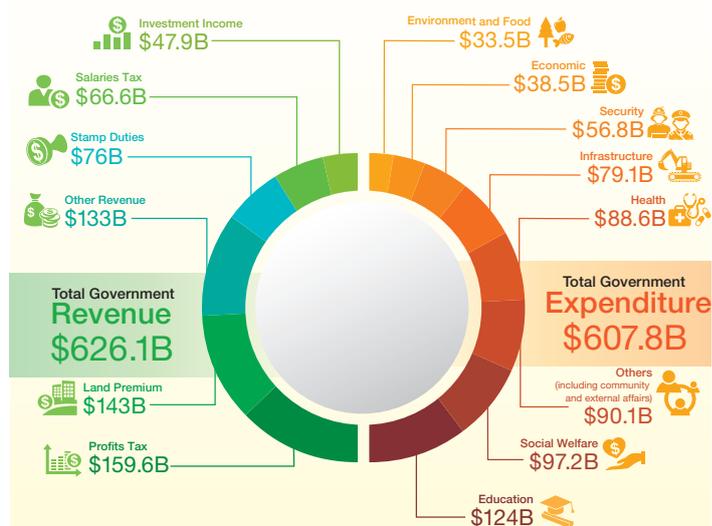
- Reduce salaries tax and tax under personal assessment for Year of Assessment 2018-19 by **75%**, subject to a ceiling of **\$20,000**
- Reduce profits tax for Year of Assessment 2018-19 by **75%**, subject to a ceiling of **\$20,000**

- Waive rates for **4** quarters of 2019-20, subject to a ceiling of **\$1,500** per quarter for each rateable property
- Provide an extra **1** month allowance to recipients of CSSA, Old Age Allowance, Old Age Living Allowance or Disability Allowance; similar arrangements will apply to Working Family Allowance and Work Incentive Transport Subsidy
- Provide a one-off additional **\$1,000** worth of Elderly Health Care Vouchers, and increase the accumulation limit of vouchers to \$8,000
- Provide a one-off grant of **\$2,500** to each student in need
- Pay the examination fees for school candidates sitting for the 2020 Hong Kong DSE Examination

Support enterprises

- Waive the business registration fees for 2019-20
- Regularise the Technology Voucher Programme and double the funding ceiling for enterprises to **\$400,000**
- Inject **\$1 billion** into the Dedicated Fund on Branding, Upgrading and Domestic Sales, extend its geographical scope and increase the funding ceiling for enterprises
- Extend the application period of the special concessionary measures under the SME Financing Guarantee Scheme to end June 2020
- Expand the networks of Free Trade Agreement, Investment Promotion and Protection Agreement, and Comprehensive Avoidance of Double Taxation Agreement
- Expand the Economic and Trade Office network to strengthen external promotion and assist Hong Kong enterprises in exploring new business opportunities

9.0% Recurrent expenditure \$441B



Economy

	GDP Growth	Headline Inflation	Underlying Inflation
2018 Performance	3%	2.4%	2.6%
2019 Forecast	2%-3%	2.5%	2.5%