

FS introduces Budget measures to counter uncertain economic outlook, support businesses and residents

The Financial Secretary, Mr Paul Chan, in his 2019-20 Budget today (February 27), announced measures to relieve people's burden and support enterprises to help counter the challenges facing Hong Kong's economy.

Mr Chan said five main factors were influencing Hong Kong's positioning and future direction, namely United States-China trade relations, changes in international co-operation, opportunities in emerging Asian economies, the strategic opportunities of Mainland China and development of innovation and technology.

Overall, Hong Kong's economy grew by 3 per cent in 2018, at the lower end of forecasts.

For 2019, Mr Chan forecast economic growth of between 2 to 3 per cent in real terms for Hong Kong .

He forecast headline inflation and underlying inflation of about 2.5 per cent each in 2019, compared to 2.4 per cent and 2.6 per cent respectively in 2018.

The budget surplus for the 2018-19 financial year is forecast to be \$58.7 billion.

With the latest internal and external developments in mind, Mr Chan said he would "make optimal use of the fiscal surplus", introducing "one-off measures to support enterprises and alleviate peoples' hardship".

He also announced a series of relief measures to ease the financial burden, including:

(1) reducing salaries tax and tax under personal assessment for 2018-19 by 75 per cent, subject to a ceiling of \$20,000. This will benefit 1.91 million taxpayers and reduce government revenue by \$17 billion;

(2) reducing profits tax for 2018-19 by 75 per cent, subject to a ceiling of \$20,000. This will benefit 145 000 taxpayers and reduce government revenue by \$1.9 billion;

(3) waiving rates for four quarters of 2019-20, subject to a ceiling of \$1,500 per quarter for each rateable property, benefitting an estimated 3.29 million properties at a cost to the Government of \$15 billion;

(4) providing an extra allowance to social security recipients, equal to one month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. This

will involve an additional expenditure of about \$3.84 billion. Similar arrangements will apply to recipients of the Working Family Allowance and Work Incentive Transport Subsidy, involving an additional expenditure of about \$149 million;

(5) providing a one-off grant of \$2,500 for each student in need to support learning, an expenditure of about \$890 million;

(6) paying examination fees for school candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination, an expenditure of about \$160 million; and

(7) providing, on a one-off basis, elderly persons eligible for the Elderly Health Care Voucher Scheme with an additional \$1,000 worth of vouchers, an expenditure of about \$1.024 billion. The accumulation limit of vouchers will also be raised from \$5,000 to \$8,000 to allow users greater flexibility.

The Financial Secretary also proposed various measures targeting enterprises, including:

(1) waiving business registration fees for 2019-20, benefiting 1.4 million business operators. This will reduce government revenue by \$2.9 billion;

(2) regularising the Technology Voucher Programme and rolling out enhancement measures, including doubling the funding ceiling for each enterprise from \$200,000 to \$400,000;

(3) injecting another \$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund);

(4) extending the geographical scope of the BUD Fund;

(5) increasing the funding ceiling per enterprise under the BUD Fund to \$3 million this year; and

(6) extending the application period of the special concessionary measures under the SME Financing Guarantee Scheme to 30 June 2020, to help SMEs facing liquidity problems.

In preparing the Budget, Mr Chan said he had adhered to the new fiscal philosophy of current-term Government of adopting forward-looking and strategic financial management principles to invest for Hong Kong and relieve people's burden on the premise of ensuring healthy public finances.

Mr Chan added that, given the volatile global political and economic landscape, the Government would continue to invest resources to improve and enhance public services.

"Hard-working and flexible, Hong Kong people have weathered tough times and grown tougher. With confidence, hope and concerted efforts, we will definitely be able to see the sunshine through the clouds!" Mr Chan said.