

LegCo Secretariat releases Research Brief on “The 2022-2023 Budget”

The following is issued on behalf of the Legislative Council Secretariat:

The Legislative Council Secretariat (the Secretariat) today (April 6) released a Research Brief on "The 2022-2023 Budget".

The Financial Secretary (FS) delivered the fifth Budget of the current-term Government on February 23, 2022. Although a mild surplus of HK\$18.9 billion was reported for the 2021-2022 fiscal year, FS highlighted that due mainly to the expanded anti-epidemic expenditure and one-off relief measures (reaching HK\$54 billion and HK\$170 billion respectively) consequent to the fifth wave of COVID-19 epidemic, the Government's consolidated account would record a deficit in the 2022-2023 fiscal year, estimated at HK\$56.3 billion which would be the second largest deficit since the 2003-2004 fiscal year.

To stimulate consumption and alleviate people's hardship, the latest Budget proposed a new round of electronic consumption voucher (ECV) scheme with the amount per eligible resident doubling to HK\$10,000 and the first installment to be distributed tomorrow (April 7). While the ECV can serve as a timely relief to the economy that has been buffeted by the latest wave of epidemic, and a stronger stimulating effect can be expected amid the increased total voucher value, it was observed that the potency of ECV's stimulating effect in 2021 was mixed across sectors. Shops selling low to medium price range consumer durables such as electrical and optical goods appeared to have benefited more, whereas impact on overall restaurant receipts appeared minimal.

An unprecedented three-month rental enforcement moratorium, which bans landlords of commercial properties from terminating the tenancy of or taking legal actions against tenants for non-repayment of rent, will be introduced to ease short-term cashflow burden of enterprises in specific sectors. Such alleviation measure is also seen in a number of overseas jurisdictions, some of which like Australia and Singapore also provided support to help tenants and landlords come up with a repayment plan and resolve disputes.

After ballooning expenditure in recent years that is partly attributable to one-off epidemic-related spending (see attachment), the sustained fiscal surplus in the medium-term as anticipated by the Government may only keep fiscal reserves at no more than 16 months of government expenditure, compared with well above 20 months in the 2010s, thereby leading to concerns over whether the strength of public finance is becoming less ample.

On the revenue front, two reforms introduced in the Budget, namely the progressive element to the rating system to reflect the "affordable users pay" principle and domestic minimum top-up tax on large multinational enterprises, would increase government revenue starting from the 2024-2025

fiscal year. Notwithstanding such efforts, land premium and stamp duties together with investment income would likely be increasingly significant sources of government revenue, making fiscal position susceptible to a wider range of factors on top of the performance in the local economy, and thus potentially more volatility.

The Future Fund, which holds about a quarter of Hong Kong's fiscal reserves, is expected to increasingly venture into more active and diversified investments with a view to attaining a higher return and benefitting Hong Kong's economy in the long run. Disclosure of the Future Fund's financials as well as its effectiveness in enhancing Hong Kong's productivity and competitiveness may become a matter of public interest.

The Legislative Council will resume the Second Reading debate on the Appropriation Bill 2022 at its meeting of April 27 and Members will speak on the Bill.

The Research Brief is prepared by the Secretariat's Research Office of the Information Services Division with a view to enhancing information support for Members. It is a concise summary aiming at explaining a subject matter which may be of interest to Members and the general public.

The Research Brief is now available on the Legislative Council Website at www.legco.gov.hk/research-publications/english/2022rb01-the-2022-2023-budget-20220406-e.pdf.