

CE's statement on 2024-25 Budget

The Chief Executive, Mr John Lee, today (February 28) issued the following statement on the 2024-25 Budget:

The Financial Secretary today delivered the second Budget of the current-term Government. Amid the uncertain geopolitical situation and economic fluctuations, this Budget puts forward a series of concrete measures to bolster confidence, respond to the expectations of the public and enterprises and consolidate the momentum of recovery. Taking a long-term view, we are committed to promoting Hong Kong's high-quality development, accelerating the growth of strategic industries, nurturing talent and strengthening our competitiveness.

The Financial Secretary has provided adequate resources to fully support the launch and implementation of the initiatives announced in the Policy Address. I welcome the Budget's fiscal consolidation programme, which focuses on restoring fiscal balance while fully taking into account the financial constraints of the public and businesses.

With the strong support from our country and the unifying efforts from all sectors of the community, I believe that Hong Kong will continue to leverage its advantages under "one country, two systems", strengthen the economy, improve people's livelihood, rise to the challenges and scale new heights. I share the Financial Secretary's confidence and optimism in Hong Kong's future, and I appeal to all sectors of the community to support this Budget.

Budget: Advance with Confidence, Seize Opportunities, Strive for High-quality Development

The Financial Secretary, Mr Paul Chan, unveiled today (February 28) his 2024-25 Budget. He emphasised the need to advance with confidence, seize opportunities and promote high-quality development amid a complicated and ever-changing international environment, noting that "with our economy and society constantly evolving, more strenuous efforts are required to strengthen momentum of our economic recovery."

The Budget presents a series of measures aimed at bolstering confidence and creating favourable conditions for recovery. These include continuing to attract enterprises, capital and talent on all fronts, as well as providing

assistance to small and medium-sized enterprises (SMEs) through various measures, such as extending the application period for the 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme for two years.

For the property market, the Budget announced the immediate cancellation of all demand-side management measures for residential properties, including the Special Stamp Duty, the Buyer Stamp Duty and the New Residential Stamp Duty. The Hong Kong Monetary Authority will also adjust the countercyclical, macroprudential measures for property mortgage loans and relevant supervisory policies pertinent to property lending, where appropriate.

The Budget also highlights establishing Hong Kong as a premier destination for business and tourism through hosting more mega events and thematic annual conferences. This includes making good use of Victoria Harbour by holding monthly pyrotechnic and drone shows and revamping "A Symphony of Lights". Immersive and in-depth tourism, as well as local group-tour activities, will also be promoted.

The Budget continues to focus on green development and the digital economy, and includes measures to guide industries towards high-quality development. In addition to developing sectors such as innovation and technology and finance, the Budget suggests positioning Hong Kong as a multinational supply chain management centre, focusing on serving Mainland enterprises going global. This includes studying the establishment of a trade window to provide one-stop services for enterprises. Efforts will also be stepped up to attract Mainland manufacturing enterprises to set up offices in Hong Kong as headquarters for managing their offshore trading.

Regarding public finance, Mr Chan expressed the Government's determination to maintain the sustainability of public finances. The Government is implementing a comprehensive fiscal consolidation programme to achieve fiscal balance gradually and maintain fiscal reserves at a prudent level. Taking into account the need to strengthen momentum on economic growth as well as the burden on businesses and the public, the programme focuses on expenditure cuts, although some revenue measures have been included in a pragmatic manner.

Mr Chan concluded that the unique positioning and distinctive functions make Hong Kong irreplaceable as the country strides towards high-quality development and the building of a great modern nation. It is also the only place in the world where the global advantage and the China advantage come together in a single economy. So long as Hong Kong knows where it stands and charts the right direction, it will be able to give full play to its unique strengths. By blazing new trails and firmly pressing ahead, Hong Kong will certainly thrive and prosper, like a dragon soaring far and high in the boundless sky.

For more details on the 2024-25 Budget, click [here](#).

Special traffic arrangements for race meeting in Happy Valley

Special traffic arrangements will be implemented in Happy Valley today (February 28). The arrangements will come into effect one and a half hours before the start of the first race and will last until the crowds have dispersed after the race meeting.

A. Traffic arrangements before the commencement of the first race

1. Road closure

Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp outside the Hong Kong Jockey Club (HKJC) will be closed except for vehicles heading for Aberdeen Tunnel.

2. Traffic diversions

- Southbound Wong Nai Chung Road between Village Road and the up-ramp outside HKJC will be re-routed one way northbound;
- Traffic along eastbound Queen's Road East heading for Wan Chai and Happy Valley will be diverted to turn left to Morrison Hill Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via Sports Road and Wong Nai Chung Road;
- Traffic along Queen's Road East cannot turn right to Wong Nai Chung Road except for vehicles heading for Aberdeen Tunnel;
- Traffic from Cross Harbour Tunnel heading for Queen's Road East will be diverted via the down-ramp leading from southbound Canal Road flyover to Morrison Hill Road to turn right at the junction of Wong Nai Chung Road and Queen's Road East; and
- Traffic from Cross Harbour Tunnel heading for Happy Valley or Racecourse will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, southbound Morrison Hill Road, Sports Road and Wong Nai Chung Road.

B. Traffic arrangements before the conclusion of race meeting

1. Road closure

The following roads will be closed from about 35 minutes before the start of the last race:

- The up-ramp on Wong Nai Chung Road outside HKJC leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Queen's Road East and the up-ramp leading to Aberdeen Tunnel;
- Southbound Wong Nai Chung Road between Village Road and the Public Stands of HKJC;

- Westbound Leighton Road between Wong Nai Chung Road and Canal Road East; and
- Southbound Morrison Hill Road between Leighton Road and Queen's Road East.

In addition, southbound Wong Nai Chung Road between the up-ramp leading to Aberdeen Tunnel and the Public Stands of HKJC will be closed from about 10 minutes before the start of the last race.

2. Traffic diversions

The following traffic diversions will be implemented from about 35 minutes before the start of the last race:

- Eastbound Queen's Road East at its junction with Morrison Hill Road will be reduced to one-lane traffic heading for northbound Canal Road flyover;
- Traffic from Cross Harbour Tunnel heading for Wan Chai will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, U-turn slip road beneath Canal Road flyover, Canal Road West and Hennessy Road;
- Traffic from Cross Harbour Tunnel heading for Happy Valley will be diverted via the down-ramp leading from southbound Canal Road flyover to Canal Road East, eastbound Leighton Road and Wong Nai Chung Road;
- Traffic along southbound Morrison Hill Road will be diverted to turn left to eastbound Leighton Road;
- Traffic along southbound Morrison Hill Road heading for Happy Valley will be diverted via eastbound Leighton Road and Wong Nai Chung Road; and
- Traffic along westbound Leighton Road will be diverted to Wong Nai Chung Road.

C. Learner drivers prohibition

Learner drivers will be prohibited to turn left from Caroline Hill Road to Leighton Road between one and a half hours before the start of the first race and one hour after the last race. In addition, learner drivers will be prohibited from accessing the following roads within the above period of time:

- Shan Kwong Road between Yik Yam Street and Wong Nai Chung Road;
- Village Road between its upper and lower junctions with Shan Kwong Road;
- Percival Street between Hennessy Road and Leighton Road;
- Canal Road East; and
- The service road leading from Gloucester Road to Canal Road flyover.

D. Suspension of parking spaces

Parking spaces on southbound Wong Nai Chung Road between Sports Road and Blue Pool Road will be suspended from 11am to 7pm during day racing, from 4.30pm to 11.59pm during evening racing, and from 5pm to 11.59pm during night racing.

Any vehicles found illegally parked within the precincts of the above affected areas will be towed away without prior notice.

Actual implementation of road closure and traffic diversion will be made by the Police at the time depending on traffic conditions in the areas. Motorists should exercise tolerance and patience, and follow the instructions of Police on site.

Budget Speech by the Financial Secretary (10)

Public Finance

220. As one may recall, the Government launched several rounds of large-scale counter-cyclical and anti-epidemic measures during the pandemic, resulting in a sharp increase of expenditure to a high level of \$810.5 billion in 2022-23. Although we have strived to reduce expenditure as the pandemic subsided, total expenditure for 2023-24 still reached \$727.9 billion, representing an increase of 36.9 per cent compared with 2018-19, of which operating expenditure rose substantially by 40.2 per cent whereas operating revenue during the same period increased only by 13.1 per cent.

221. On capital works, the average annual expenditure has increased from about \$76 billion over the past five years to about \$85 billion in 2023-24. This is mainly due to the Government's all-out effort to press ahead with the land and housing supply projects, along with other infrastructure works for improving the environment and people's livelihood in recent years.

222. In face of challenges posed by the epidemic and external environment, our fiscal reserves have dropped to the current level of \$733.2 billion. On Government's fiscal situation, we should not just focus on the short-term situation, but should look at the fiscal position over the entire economic cycle. The Government will uphold the principle of keeping the expenditure within the limits of revenues as enshrined under Article 107 of the Basic Law, and strive to achieve fiscal balance and avoid deficits, thereby ensuring the resilience and sustainability of our public finances.

Fiscal Consolidation Programme

223. We are taking steps to implement a comprehensive fiscal consolidation programme. After taking account of the need to strengthen momentum on economic growth and the burden of businesses and the public, the programme focuses mainly on expenditure cut with a view to restoring fiscal balance in a few years' time, although some revenue measures have been included in a pragmatic manner.

224. We will address the issue at its root by exercising stronger control over the pace of expenditure growth through re-engineering of business process or re-prioritisation. This notwithstanding, the Government will

remain committed to taking care of people's needs by continued allocation of resources for the provision and improvement of public services.

Contain Growth of Operating Expenditure

225. We will strictly contain growth of operating expenditure by introducing the following measures:

(a) continuing to maintain zero growth in the civil service establishment, with the aim of containing the establishment at a level not exceeding that as at end-March 2021; and

(b) implementing the Productivity Enhancement Programme as announced earlier under which recurrent government expenditure will be cut by one per cent for two consecutive years. The resources thus saved will be re-allocated internally for enhancing existing or introducing new public services. To further contain the pace of expenditure growth, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected, all government departments need to cut recurrent government expenditure by another one per cent in 2026-27.

226. Upon implementation of the measures to contain expenditure growth, we forecast that the growth of operating expenditure will be reduced from the annual average of seven per cent in the past five years to an annual average of 2.2 per cent in the coming five years, which is lower than the 5.5 per cent increase in GDP over the same period.

227. Moreover, I have requested the relevant bureaux to review the mode of operation of the following two transport subsidy schemes that incur higher expenditure with a rapid expenditure growth rate. We have to emphasise that the Government has no intention to cancel these schemes. The review aims to enable the continued provision of subsidies of the schemes in a financially sustainable manner. We anticipate that the above review will be completed within this year:

(a) Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (i.e. "the \$2 Scheme"): the annual expenditure of the scheme has increased by over 200% from \$1.3 billion in 2019-20 to about \$4 billion in 2023-24; and

(b) Public Transport Fare Subsidy Scheme: the annual expenditure of the scheme has doubled from \$1.7 billion in 2019-20 to the revised estimate of about \$3.5 billion in 2023-24.

228. While we are controlling the growth rate of total expenditure, the amount of resources we allocated to public services has still recorded a significant increase. For example, recurrent expenditures related to health, social welfare and education in 2024-25 amount to \$343.7 billion, up by 7.3 per cent over 2023-24 and by about 34.2 per cent over five years ago.

Review and Re-prioritisation of Capital Works

229. Implementation of infrastructure projects is not only an investment for the future, it can also promote Hong Kong's economic development and enhance people's livelihood. In recent years, the Government has made all-out effort to press ahead with the land and housing supply projects, including new development areas and new towns, and also proposed a number of other works projects for improving the environment and people's livelihood, such as Kai Tak Sports Park and Hospital Development Plan etc. It is estimated that expenditure on capital works will start reaching its peak in the next three years.

230. The Government needs to contain its expenditure on infrastructure works at a sustainable level. To this end, relevant bureaux and departments have reviewed the cost-effectiveness of works projects and give due regard to priority and urgency to adjust the implementation schedule. For some works projects which are at a comparatively mature stage of planning, they will continue to be taken forward by the relevant bureaux and departments as planned. They include the site formation and infrastructure works for the Northern Metropolis. As for some works projects that are currently at the preliminary planning or conceptual stage, the implementation schedule will be adjusted in light of their importance, etc.

231. In the MRF, capital works expenditure could be contained at about \$90 billion per annum on average. This figure still represents an increase of about 17 per cent over the average annual expenditure of \$76 billion in the last five years, which demonstrates the Government's continued allocation of resources for capital works expenditure.

Increase Revenue

232. The key to boosting public revenue lies in sustained high-quality economic development. Only through growing the "economic pie" and enabling the economy to grow in a more robust and diversified manner can we increase our revenue to support the building of social infrastructure and people's livelihood.

233. When considering measures for increasing revenue, we have to take Hong Kong's actual situation into account and avoid taking any hasty actions that may affect local economic recovery and people's livelihood while at the same time maintaining the competitive edge of the simple and low tax regime. Having considered the above factors and based on the "affordable users pay" principle, we will implement adjustments to the following individual tax items.

234. We propose to implement a two-tiered standard rates regime for salaries tax and tax under personal assessment starting from the year of assessment 2024/25. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax or tax under personal assessment is to be charged at a standard rate, the first \$5 million of their net income will continue to be subject to the standard rate of 15 per cent, while the portion of their net income exceeding \$5 million will be subject to the standard rate of 16 per cent. It is expected that about 12 000 taxpayers will be affected, accounting for 0.6 per cent of the total number of taxpayers

chargeable to salaries tax and tax under personal assessment. The government revenue will increase by about \$910 million each year. Even with the two-tiered standard rates regime above in place, the new tax rates will still be lower than those of other advanced economies.

235. The Government will introduce legislative amendments in the first half of this year to implement the progressive rating system for domestic properties, with the aim to bring the system into effect from the fourth quarter of 2024-25 onwards. The new system will only affect domestic properties with rateable value over \$550,000, which account for about 1.9 per cent of the relevant properties. It is estimated that the system will contribute to an increase of about \$840 million in government revenue annually.

236. The Government will review various fees and charges in a timely manner. Besides adhering to the "user pays" principle, the affordability of the general public and businesses will also be taken into account. Business registration fees will increase by \$200 to \$2,200 per annum with effect from 1 April 2024. The last adjustment to business registration fees was in 1994. We estimate that government revenue will increase by about \$295 million per annum. To relieve the relevant impact, the business registration levy of \$150 payable to the Protection of Wages on Insolvency Fund will be waived for two years.

237. We propose to resume the collection of the Hotel Accommodation Tax (HAT) at a rate of three per cent. It is anticipated that government revenue will increase by about \$1.1 billion per annum. This will take effect from 1 January 2025 in order to allow the hotel and tourism industries more time for preparation. The HAT to be collected is estimated to only account for less than one per cent of the total spending of overnight visitors in Hong Kong. In the coming year, the Government plans to allocate over \$1 billion for upgrading tourism infrastructure and services to attract more high-spending overnight visitors from different visitor source markets to Hong Kong.

Developments in International Taxation

238. We will continue to take forward the implementation of the global minimum tax proposal drawn up by the Organisation for Economic Co-operation and Development to address base erosion and profit shifting. We aim to apply the global minimum tax rate of 15 per cent on large multinational enterprise groups with an annual consolidated group revenue of at least EUR 750 million and impose the Hong Kong minimum top-up tax starting from 2025. We are now conducting consultation on the implementation of the above proposals and expect to submit a legislative proposal to LegCo in the second half of this year. It is estimated that these proposals will bring in tax revenue of about \$15 billion for the Government annually starting from 2027-28. Hong Kong maintains an edge over other tax jurisdictions in terms of tax competitiveness after the implementation of the proposals.

Investment Return of the Future Fund

239. As announced in the 2021-22 Budget, the accumulated investment return of

the Future Fund would be progressively reflected in the Operating Account. The Government will submit a resolution for passage by LegCo next month to complete the transfer arrangements.

Bond Issuance

240. The issuance of Government bonds is conducive to the development of the bond market and allows the use of the capital raised from the market to drive green/sustainable and infrastructure projects. I emphasise that proceeds from bond issuance will not be used for funding government recurrent expenditure.

241. The Committee on the Financing of Major Development Projects led by me has reviewed how to adopt an orderly and phased approach in developing the Northern Metropolis. We plan to issue bonds of about \$95 billion to \$135 billion per annum in the next five years to drive the development of the Northern Metropolis and other infrastructure projects. For the Kau Yi Chau Artificial Islands project, we will continue to conduct relevant studies, and in considering its concrete implementation timetable, we will take into account various factors including the public finance position.

242. The Government will continue to adhere strictly to fiscal discipline and keep the government debt at a prudent level. It is expected that the ratio of Government debt to GDP will be in the range of about 9 to 13 per cent from 2024-25 to 2028-29, which is much lower than most of the other advanced economies.

Concluding Remarks

243. Mr President, this year will still be fraught with uncertainties. Investment sentiment and capital flows are under the sway of the complicated and volatile external environment.

244. In the short term, we need to reinforce the momentum of our economic recovery, while in the long run, we have to adjust our economic growth model with enhancements to both "quality" and "quantity". By charting the course of high quality development, we will drive further innovations, bring in new services and products, stimulate new demand and open up new markets. This is the necessary path to take for the future development of Hong Kong.

245. Just as nature goes through endless evolutions, so economic development has its cycles of ups and downs. New challenges and future uncertainties may be disconcerting.

246. But when we reflect on decades of development in Hong Kong, it is obvious that the path we have trodden, however winding or bumpy, has always led to a better tomorrow.

247. The colour of the cover of this year's Budget symbolises the first glimmer of dawn, for this inspires hope, faith and our longing for greater unity and harmony.

248. We have succeeded in turning challenges into greater opportunities every step of the way. We owe every success to the strong leadership of the Central

People's Government, the staunch support from our country, as well as the agility and tenacity of Hong Kong people.

249. Our unique positioning and distinctive functions make us irreplaceable as our country strides towards high-quality development and the building of a great modern nation. And we have been playing an active role in contributing to our country's development. Our country's swift and steady progress, alongside a fast developing Asia, has provided us with infinite opportunities along the way. Hong Kong thrives on its cultural blend of East and West and its connectivity to the world. It is also the only place in the world where the global advantage and the China advantage come together in a single economy. So long as we know where we stand and chart the right direction, we will be able to give full play to our unique strengths. By blazing new trails and firmly pressing ahead, Hong Kong will certainly thrive and prosper, like a dragon soaring far and high in the boundless sky. Thank you, Mr President.

LCQ 22: Financial position of the Hong Kong Housing Authority

Following is a question by Dr the Hon Wendy Hong and a written reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (February 28):

Question:

According to the paper on the budgets and financial forecasts issued by the Hong Kong Housing Authority (HA) in January this year (the paper), HA's rental housing operating account will record a deficit for four consecutive years from 2024-2025, with the deficit concerned increasing from \$1,167 million to \$4,284 million in 2027-2028. In this connection, will the Government inform this Council:

(1) of the total income (including rental and other income) and the total expenditure (including expenditure such as property management, maintenance and improvements, government rent and rates and personal emoluments) of HA's rental housing operating account in each of the past 10 years; whether HA has formulated the financial forecasts for 2028-2029 to 2032-2033;

(2) given that according to the paper, the expenditure on government rent and rates under HA's rental housing operating account will increase substantially from \$253 million in 2022-2023 to the forecasted \$2,869 million in 2027-2028, representing an increase of more than 11 times, of the reasons for that;

(3) given that as indicated by the paper, the item "other recurrent expenditure" is the largest expenditure item under HA's rental housing

operating account, of the expenditure incurred by each of the sub-items of this item in 2022-2023;

(4) as HA envisages that the construction expenditure involved for meeting the 10-year public housing supply target beyond 2027-2028 will be at least double the current estimates, of the details of the public housing construction expenditure and the sources of funding envisaged by HA for each of the coming 10 years, together with a breakdown by public rental housing and subsidized sale housing; and

(5) given that according to the paper, the Government has earmarked \$82.4 billion in the fiscal reserves for the development of public housing and related infrastructure, of the conditions under which the Government will inject the funds reserved into HA; given the current consolidated fiscal deficit of the Government, whether the Government will undertake to avoid using the funds reserved as far as possible; if so, of the details; if not, the reasons for that?

Reply:

President,

Regarding the question from Dr the Hon Wendy Hong, our reply is as follows:

(1) The Hong Kong Housing Authority (HA)'s Rental Housing Operating Account for the past ten years (i.e. 2013-2014 to 2022-2023) are in Annex 1. It is established practice for the HA to formulate its Budget for the next financial year and financial forecasts for the subsequent three years at the beginning of each year. As such, the HA endorsed at its meeting on January 16, 2024, the paper which set out the five-year budgets and forecasts for the period from 2023-2024 to 2027-2028. At this stage, we are not able to project the expenditure and income more accurately for 2027-2028 beyond. We will review the income and expenditure projections for the next few years in the next round of financial forecasts update.

(2) In the past ten years, the actual annual expenditure on government rent and rates under the Rental Housing Operating Account ranges from \$176 million to \$1,120 million, including the rates concessions provided by the Government in various years (see Annex 2). In accordance with the established mechanism, the HA assumes no rates concession in preparing the financial forecasts for Rental Housing operation from 2024-2025 to 2027-2028.

(3) A breakdown for "Other recurrent expenses" of \$5,754 million under the Rental Housing Operating Account in 2022-2023 is as below:

	(in \$ million)
Cleaning and security services	2,587
Management fee for estate common area	780
Estate property management	748
Electricity	639

Management fee under Tenants Purchase Scheme estate	293
Administrative fees and other expenses	707
Total	5,754

(4) The latest estimated construction expenditure for the HA's public housing development programme from 2023-2024 to 2027-2028 is set out below:

	2023-24 (in \$ million)	2024-25 (in \$ million)	2025-26 (in \$ million)	2026-27 (in \$ million)	2027-28 (in \$ million)
Public rental housing	11,593	17,285	21,372	22,768	21,544
Subsidised sale flats	6,710	9,010	10,743	10,978	12,632
Others	3,601	5,330	5,832	6,142	6,650
Estimated total construction expenditure	21,904	31,625	37,947	39,888	40,826

Under the latest budgets and financial forecasts, the HA will be able to meet the construction expenditure up to 2027-2028, covering the financial commitments of building around 110 000 public housing flats. It should however be pointed out that the current 10-year public housing supply plan is back loaded, with two-third of the production target to be completed in the second five-year period. It is expected that construction expenditure in 2028-2029 and the subsequent years will continue to increase.

Since most of the sites for the public housing development projects in 2028-2029 and beyond are still in the early study/land production stage, it is difficult to give more reliable expenditure forecasts at this stage.

(5) The HA is a financially autonomous public body and the public housing programmes are sustained through internally generated funds. Under the latest budgets and financial forecasts, it is projected that the HA can meet its expenditure up to 2027-2028 including construction expenditure.

The HA's major income comes from public rental housing, commercial premises rents and sales of Home Ownership Scheme and Green Form Subsidised Housing flats, whereas construction expenditure is the HA's largest expenditure item. Construction expenditure will continue to rise due to both increase in housing production and rising prices of construction works for some time in future.

The HA will exercise careful and serious budgetary control to ensure prudent and cost-effective use of resources, and explore various cost control/saving and revenue-boosting measures. The HA will review and update its income and expenditure projections in the next round of financial

forecasts updating.