

2011-12 Budget

Briefing for Legislative Council

24 February 2011

Theme of the 2011-12 Budget

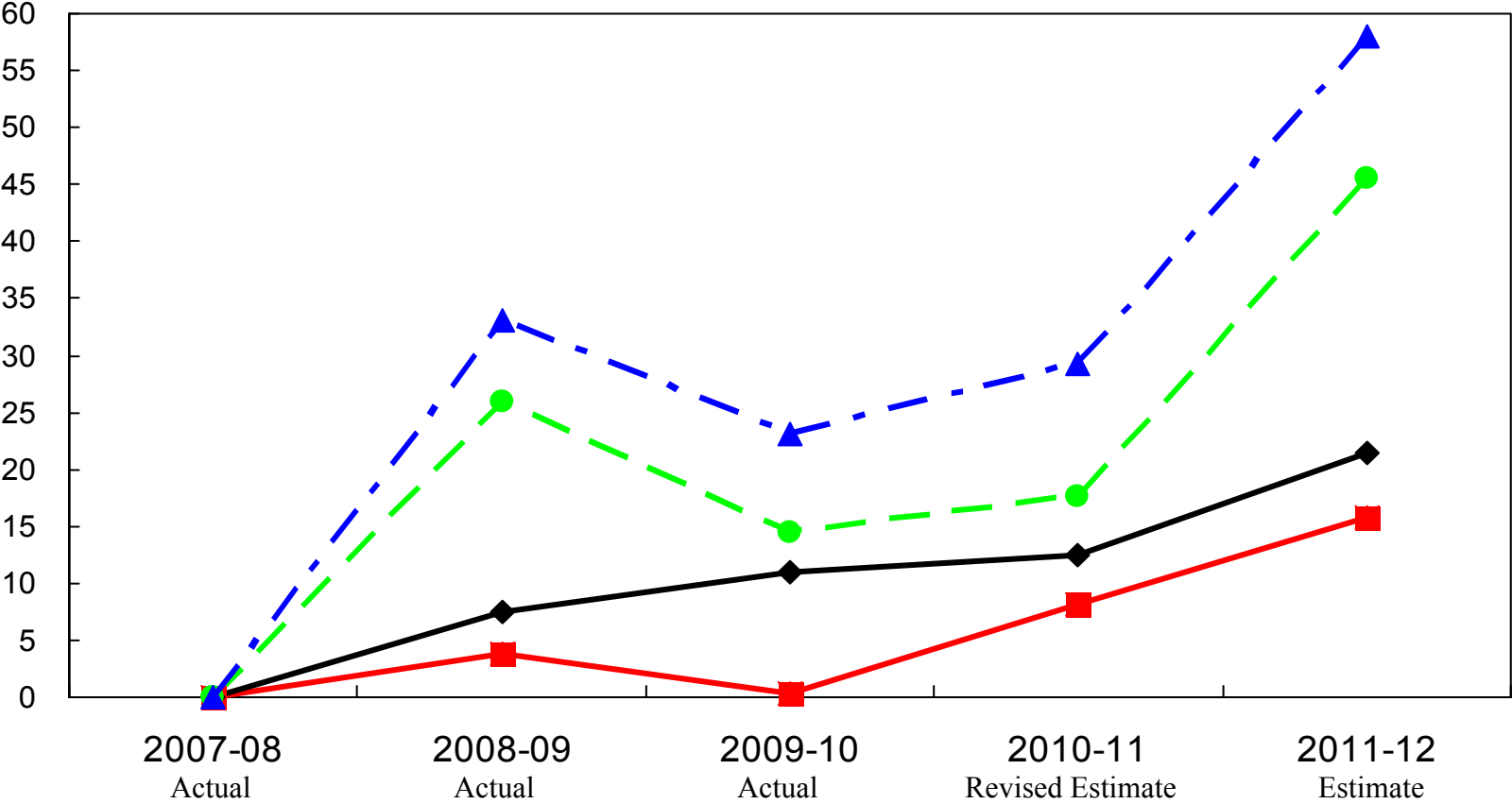
- Stabilise the property market
- Fight inflation
- Invest in the future

2011-12 Estimates

	\$ billion
Government revenue	375.0
Government expenditure	(371.1)
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Consolidated surplus	3.9
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Forecast balance of fiscal reserves as at end-March 2012	595.5

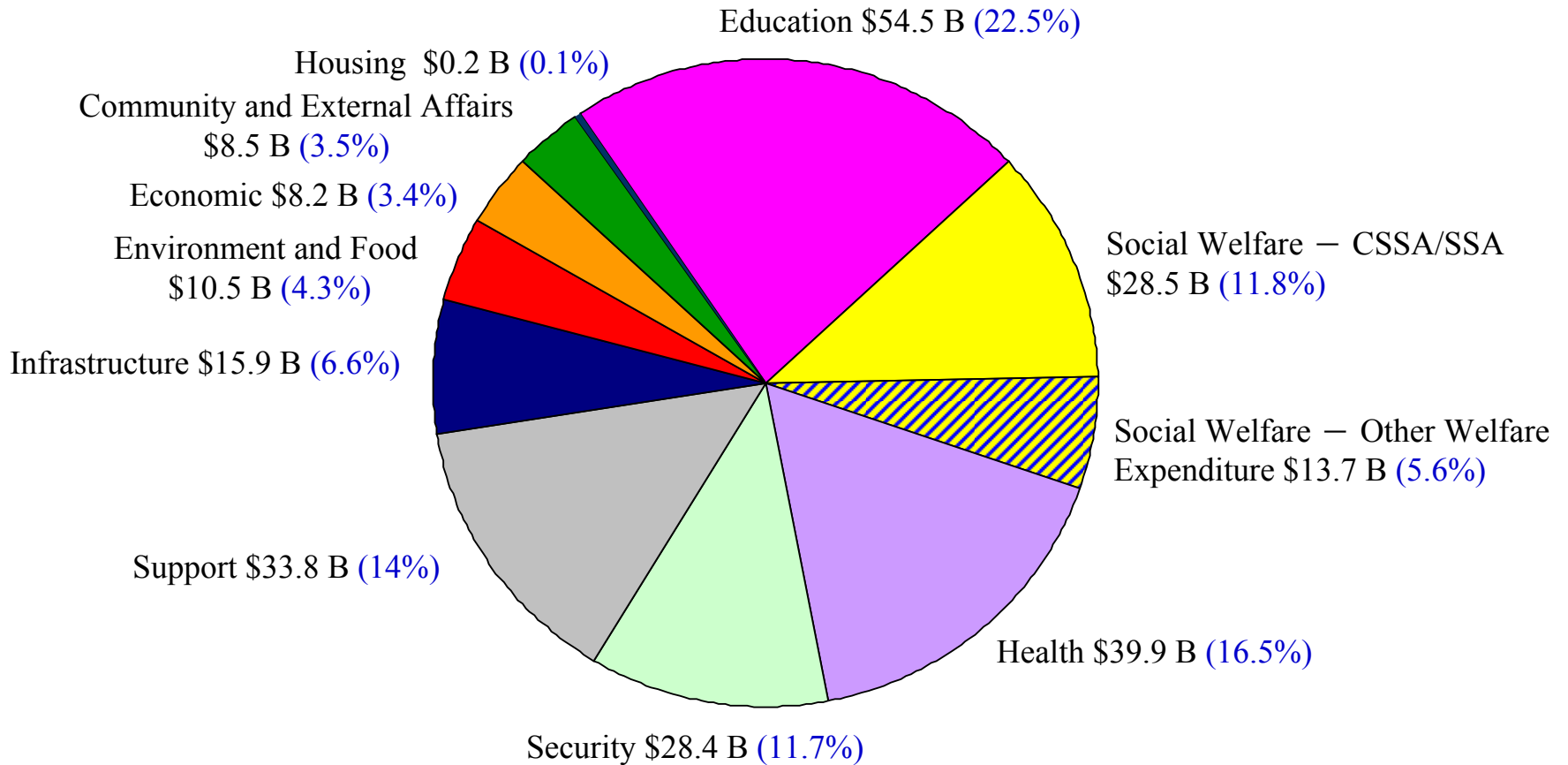
Government Expenditure and Gross Domestic Product (GDP)

Cumulative Increase (%)



■ Nominal GDP
 ◆ Recurrent Expenditure
 ● Operating Expenditure
 ▲ Government Expenditure

2011-12 Recurrent Expenditure Estimates



Recurrent government expenditure: \$242.1 billion (65.2% of total government expenditure of \$371.1 billion)

2011-12 Recurrent Expenditure

- Increase allocation for implementing the new senior secondary academic structure, small class teaching and pre-primary education (around \$1.8 billion)
- Provide additional financial assistance to students from low-income families (around \$500 million)
- Raise CSSA rates for elders and persons with disabilities and of ill-health (around \$900 million)
- Provide additional residential care places, increase supplements for subvented residential care homes, raise purchase prices for EA1 places, and extend the Integrated Discharge Support Programme for Elderly Patients to all districts (around \$400 million)
- Strengthen various health care services by the Hospital Authority (\$2.74 billion)
- Enhance the regulation of pharmaceutical products (\$31 million)

2011-12 Major Non-recurrent Expenditure

- Injection of \$6,000 into each eligible MPF account (about \$24 billion)
- Establishment of Elite Athletes Development Fund (\$7 billion)
- Establishment of Community Care Fund (\$5 billion)
- Provisions for Work Incentive Transport Subsidy Scheme (about \$4.8 billion)
- Establishment of Self-financing Post-secondary Education Fund (\$2.5 billion)
- Establishment of Health and Medical Research Fund (\$1 billion)
- Additional funding for Operation Building Bright (\$1 billion)
- Increasing value of Elderly Health Care Vouchers and extending the Pilot Scheme (\$1 billion)

2011-12 Revenue Estimates

Stamp Duties:

Stocks	\$24 B (6.4%)
Properties	\$15.4 B (4.1%)
Others	\$0.6 B (0.2%)

Investment Income:

Operating revenue	\$30.5 B (8.1%)
Capital revenue	\$5 B (1.4%)

Land Premium
\$62 B (16.5%)

Other Capital Revenue
\$6.4 B (1.7%)

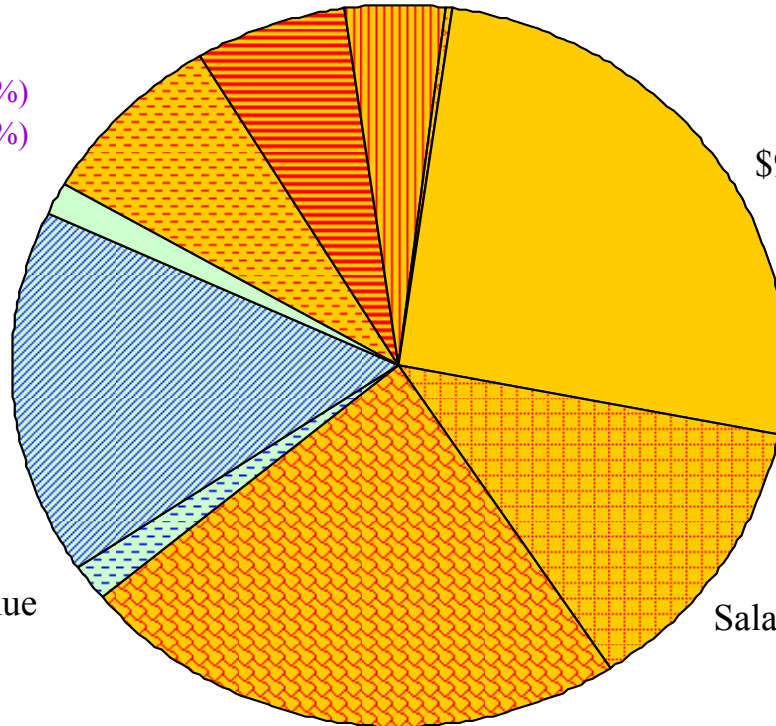
Other Operating Revenue
\$86 B (22.9%)

Profits Tax
\$96.9 B (25.8%)

Salaries Tax \$48.2 B (12.9%)

- Operating revenue \$301.6 B (80.4%)
- Capital revenue \$73.4 B (19.6%)

Total government revenue: \$375 B



Other Measures for 2011-12

- Measures to ease inflationary pressure include:
 - waive rates;
 - raise child allowance and dependent parent/grandparent allowances;
 - electricity subsidy;
 - pay two months' rent for public housing tenants;
 - provide one extra month of CSSA allowance, Old Age Allowance and Disability Allowance to the recipients, and mid-year adjustment of the allowances;
 - additional funding for short-term food assistance services; and
 - issue inflation-linked bonds, or “iBond”.
- Increase duty on cigarettes to protect public health; and
- Increase rate of the First Registration Tax for private cars to curb growth so as to ease traffic congestion.

Fiscal Reserves (as at 31 March 2011)

- Fiscal reserves comprise:

– General Revenue Account	327.7 (\$ billion)
– Capital Works Reserve Fund	38.9
– Capital Investment Fund	1.6
– Civil Service Pension Reserve Fund	23.0
– Disaster Relief Fund	0.1
– Innovation and Technology Fund	3.2
– Land Fund	186.9
– Loan Fund	1.8
– Lotteries Fund	8.4
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Total	591.6
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- \$50 billion earmarked for healthcare reform not yet deducted

2011 Medium Range Forecast

(\$ billion)	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Operating surplus	3.6	64.8	62.8	57.9	77.6
Capital surplus/(deficit)	0.3	(36.4)	(40.3)	(39.1)	(35.3)
Consolidated surplus after repayment of bonds and notes	3.9	28.4	22.5	9.0	42.3
Fiscal reserves	595.5	623.9	646.4	655.4	697.7
- in terms of number of months of government expenditure	19	21	21	20	20
- in terms of percentage of GDP	31.8%	31.5%	30.8%	29.4%	29.5%

Thank You
