

2018-19 Budget

Briefing for Legislative Council

1 March 2018

Key Aspects of 2018-19 Budget

- 1. Economic Development**
- 2. Public Finances**
- 3. Diversified Economy**
- 4. Manpower Training**
- 5. Enhancing Liveability**
- 6. Caring and Sharing**

Public Finances

Budget Strategies

- (1) proactively promoting economic development
- (2) investing for our future
- (3) improving the existing services
- (4) preparing for our future
- (5) enhancing the tax regime
- (6) caring for and sharing with the community
- (7) maintaining adequate fiscal reserves

Economic Indicators

	2016 Actual	2017 Actual	2018 Forecast
GDP real growth	2.1%	3.8%	3%-4%
GDP nominal growth	3.9%	6.9%	5.5%-6.5%
Underlying CCPI	2.3%	1.7%	2.5%

2017-18 Revised Estimates

	\$ billion
Government revenue	612.4
Government expenditure	(474.4)
Consolidated surplus	<u>138.0</u>
Operating surplus	64.0
Capital surplus	74.0
Forecast balance of fiscal reserves as at end-March 2018	1,092.0

Optimise the use of surplus

Topic	Proposal	Amount \$B
Sharing with the community	Expenditure measures (e.g. extra payment to eligible CSSA recipients, increase for Elderly Health Care Vouchers)	9.1
	Revenue measures (e.g. relief for taxes and waive rates)	43.3
Improving services and investing in the future	Part of the measures for education, arts and culture, sports, healthcare, environment and innovation & technology	84.0

Total 136.4

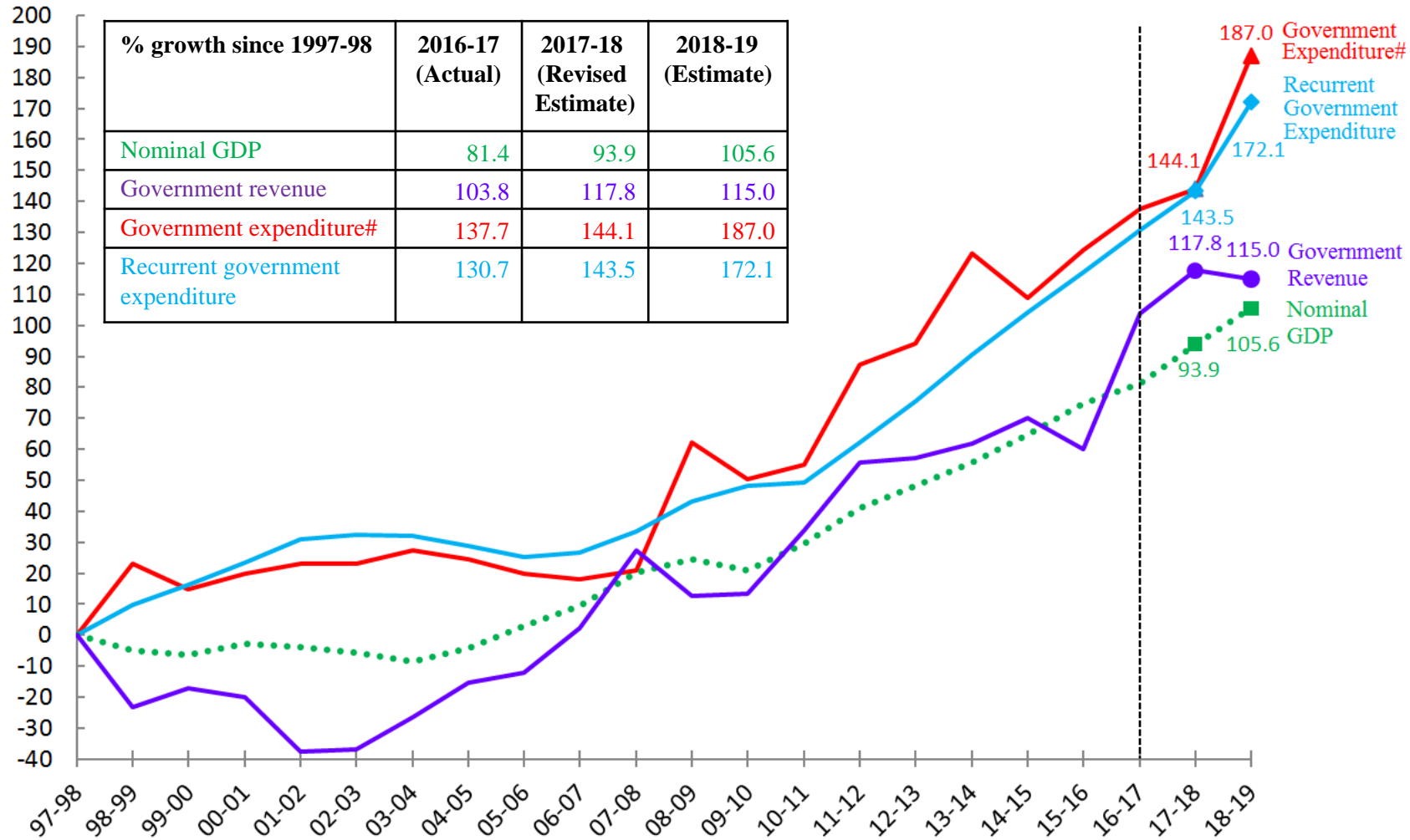
*\$300 billion will be earmarked in the fiscal reserves to support the second 10-year hospital development plan, improve the facilities in DH clinics, and enhance healthcare teaching facilities.

2018-19 Estimates

	\$ billion
Government revenue	604.5
Government expenditure	<u>(557.9)</u>
Consolidated surplus	<u>46.6</u>
Operating surplus	14.6
Capital surplus	32.0
Forecast balance of fiscal reserves as at end-March 2019	1,138.6

Growth of Government Revenue, Expenditure and Nominal GDP

Cumulative Growth (%)

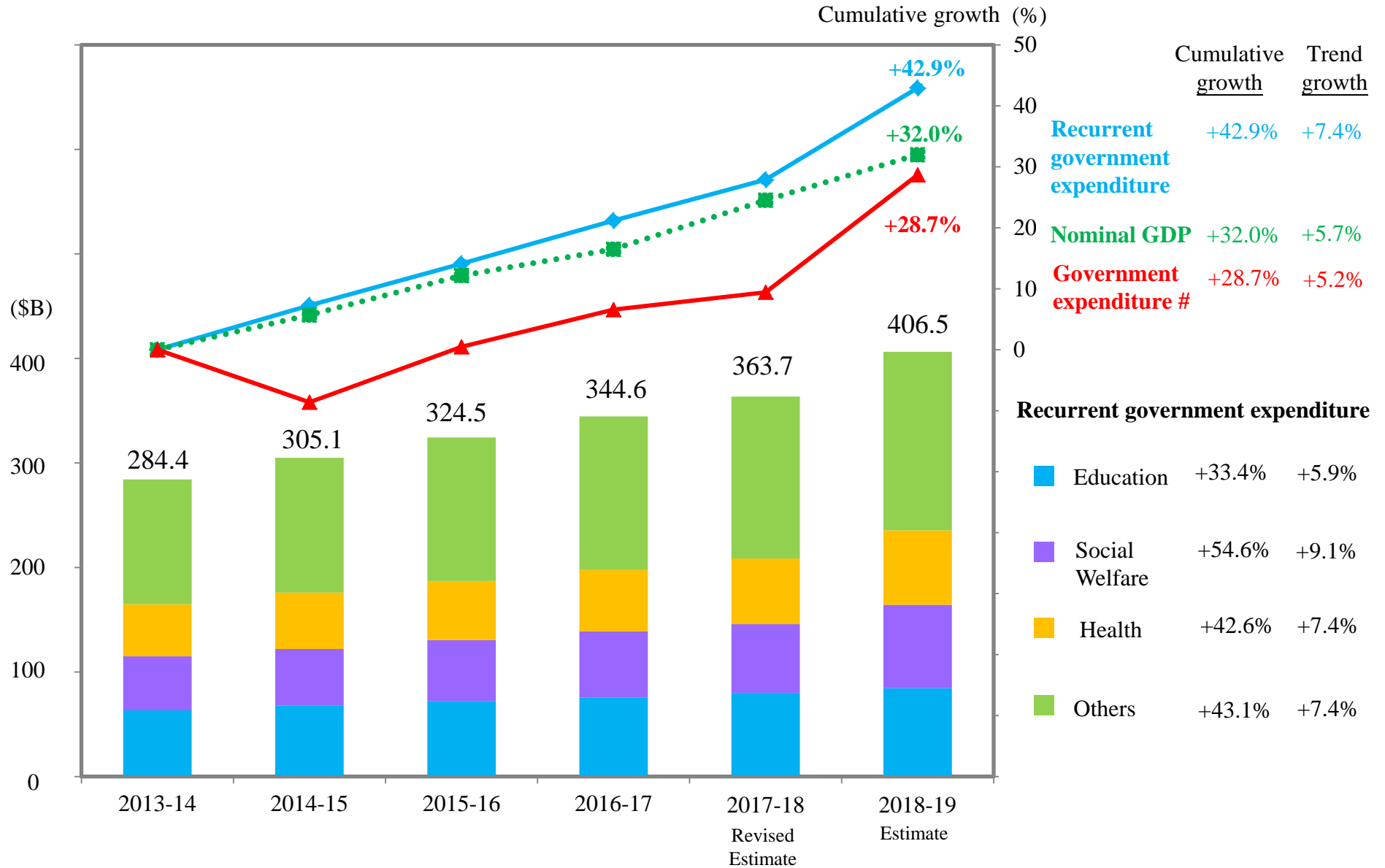


←----- Actual -----> Revised Estimate Estimate

#Government expenditure includes repayment of government bonds and notes issued in 2004.

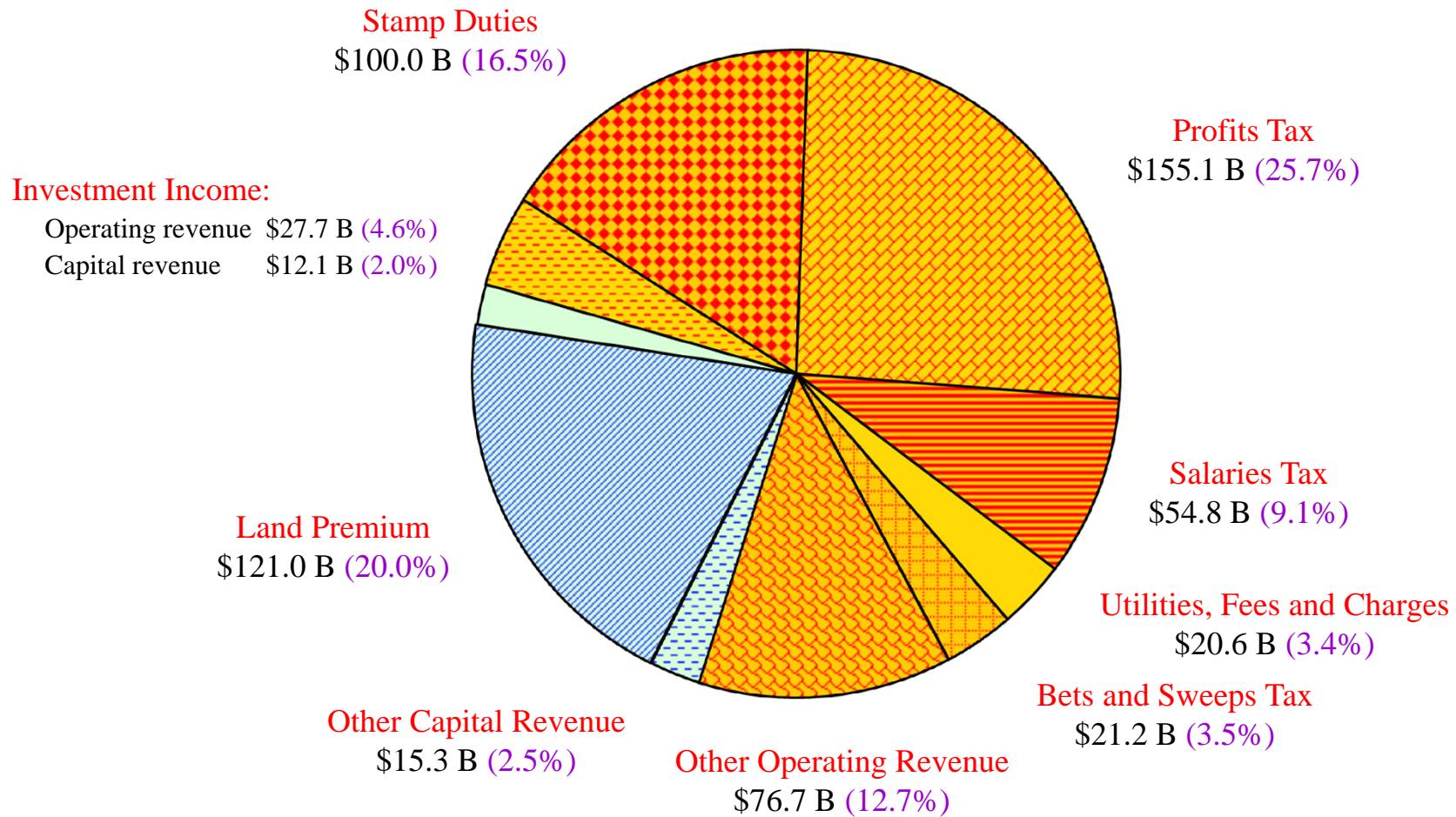
Government Expenditure vs Nominal GDP Chart 9



for the recent five years



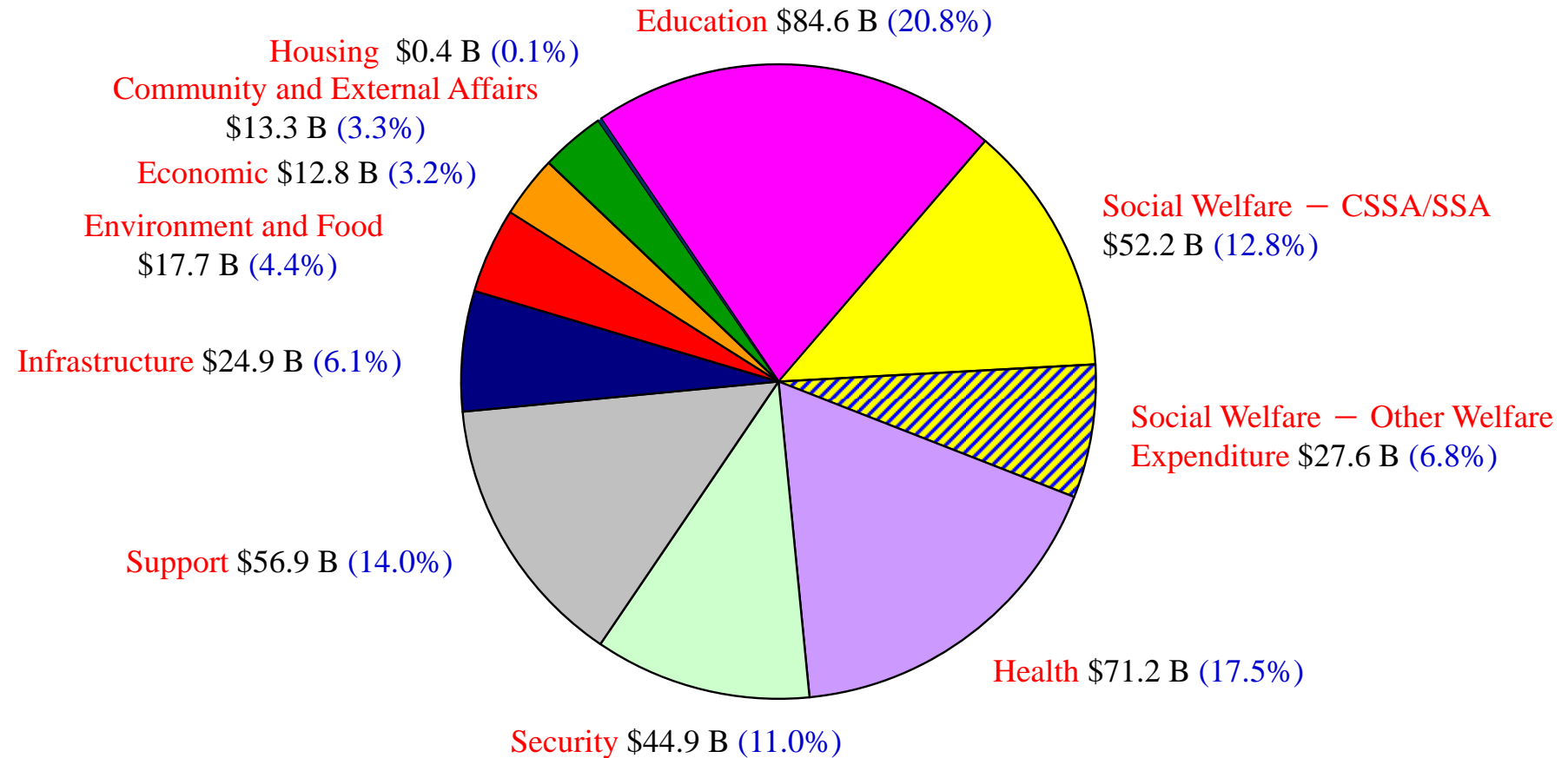
Government expenditure includes repayment of government bonds and notes issued in 2004.

2018-19 Revenue Estimates



	2018-19 Estimate	% Share of Government Revenue	% of GDP
 Operating Revenue	\$456.1 B	75.5%	16.2%
 Capital Revenue	\$148.4 B	24.5%	5.2%
Total	\$604.5 B	100%	21.4%

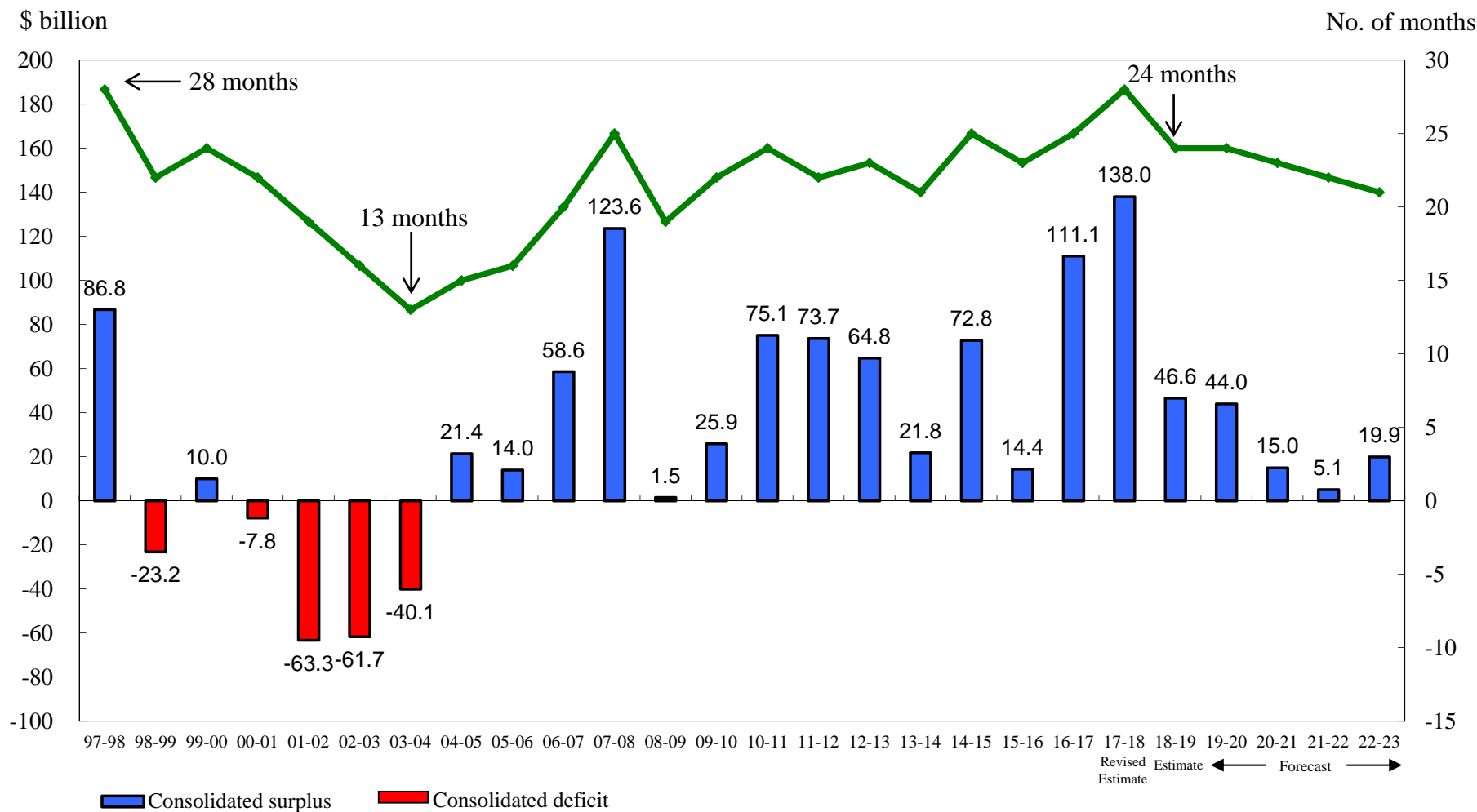
2018-19 Recurrent Expenditure Estimates



Recurrent government expenditure: - \$406.5 billion (72.9% of total government expenditure of \$557.9 billion)
 - Increase of 11.8% against 2017-18 Revised Estimate

Fiscal Reserves

(in terms of number of months of government expenditure)



Included issuance / (repayment) of government bonds and notes issued in 2004.

2018 Medium Range Forecast

(\$ billion)	2018-19 Estimate	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Operating surplus	14.6	37.7	7.0	6.0	11.5
Capital surplus / (deficit)	32.0	7.8	8.0	(0.9)	8.4
Repayment of bonds and notes [#]	-	(1.5)	-	-	-
<hr/>					
Consolidated surplus	46.6	44.0	15.0	5.1	19.9
Fiscal reserves	1,138.6	1,182.6	1,197.6	1,202.7	1,222.6
- in terms of number of months of government expenditure	24	24	23	22	21
- in terms of percentage of GDP	40.3%	39.9%	38.5%	36.8%	35.6%

Trend Growth

	2013-14 to 2018-19 Estimate	2018-19 Estimate to 2022-23 Forecast
Government Expenditure	+ 5.2%	+ 5.7%
Nominal GDP	+ 5.7%	+ 5.0%

[#] only include repayment of government bonds and notes issued in 2004

Diversified Economy

- 1. Innovation and Technology**
- 2. Financial Services Industry**
- 3. Trading and Logistics Industry**
- 4. Tourism**
- 5. Business and Professional Services**
- 6. Construction Industry**
- 7. Creative Industries**

Manpower Training

Education

- providing resources to achieve quality education and help funded post-secondary institutions tap more funding resources (\$7.5 billion)
- providing resources to support life-wide learning activities and build barrier-free campuses (\$4.5 billion)
- making an injection into the Gifted Education Fund and the HKSAR Government Scholarship Fund (\$1.6 billion)

Manpower Training

Continuing Education

- making an injection of \$8.5 billion into the Continuing Education Fund

Youth Development

- setting aside \$1 billion to support the work of the Youth Development Commission

Enhancing Liveability

Land Resources

- reprovisioning existing government facilities to release commercial sites
- large commercial sites to be made available
- setting aside \$ 1 billion to make better use of vacant government sites and school premises

Enhancing Liveability

Healthcare

- increasing recurrent funding of Hospital Authority
- start planning the second 10-year hospital development plan
- considering enhancements to and expanding capacity for healthcare manpower training

Enhancing Liveability

Arts and culture

- improving and developing cultural facilities; providing resources for the acquisition of museum collections
- Art Development Matching Grants Pilot Scheme

Sports

- making an injection into the sports portion of the Arts and Sport Development Fund
- making an injection into the Elite Athletes Development Fund

Enhancing Liveability

District facilities

- setting aside \$8 billion for district facilities; the Home Affairs Bureau will co-ordinate and follow up
- earmarking \$2 billion for implementing a Market Modernisation Programme

Enhancing Liveability

Environment

- promoting the installation of renewable energy facilities and enhancing tax concessions
- waiving in full the First Registration Tax (FRT) for electric commercial vehicles, electric motor cycles and electric motor tricycles
- for electric private cars, continuing with the current FRT concession; launching a “one-for-one replacement” scheme for owners who replace their cars with an electric private car to enjoy a higher FRT concession of up to \$250,000

Caring and Sharing

- enhancing elderly and rehabilitation services
- strengthening social work and counselling services, with a view to ultimately achieving the target of “one school social worker for each school”
- strengthening support for ethnic minority people
- setting aside \$15 billion for the MPF “offsetting” arrangement

Caring and Sharing

Reducing Tax Burdens on Individuals

- widening the tax bands for salaries tax and adjusting the marginal tax rates
- increasing child allowances
- increasing the allowances for maintaining a dependent parent or grandparent; raising the deduction ceiling for elderly residential care expenses
- introducing a personal disability allowance
- providing tax deduction for people who purchase eligible health insurance products

Caring and Sharing

Sharing Fruits of Success

- reducing salaries tax and tax under personal assessment for 2017-18 by 75%, subject to a ceiling of \$30,000
- reducing profits tax for 2017-18 by 75%, subject to a ceiling of \$30,000
- waiving rates for four quarters of 2018-19, subject to a ceiling of \$2,500 per quarter for each rateable property
- providing a one-off grant of \$2,000 to each student in need
- paying the examination fees for candidates sitting for the 2019 Hong Kong Diploma of Secondary Education Examination

Caring and Sharing

Sharing Fruits of Success

- providing an extra allowance to social security recipients, equal to two months of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance
- providing similar arrangements for recipients of Low-income Working Family Allowance and Work Incentive Transport Subsidy
- inviting the Community Care Fund to consider providing short-term relief for the “N have-nots households”

Thank You
