

Support enterprises

Safeguard jobs

Smoothen livelihoods

Stimulate the economy

2020-21 Budget Highlights



Stimulate the economy Smoothen livelihoods

Cash payout

\$10,000 cash payout to Hong Kong permanent residents aged 18 or above

- Reduce salaries tax and tax under personal assessment for 2019-20 assessment year by **100%**, subject to ceiling of **\$20,000**
- Waive rates of domestic properties for four quarters of 2020-21, subject to a **\$1,500** ceiling per quarter



- Extra **1** month allowance of standard CSSA payment, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to Work Incentive Transport Subsidy
- Pay **1** month's rent for lower income tenants living in public rental units
- Pay examination fees for candidates sitting 2021 HKDSE Examination

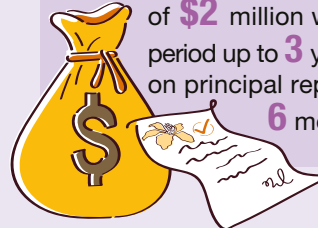
Support employees

- Additional annual funding of **\$30** million to enhance Labour Department employment programmes. Raise ceiling of on-the-job training allowance
- Provide **\$2.5** billion to the Employees Retraining Board to enhance the Love Upgrading Special Scheme. Increase the maximum monthly allowance of trainees to **\$5,800**
- Construction Industry Council to allocate **\$200** million for training allowances for workers, and subsidising SME contractors and registered subcontractors with a ceiling of **\$20,000** each



Concessionary low-interest loan

Introduce a **concessionary low-interest loan** with **100%** Government guarantee for enterprises, which will be open for application for **6** months. Maximum loan of **\$2** million with repayment period up to **3** years. Moratorium on principal repayment for first **6** months



- Reduce profits tax for 2019-20 assessment year by **100%**, subject to a **\$20,000** ceiling
- Waive rates for non-domestic properties for 2020-21, subject to a ceiling of **\$5,000** per quarter in first two quarters and **\$1,500** per quarter for remaining two quarters

- Waive business registration fees for 2020-21
- Waive registration fees for company annual returns for **2** years

Support enterprises Safeguard jobs

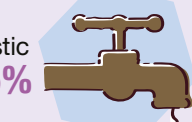


- Hire charges for civic centres under Leisure and Cultural Services Department: **50%** reduction for **6** months
- Fees and rent for cruise lines and cruise terminal tenants: reduction for **6** months



Continue to implement relief measures announced last year

- Electricity charges for non-residential account: subsidise **75%** of charges for **4** extra months, subject to a monthly cap of **\$5,000**
- Water and sewage charges of non-domestic households: waive **75%** of charges for **4** extra months, subject to a monthly cap of **\$20,000** and **\$12,500** respectively
- Local recycling enterprises: provide **\$100** million rental subsidy for **6** months
- Rental for Government properties/properties covered by short-term and temporary waivers: **50%** reduction for **6** months



Devote resources to enhance services

- Substantial resources devoted in the last two Budgets: formulation of the second **10-year Hospital Development Plan**, enhancement of healthcare manpower training, expediting the upgrading or acquisition of medical equipment, introduction of advanced medical devices, expansion of the scope of Drug Formulary, establishment of a **\$10** billion public healthcare stabilisation fund, development of Chinese medicine services and promotion of primary healthcare services
- Earmark about **\$500** billion for the two 10-year Hospital Development Plans, providing over **15 000** additional hospital beds and more than **90** operating theatres to meet projected service demand up to 2036



Strengthen healthcare system

- Provide sufficient financial support for the Hospital Authority (HA) and the Department of Health for anti-epidemic efforts
- Provide recurrent funding of **\$75** billion to the HA in 2020-21, an increase of **35%** from 2017-18



- Allocate about **\$180** million to universities to enhance facilities and strengthen professional healthcare training
- Renovate Department of Health clinics in phases

- Provide an additional **\$3.6** billion to HA to retain talents in the **5**-year period starting from 2021-22
- Allocate about **\$600** million to subsidise the setting up of interim "District Health Centre (DHC) Express" by non-governmental organisations in **11** districts where DHCs have yet to be set up

- Launch the tender process for the construction work of the first Chinese Medicine hospital in Hong Kong
- Allocate sufficient resources to related bureaux to support people suffering from mental distress

Financial services

- Lower minimum entry age of the HKMC Annuity Plan from 65 to **60**
- Launch a **\$1** billion pilot scheme for fixed-rate mortgages to help reduce risks of interest rate volatility for homebuyers
- Issue inflation-linked retail bonds and Silver Bonds totalling not less than **\$13** billion
- Issue green bonds totalling **\$66** billion in next **5** years
- Waive stamp duty on stock transfers paid by the Exchange Traded Fund (ETF) market makers when creating and redeeming ETF units in Hong Kong
- Establish a limited partnership regime and provide tax concession for carried interest issued by private equity funds to attract them to domicile and operate in Hong Kong



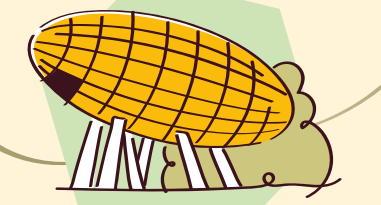
Tourism

- Additional funding of over **\$700** million for the Hong Kong Tourism Board to step up external promotion after the epidemic



Innovation and technology

- Earmark **\$3** billion to take forward Phase 2 of the Science Park Expansion Programme
- Explore the establishment of a third **InnoHK research cluster**
- Increase the grant ceiling under the **Technology Voucher Programme** to **\$600,000** and raise the Government's funding ratio to **75%**
- Inject **\$345** million for a pilot subsidy scheme to encourage the logistics industry to enhance productivity through the application of technology



Cultural and creative industries

- Additional **\$900** million to the **Art Development Matching Grants Scheme** to further promote sponsorship of culture and arts from all sectors



Trade

- Additional funding of **\$150** million for the Hong Kong Trade Development Council to assist Hong Kong enterprises in exploring business opportunities



Nurture talents

- Expand the **Researcher Programme** and **Postdoctoral Hub** to cover all technology companies conducting R&D activities in Hong Kong
- Earmark **\$40** million to subsidise short-term internships for undergraduates and postgraduates taking STEM programmes in local universities



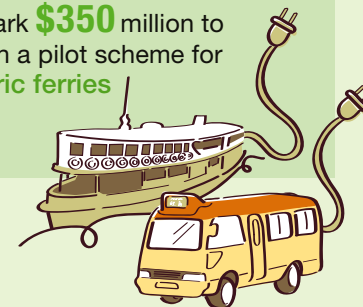
- Government and public organisations to increase short-term internship places for 2020-21 to almost **5 000**



Environmental protection

Electric transportation

- Formulate Hong Kong's first roadmap on the use of electric vehicles
- Launch a \$2 billion pilot scheme to subsidise the installation of charging-enabling infrastructure in car parks of private residential buildings
- Earmark \$80 million to launch a pilot scheme for electric public light buses
- Earmark \$350 million to launch a pilot scheme for electric ferries



Liveable city

- Launch a scheme in the second half of this year to phase out about 40 000 Euro IV diesel commercial vehicles. \$7.1 billion earmarked for ex-gratia payment to vehicle owners concerned
- Earmark \$300 million for the Cleaner Production Partnership Programme to encourage Hong Kong-owned factories to adopt cleaner production technologies, so as to help improve regional environment
- Set up a \$200 million Green Tech Fund to support the R&D and application of decarbonisation and green technologies
- Earmark no less than \$300 million per year to implement waste paper collection and recycling services in the second half of 2020, to help stabilise the quantity and price of local waste paper



Smart city

- Announce the Smart City Blueprint for Hong Kong 2.0 this year to further promote smart city development

- Earmark \$1 billion for the Smart Traffic Fund to subsidise research and application on vehicle-related I&T

- Allocate \$100 million to develop an integrated digital platform for data integration and information exchange in order to strengthen project supervision

- Launch a territory-wide 3D digital map in phases from this year. Earmark \$60 million to establish the first Geospatial Lab to promote the application of spatial data

- Launch the "iAM Smart", a one-stop personalised digital service platform, in the fourth quarter of this year

Caring society

- Allocate over \$300 million recurrent funding to provide 3 000 home care service quotas for frail elderly persons in the coming two years and issue 1 000 community care service vouchers to elderly persons with moderate or severe impairment in the coming year

- \$75 million recurrent funding to subsidise elderly service units for providing soft meals to elderly persons with swallowing difficulties

- \$46 million recurrent funding to subsidise Social Welfare Department-subsented NGOs operating day service units to meet the electricity charges of providing air conditioning

Land and housing

- Potential land supply of 2020-21 Land Sale Programme, railway property development projects and private development/redevelopment projects expected to provide about 15 700 units. Another 6 commercial sites estimated to provide floor area of about 830 000 sqm

- Start receiving applications of the Land Sharing Pilot Scheme in the first half of 2020 to increase supply of public and private housing in short to medium term

- Announce the latest land forecast in the second quarter of 2020 to provide a blueprint of future land search and creation for the Government

Public housing

Estimated production from 2019-20 to 2023-24 is about 100 400 units, comprising about 74 400 public rental housing/Green Form Subsidised Home Ownership Scheme units, and 26 000 subsidised sale units

Private housing

Estimated annual production from 2020 to 2024 is about 19 600 units on average

2020-21 Total government revenue and expenditure

Profits tax \$130.9B

Land premium \$118B

Other revenue \$131.7B

Salaries tax \$59.9B

Stamp duties \$75B

Investment income \$57B

Total government revenue \$572.5B

Environment and food \$40B

Infrastructure \$78.3B

Economic \$120.9B

Health \$97.7B

Social welfare \$115B

Others (including community and external affairs) \$101.1B

Education \$112.3B

Security \$65.8B

Total government expenditure \$731.1B

↑10.0% Recurrent expenditure \$486.6B

Economy

	GDP growth	Headline inflation	Underlying inflation
2019 performance	-1.2%	2.9%	3.0%
2020 forecast	-1.5% to 0.5%	1.7%	2.5%

2019-20 financial year

- Deficit of about \$37.8 billion, equivalent of about 1.3% of GDP

2020-21 financial year

- Estimated deficit of about \$139.1 billion, equivalent of about 4.8% of GDP

- Almost \$120 billion of deficit related to the cash payout scheme and other one-off relief measures, which will not incur long-term financial commitments

Public finance

2021-22 to 2024-25 financial years

- Estimated deficits range between \$7.4 billion and \$17 billion

- Main reason is Government revenue cannot keep up with drastic increases in expenditure (especially recurrent expenditure)

Facing the challenge

- Future Government expenditure will enter a consolidation period
- For future spending increases, should be more mindful of long-term affordability and in line with increase in revenue
- To increase revenue, we need to maintain the growth and vibrancy of the economy, and identify new areas of economic growth
- May have to consider seeking new revenue sources or revising tax rates
- May have to reduce one-off relief measures progressively