



Press Release

27 February 2019

2019/20 Budget Commentaries

The Financial Secretary delivered the 2019/20 Budget (the “Budget”) today (27 February 2019).

The Taxation Institute of Hong Kong (the “Institute”) is supportive of this Budget. Given the volatile external environment and heightened uncertainties in the global political and economic landscape, the Budget has been prepared along the direction of “supporting enterprises, safeguarding jobs, stabilising the economy, strengthening livelihoods” and will provide new resources ready for use of about \$150 billion to enhance public services, support enterprises, relieve people’s burden and invest for the future, making good use of the Government’s fiscal reserves. The Institute welcomes this pragmatic and forward-looking Budget.

The Institute appreciates that the Government having considered the fiscal surplus this year has dramatically been reduced compared with last year, concessionary measures including rebates of various taxes, rates concession, extra allowance to social security recipients etc., proposed in the Budget have also been reduced. However, some of the proposed measures in the Budget have also responded to the Institute’s earlier Budget Submission, including:

- (1) Endeavour to diversify our economy by vigorously developing emerging industries to identify new areas of growth;
- (2) Strengthening our financial services industry and develop innovation and technology;
- (3) Seize the opportunity and make dedicated effort to promote development in the Greater Bay Area to enhance its global competitiveness; and
- (4) Continue to strategically use the relevant tax measures to strengthen our competitiveness including;
 - Enhancing our existing tax concessions to qualifying corporate treasury centres (CTCs) to incentivize multinational corporations to co-locate their CTCs with their regional headquarters in Hong Kong;
 - Setting up of a dedicated task force to study tax and other measure to attract ship finance companies to develop Hong Kong as a ship leasing centre in the Asia Pacific and promote the development of marine insurance, so that shipowners and shipping companies can enjoy a 50% profit tax concession to eligible insurance businesses including marine insurance industry; and
 - Actively expanding our network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) to enhance our business environment and draw investment.

In general, this Budget shows the Government's commitment to the future as it plans to make good use of the Government's fiscal resources for long-term investment, building a good foundation for future sustainable economic development. The Institute welcomes the proposal to transfer the Tax Policy Unit, currently under the Financial Services and the Treasury Bureau, to come directly under the Financial Secretary's Office and provide additional resources as and when necessary, and is pleased to see that the Government has tried to use tax policy to induce investment, and formulate forward-looking plans for diversified and long-term development. In enhancing Hong Kong tax measures, the Institute considers that it is also necessary for the Government to conduct a comprehensive review of the Inland Revenue Ordinance to ensure the provisions therein are compatible with the modern business environment and up-to-date to provide the necessary clarity and certainty to attract foreign businesses to Hong Kong. In addition, the Government should also address the following issues:

- (1) To study how best to broaden Hong Kong's narrow tax base;
- (2) To stabilize the public income to cope with future needs to increase public expenditure;
- (3) To make corresponding policy change in order to break the barriers and restraints for future development;
- (4) To attract and provide training for foreign and local research and medical talents and to increase the land supply so as to resolve the medical and housing problems in Hong Kong; and
- (5) To ensure that Government resources have been put in the right place for economic development and improving people's livelihood.

The current Government has taken a proactive approach in supporting the development of new economy and a smart city with a hope to creating new economic drive for Hong Kong; and investing resources to address different social issues, such as healthcare, education, taking care of elderly and social welfares etc. The Institute hopes that this Budget could help Hong Kong maintain a favorable business environment, seize opportunities, and enhance Hong Kong's competitiveness to promote Hong Kong's economic and social development.

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