

## 2017/18 Budget Highlights

### Economic indicators

	2016	2017 Forecast	2018 to 2021 Medium range forecast
Increase in real GDP	1.9%	2% to 3%	3% average annual growth rate
Underlying inflation rate	2.3%	2%	2.5%

### Consolidated budget forecast

2016/17 Original forecast	2016/17 Revised forecast	2017/18 Forecast	2021/22 Forecast
Surplus of HK\$11.4 billion	Surplus of HK\$92.8 billion	Surplus of HK\$16.3 billion	Deficit of HK\$8.4 billion
2016/17 surplus (HK\$92.8 billion) consists of: <ul style="list-style-type: none"><li>• HK\$54.1 billion surplus on operating account</li><li>• HK\$38.7 billion surplus on capital account</li></ul>		2017/18 surplus (HK\$16.3 billion) consists of: <ul style="list-style-type: none"><li>• HK\$11.1 billion surplus on operating account</li><li>• HK\$5.2 billion surplus on capital account</li></ul>	2021/22 deficit (HK\$8.4 billion) consists of: <ul style="list-style-type: none"><li>• HK\$18.5 billion surplus on operating account</li><li>• HK\$26.9 billion deficit on capital account</li></ul>

By the end of 2021/22, the government projects fiscal reserves of approximately HK\$942.9 billion (equivalent to 18 months of government expenditure).

### Operating expenditure forecast

2016/17	2017/18	2021/22
HK\$354.1 billion	HK\$384.2 billion	HK\$482.4 billion

Total public expenditure is 20.4% of GDP for 2017/18, and will be kept at around 20% of the GDP going forward. The operating expenditure for 2018/19 and beyond represents the expenditure requirements for the HKSAR Government, forecast on a broad-brush basis.

### Profits tax

- Profits tax rates for companies (16.5%) and unincorporated businesses (15%) remain unchanged.
- Introduce profits tax concession to promote aircraft leasing and financing.
- Extend the profits tax exemption to onshore privately-offered open-ended fund companies.
- Set up a tax policy unit in the Financial Services and the Treasury Bureau to comprehensively examine the international competitiveness of Hong Kong's tax regime and address the problem of a narrow tax base e.g. studying ways to foster the development of pillar and emerging industries through tax measures including enhanced deductions for innovation and technology expenditure.

### Salaries tax

- No change in the standard tax rate and progressive tax rates.
- Widen the marginal tax bands from HK\$40,000 to HK\$45,000.
- Increase the disabled dependant allowance from HK\$66,000 to HK\$75,000.
- Increase the dependent brother/sister allowance from HK\$33,000 to HK\$37,500.
- Extend the entitlement period for deduction for home loan interest from 15 to 20 years of assessment, the deduction ceiling of HK\$100,000 a year remains unchanged.
- Increase the deduction ceiling for self-education expenses from HK\$80,000 to HK\$100,000.
- Examine to provide tax deduction for the purchase of regulated health insurance products.

### Government fees

- Waive the licence fees for travel agents, hotels and guesthouses, restaurants, hawkers and operators with restricted food permits for one year.

### One-off measures

- Waive 75% of profits tax for 2016/17 (subject to a HK\$20,000 ceiling) to be deducted from the taxpayer's final tax payable for the year.
- Waive 75% of salaries tax and tax under personal assessment for 2016/17, subject to a ceiling of HK\$20,000, to be deducted from the taxpayer's final tax payable for the year.
- Waive rates for the four quarters of 2017/18, subject to a ceiling of HK\$1,000 per quarter for each rateable property.
- Provide one additional month of Comprehensive Social Security Assistance (CSSA) payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to Low-income Working Family Allowance and Work Incentive Transport Subsidy.

### Others

- Extend the application period for the special concessionary measures under the SME Financing Guarantee Scheme to 28 February 2018.
- Propose to strengthen the underwriting capacity of the Hong Kong Export Credit Insurance Corporation by raising the cap on its contingent liability under contracts of insurance from HK\$40 billion to HK\$55 billion.
- Set up a new committee on innovation and technology development and re-industrialisation.
- Reserve HK\$10 billion for supporting innovation and technology development in Hong Kong.
- Earmark HK\$30 billion to strengthen elderly services and rehabilitation services for persons with disabilities.
- Provide HK\$700 million to strengthen vocational and professional education and training, facilitate the training and professional development of principals and teachers, and enhance support for local post-secondary students.
- Allocate HK\$300 million in 2017/18 to expand the Multi-faceted Excellence Scholarship and the International Youth Exchange Programme to broaden young people's horizons.
- Earmark HK\$300 million to allow property owners to participate in the "Smart Tender" Building Rehabilitation Facilitating Services Scheme at a concessionary rate.
- The 2017/18 Land Sale Programme will include 28 residential sites (of which 20 are new ones), three commercial/business sites and one hotel site.