

2019/20 Budget Highlights

Economic indicators

	2018	2019 Forecast	2020 to 2023 Medium range forecast
Increase in real GDP	3.0%	2% to 3%	Average 3% per annum
Underlying inflation rate	2.6%	2.5%	Average 2.5% per annum

Consolidated budget forecast

2018/19 Original forecast	2018/19 Revised forecast	2019/20 Forecast	2023/24 Forecast
Surplus of HK\$46.6 billion	Surplus of HK\$58.7 billion	Surplus of HK\$16.8 billion	Surplus of HK\$8.1 billion
2018/19 surplus of HK\$58.7 billion consists of: <ul style="list-style-type: none">• HK\$17.5 billion surplus on operating account• HK\$41.2 billion surplus on capital account		2019/20 surplus of HK\$16.8 billion consists of: <ul style="list-style-type: none">• HK\$(34.5 billion) deficit on operating account• HK\$52.8 billion surplus on capital account• HK\$(1.5 billion) on repayment of bonds and notes	2023/24 surplus of HK\$8.1 billion consists of: <ul style="list-style-type: none">• HK\$3.2 billion surplus on operating account• HK\$4.9 billion surplus on capital account

By the end of 2023/24, the government projects fiscal reserves of approximately HK\$1,224.6 billion (equivalent to 19 months of government expenditure).

Operating expenditure forecast

2018/19	2019/20	2023/24
HK\$434.6 billion	HK\$501.5 billion	HK\$595 billion

Total public expenditure is 21.6% of GDP for 2019/20, and will be kept at around 22% of the GDP going forward. The figures for operating expenditure for 2020/21 and beyond represent the forecast operating expenditure requirements for the HKSAR Government.

Profits tax


- The two-tier profits tax rates for companies (8.25%/16.5%) and unincorporated businesses (7.5%/15%) remain unchanged.
- Consider introducing tax and related measures to attract ship finance companies to develop ship financing businesses in Hong Kong.
- Provide a 50% profits tax concession to eligible insurance businesses including marine insurance and underwriting of specialty risks.
- Continue to enhance the relevant tax measures for corporate treasury centres.
- Consider the establishment of a limited partnership regime for private equity (PE) funds and introduction of a more competitive tax arrangement for PE funds to set up and operate in Hong Kong.
- Bring the total number of comprehensive double tax agreements of Hong Kong to 50 in the next few years.
- 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.

Salaries tax

- No change in the standard tax rate
- No change in the progressive tax rates and the marginal tax bands.
- No change in the amounts of various personal allowances.

One-off measures

- Waive 75% of profits tax for 2018/19, subject to a ceiling of HK\$20,000.

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- Waive 75% of salaries tax and tax under personal assessment for 2018/19, subject to a ceiling of HK\$20,000.
 - Waive rates for the four quarters of 2019/20, subject to a ceiling of HK\$1,500 per quarter for each rateable property.
 - Waive the business registration fees for 2019/20.
 - Provide one additional month of Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance and Work Incentive Transport Subsidy.
 - Provide a one-off additional HK\$1,000 worth of elderly health care vouchers to eligible elderly persons.
 - Provide a one-off grant of HK\$2,500 to each student in need.
 - Pay the examination fees for school candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination.

Others

- Extend the application period for the special concessionary measures (including the enhancement measures introduced since November 2018) under the Small and Medium Enterprise Financing Guarantee Scheme to 30 June 2020.
- Issue the first batch of government green bonds to promote the development of green finance.
- Set aside HK\$5.5 billion for the development of Cyberport 5 to accommodate more technology companies and start-ups.
- Inject HK\$20 billion into the Research Endowment Fund of the Research Grants Council to provide research funding for universities.
- Launch the HK\$2 billion Re-industrialisation Funding Scheme in 2019.
- Inject HK\$1 billion into the Film Development Fund.
- Earmark HK\$10 billion as a Public Healthcare Stabilisation Fund to ensure stable funding for public healthcare services.
- Earmark HK\$5 billion to expedite the upgrading and acquisition of medical equipment.
- Allocate HK\$20 billion to purchase 60 properties for providing over 130 welfare facilities.
- The 2019/20 Land Sale Programme will include 15 residential sites (of which seven are new ones) and seven commercial/hotel sites.