

Hong Kong, 28 February 2018

Hong Kong budget in terrific financial shape, says CPA Australia

As a global professional accounting body that follows government budgets in many markets, CPA Australia has given its backing to HKSAR Government Financial Secretary Paul Chan's second Budget Address in Legco.

CPA Australia, with 163,000 members in 125 countries, believes it is an important step towards making Hong Kong a better place to live, work and do business without risking Hong Kong's fiscal strength – which is the envy of many other advanced economies.

"I am delighted to see such a strong surplus of HK\$138 billion. With our global experience, we know that it is difficult for governments to deliver a surplus, let alone delivering a surplus every year since 2004," said Paul Ho, President of CPA Australia Greater China 2018.

"The surplus allows the Government to announce measures that will assist in improving livelihoods, education and healthcare. Importantly, the strong financial position has allowed the Government to significantly increase its investment in innovation and technology, which will further develop Hong Kong's economy and enhance Hong Kong's contribution to the Greater Bay Area.

"There will obviously be no shortage of discussion on how to use the surplus. The reserves the surplus creates is a critical community asset that must be managed wisely and carefully - with decisions on investing that money determined by the benefits it generates for the Hong Kong community and business.

"Hong Kong remains one of the best places to do business in the world. It is in a very strong position to implement further reforms such as through the Smart City initiative and investment in health infrastructure. These will secure its future and enhance the city's liveability, while providing a buttress against future challenges and shocks.

"While this budget has a commendable focus on the long-term, perhaps a stronger focus on more immediate measures that provide further relief to residents may have been beneficial," he said.

There are a number of positive measures in this budget that will be of benefit to taxpayers including widening the tax band to HK\$50,000, the proposed tax deduction for voluntary contributions to the MPF, deduction for Voluntary Health Insurance Scheme premiums of up to HK\$8000 per insured person, and the increase in the tax rebate from HK\$20,000 to HK\$30,000.

However, there could have been other measures announced such as improvements to the dependent parent allowance and extending the deduction period for mortgage repayments beyond 20 years to reflect the changes to the length of standard home loans.

"We welcome the initiatives announced in today's budget to provide tax relief for individuals but believe that further opportunities to assist individuals could continue to be examined.

"The announcements to assist Hong Kong's SME sector are also positive, including the additional funding to support exporting SMEs and assistance on brand building. These measures together with the introduction of the two-tier profits tax system should provide a boost to this important sector of the economy," Mr Ho went on to state.

While the budget will further assist Hong Kong to take advantage of the opportunities that are emerging in innovation and technology, we would like to see the government announce an investigation into what further measures could be used to attract more regional headquarters to Hong Kong.

"Creating the right conditions to encourage innovation is a critical challenge faced by all governments worldwide. We welcome the significant increase in investment in innovation and technology. This will be a key ingredient to creating a more innovative economy and stimulating job creation.

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“Other measures that could have further assisted the development of a more innovative economy include consideration of preferential tax treatment of intellectual property developed and registered in Hong Kong, and greater incentives for offshore funds and angel investors investing in Hong Kong start-ups,” he stated.

The success of the funding boost to innovation and technology and SMEs announced in this budget will be influenced by how user-friendly the process to access such funds is.

The Government’s decision to set up a tax policy unit in the last budget and the proposed introduction of a two-tier profits tax regime for SMEs signals an openness by the government to take on the challenge of holistic tax reform. We strongly encourage the government to task this unit to undertake further work on comprehensive tax reform.

“Comprehensive tax reform is a critical component in determining how Hong Kong addresses its immediate and long-term social and economic challenges,” stated Mr Ho.

About CPA Australia

CPA Australia is one of the world’s largest accounting bodies with more than 163,000 members working in 125 countries around the world, with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 16,000 in the Greater China region.

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