Budget echoes determination to defeat virus, revitalise economy

Unveiling his 2022-23 Budget today (February 23), the Financial Secretary, Mr Paul Chan, reinforced the Government's "all-out efforts" to overcome the COVID-19 pandemic, while maintaining sound finances and gearing up for recovery.

Mr Chan said he would adopt an "expansionary fiscal policy" to support the community to tide over the current challenges.

"At this critical time, we need to direct more resources to relieve people's hardship and provide small and medium-sized enterprises (SMEs) with some breathing space so as to stabilise the economy and maintain public confidence," the Financial Secretary said.

The Budget initiatives, he said, would focus on the following four main areas:

* Allocating adequate resources to support an all-out effort to win the fight against the epidemic;

* Relieving the hardship of Hong Kong's people and its SMEs;

* Rendering support to the struggling economy and fostering a post-epidemic economic revival; and

* Investing for the future by planning ahead for the medium- and long-term development of Hong Kong's economy.

Mr Chan said he expects Hong Kong's economic performance to pick up in the second half of 2022 and achieve growth of 2 per cent to 3.5 per cent in real terms for the year as a whole.

The headline inflation rate and the underlying inflation rate are expected to be 2.1 per cent and 2 per cent respectively this year.

"All in all, I forecast a surplus of $18.9 billion for 2021â€‘22," Mr Chan said.

Fiscal reserves are expected to be $946.7 billion by end-March 2022.

"It is estimated that the counter-cyclical measures (costing a total of over $170 billion) mentioned in the Budget, together with the spending in infrastructure projects and other items, will have a fiscal stimulus effect of boosting the economy by around three percentage points," Mr Chan said.

Fighting the pandemic

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The Financial Secretary said that, so far, counter-cyclical measures as well as funding under the Anti-epidemic Fund (AEF), involved a total financial commitment of over $460 billion.

Given that the battle against the virus is "our overriding mission at present", Mr Chan pledged to "deploy all available resources and take all necessary measures to fully support the anti-epidemic work".

The Budget has set aside the following resources:

* additional funding of about $22 billion for the Food and Health Bureau to strengthen testing work, procure rapid antigen test kits and relevant services, and provide additional support for the Hospital Authority;

* additional funding of $6 billion for the Department of Health to procure more vaccines as booster doses for the general public;

* additional funding amounting to some $7 billion in total for relevant departments to procure antiâ€‘epidemic items and services, implement antiâ€‘epidemic measures, etc;

* total additional funding of $500 million to be allocated within two years for the Food and Environmental Hygiene Department to enhance environmental hygiene services; and

* a further injection of $12 billion into the AEF for the construction of various anti-epidemic related facilities.

Another $20 billion has been earmarked to meet other antiâ€‘epidemic related needs if required, Mr Chan said.

New revenue streams
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Following a review of the rating system last year, the Financial Secretary unveiled proposals to introduce a progressive rating system for domestic properties to reflect the "affordable users pay" principle.

Changes under the revised system aim to grant rates concession in a more targeted manner, including:

* When a one-off rates concession is implemented in the future, allowing only those eligible owners who are natural persons to apply for rates concession for one domestic property under their name. Taking the rates concession ceiling of 2022â€‘23 as a reference, the new arrangement can save around $3.1 billion for the Government; and

* Introducing a progressive rating system for domestic properties. For domestic properties with a rateable value of $550,000 or below, it is proposed that rates be charged at the present level of 5 per cent of the

rateable value. For domestic properties with a rateable value over $550,000, it is proposed that rates be charged at 5 per cent of the rateable value on the first $550,000 and at 8 per cent of the rateable value on the next $250,000, and then at 12 per cent on a rateable value exceeding $800,000.

"This can better reflect the 'affordable users pay' principle," Mr Chan said, adding that about 42 000 domestic properties are expected to be affected, while government revenue would see an increase of about $760 million each year.

Revenue from profits tax, Mr Chan said, is likely to increase under new international tax reform proposals, known as BEPS 2.0, which have been drawn up by the Organisation for Economic Coâ€‘operation and Development and may affect multinational enterprises (MNEs) in Hong Kong.

"The Government has been exchanging views with the affected MNEs on matters relating to the implementation of BEPS 2.0, and reaffirmed that we would preserve the advantages of Hong Kong's tax regime in terms of its simplicity, certainty and transparency, maintain our territorial source principle of taxation as well as minimise the compliance burden on MNEs when implementing BEPS 2.0," the Financial Secretary said.

"Taking into account these new revenue streams, we expect that the Government will start to achieve fiscal balance beginning from 2023â€‘24."

Land and housing

On the pressing issues of land and housing supply, the Financial Secretary estimated that the overall land supply in 2021â€‘22 can provide about 20 000 units, around 7 000 more than the supply target.

Looking ahead, the Government has identified some 350 hectares of land for the provision of about 330 000 public housing units to meet the demand for about 301 000 public housing units in the coming 10 years, Mr Chan said.

On private housing, it is estimated that the completion of private residential units will average over 19 000 units annually in the five years from 2022 onward, representing an increase of about 14 per cent over the annual average of the past five years.

Considering the factors and taking into account the catch-up growth after the epidemic, the Financial Secretary forecast that Hong Kong's economy will grow by an average of 3 per cent per annum in real terms from 2023 to 2026, slightly higher than the trend growth of 2.8 per cent during the decade before the pandemic.

"This year marks the 25th anniversary of Hong Kong's return to the motherland, a landmark occasion that can usher in the start of a new chapter in Hong Kong's development," Mr Chan said.

"The implementation of the National Security Law and improvements to the electoral system have brought Hong Kong back on a track focusing on development. We share the same dream with our country. Together and united, we can build a better home with courage, wisdom, confidence and action."

ã€€ã€€For more details on the 2022-23 Budget, click here.