

The Chief Executive's 2017 Policy Address

- Tax relief, new convention venues, I&T to boost Hong Kong's economy

2017-10-11

Source: HKSAR

In her maiden Policy Address today (October 11), the Chief Executive, Mrs Carrie Lam, outlined plans to diversify Hong Kong's economy and create more opportunities for the city.

"While upholding the free market principle, the Government has to actively enhance its role in boosting our economic vibrancy through efforts in various areas, including land supply, talent, government-to-government business, policy directions, investment, business-friendly environment and taxation," Mrs Lam said.

Mrs Lam unveiled new tax measures to reduce the burden on companies, including a two-tiered profits tax system that would lower the profits tax rate to 8.25 per cent - half the current standard rate - on the first \$2 million of profit.

"To ensure that the tax benefits will target small and medium-sized enterprises (SMEs), we will introduce restrictions such that each group of enterprises may only nominate one enterprise to benefit from the lower tax rate," she said.

This, Mrs Lam said, would "provide further tax relief to small and medium-sized enterprises". The standard profits tax rate of 16.5 per cent would remain unchanged for profit beyond \$2 million. In addition, the Chief Executive proposed that the first \$2 million in eligible research and development (R&D) expenditure enjoy a 300 per cent tax deduction and 200 per cent for the remainder. A bill to implement the two initiatives will be submitted to the Legislative Council as soon as possible.

Mrs Lam singled out the convention and exhibition industry as "crucial to Hong Kong as an international centre for commerce and trade". She said that a new convention and exhibition venue "of international standard" would be built opposite the existing Hong Kong Convention and Exhibition Centre in Wan Chai, in the space now occupied by three government buildings.

The linked facilities would occupy about 23,000 square metres. In addition, a new convention centre will be built above the MTR Exhibition Station of the Shatin to Central Link in Wan Chai, adding 15,000 square metres of convention space.

The Wan Chai Sports Ground will also be developed for convention and exhibition facilities once the Sports Ground's resettlement is satisfactorily resolved.

The Government will continue to increase the supply of land for various uses. In the coming year, a number of commercial sites will be put up for sale, including sites at the Kai Tak Development Area, above the terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and at the new harbourfront in Central.

These and other sites will add about 1.1 million square metres of floor area. In addition, a site of about 3.2 hectares in Tuen Mun Area 49 has been set aside for logistics use.

Mrs Lam said that Hong Kong would capitalise on the opportunities presented by the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development. The Government, she said, hopes to forge a comprehensive agreement regarding Hong Kong's participation in Belt and Road projects with the National Development and Reform Commission by the end of this year.

She added that the Government would provide additional manpower resources for the Belt and Road Office, and that the Belt and Road Summit, jointly organised by the Government and the Hong Kong Trade Development Council for the past two years, would become an annual event.

Regarding the Bay Area development, the Chief Executive said it will "create favourable conditions for diversifying our industries, in particular promoting innovation and technology development". She added that she would "seek further facilitation measures for Hong Kong people to study, work and start up and operate business, live and retire in the Bay Area", creating a "quality living circle for Hong Kong people".

Mrs Lam emphasised the need to diversify Hong Kong industries, citing innovation and technology (I&T) and the creative industries as ripe for development. In particular, she said, "Hong Kong has huge potential to become an international innovation and technology hub." To that end, Mrs Lam said she would "personally lead a high-level, inter-departmental Steering Committee on Innovation and Technology".

The Government has set a goal to double the Gross Domestic Expenditure on R&D as a percentage of the Gross Domestic Product to about \$45 billion a year (i.e. from 0.73 per cent to 1.5 per cent) by the end of the current Government's five-year term of office. In addition:

*No less than \$10 billion has been set aside as university research funding;

*The Innovation and Technology Bureau will kick-start a \$500 million Technology Talent Scheme; and

*The Education Bureau, through a \$3 billion injection from the Research Endowment Fund, would provide scholarships for local students admitted to University Grants Committee-funded research postgraduate programmes.

Mrs Lam said that initiatives have also been created to enhance the teaching of science, technology, engineering and mathematics studies. They include a series of training programmes for the leadership tier and middle managers of all primary and secondary schools.

The Government will invest \$700 million for Smart City infrastructure projects, including an eID, a single digital identity allowing individuals to conduct government and commercial transactions online. Mrs Lam added that "universal broadband coverage across the territory as far as possible" was essential to becoming a smart city. She proposed offering financial incentives to encourage telecommunications companies to extend their fibre-based networks to rural and remote areas.

Mrs Lam said Hong Kong's creative industries were "a powerhouse that will drive the economy, add value and make Hong Kong a more attractive international city". She said the Government would inject \$1 billion into the CreateSmart Initiative "to strengthen our support for the development of the design industry and the creative industries, especially the nurturing of young talent".

Nurturing talent is a government priority, Mrs Lam said. She pledged to enhance Hong Kong's training resources and policy initiatives in such areas as aviation, maritime, railways, finance, construction and city management. She added that a Commission for the Planning of Human Resources, chaired by the Chief Secretary, would be established to boost talent training and attract more talent from other places.

In finance, the Chief Executive said the Government plans to issue a green bond to encourage Mainland, Belt and Road and international investors to finance their green projects through Hong Kong's capital markets.

She added that the Government would promote international-standard green bond certification schemes issued by local bodies.