香港董事學會
The Hong Kong Institute of Directors
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HKIoD 20th Anniversary

HKIoD's Response to the 2017-18 Government Budget

Note: The response first appeared in Chinese on 22 February 2017.

Some Bright Spots But Not Stellar

The Hong Kong Institute of Directors made the following statement in response to the 2017-18 Government Budget.

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(22 February 2017, Hong Kong) – In the view of HKIoD, despite a change of the chef at the stove, the Budget delivered today appears to be out of the same recipe book. There are some bright spots, but not stellar on the whole.

Public Finance: Objectives and Approach

The Financial Secretary in his Budget speech today sought to give another explication of the constraints placed by external macro-economic factors on Hong Kong's public finance, yet the explication sings to familiar tunes. The Financial Secretary sought to bring up 3 objectives of public finance, which are to develop the economy and improve people's livelihood with appropriate proactivity; to invest for the future of Hong Kong with a forward-looking view to enhancing competiveness so that our economy and society can develop in a sustained manner and our living environment can keep improving; and to make good use of financial resources with a view to building a fair and just society. Those who follow Hong Kong public affairs would probably recall similar rendering of public finance objectives among the predecessors who have served in this office.

The Financial Secretary went further to describe his "sound and progressive" fiscal policy and sought to offer some clarifications on what he saw as gaps in the public's understanding of the Government's fiscal position. On how to deploy annual surpluses, how to deploy fiscal reserves and how to "spend only when necessary", those who follow Hong Kong public affairs would also probably find such to be expressions off the classical repertoire.

Yet the Financial Secretary admitted to the need to review the tax system to enhance competiveness, took up the long-time suggestion with wide support in society and will establish a tax policy unit. This could be a bright spot for this Budget, but we must point out that the tax policy unit cannot until after it is formally established and in operation look into the details of the many forms and types of tax incentives and concessions, many of them with such long-time and wide-spread support in society, that would spur development and spice up the economy. There would seem to be some time to wait before real results and real benefits materialise.

Of FinTech and Creative Metropolis

The Budget speech today included quite a few passages on electronic payment systems and FinTech. Compared to neighbouring jurisdictions (Mainland included), Hong Kong does have some catch up to do when it comes to the rolling out and wider-spread adoption of electronic payment. To develop an electronic payment and FinTech ecosystem is to create more business opportunities.

The Financial Secretary made the announcement that there will be formed a committee on Innovation & Technology and Re-industrialisaion to coordinate the I&T development and reindustrialization of Hong Kong. The Institute wishes for an early start of the committee's work and for actual substantive progress in promoting the development of new tech businesses and to spice up the economy.

The Budget speech mentioned that the $500 million Innovation and Technology Fund for Better Living, set aside in a previous Budget, will soon be launched to finance I&T projects that improve people's daily lives and benefit the elderly or the underprivileged. The Policy Address delivered in January mentioned that the Government has engaged a consultant to give views on how better to use innovation and technology to enhance municipal management and to better people's lives. Results are expected this year. We look forward to those views and recommendations. We have long held the view that the power of better design does not just spark innovations fetching more profits. The power of better design can also help society find new and better ways to deliver public services.

Housing and land supply

The Institute has no doubt in this Administration's determination to work at increasing the supply of housing units. The Institute believes that, with the completion of more units, we can indeed re-establish a flight of steps for younger persons and families to improve on their housing condition and quality of living in realistically reachable climbs. But we reiterate our concern, that in meeting the acute housing demand now, we do not forget the other long-term goal of increasing the living area per person. Perhaps we can add a bit of creativity in the floor plan design of the new housing units, such that when the pressure on housing lessens, the units can be suitably re-modelled to become larger units. At the least, we need smarter floor plans with better actual usable space so smaller units can still make for a good habitat.

The Institute believes the prospect of averting the supply-demand imbalance in housing supply sooner in time still hinges on the ability to search for suitable land for housing development. There has been some progress in landing more housing sites, but the results are hardly exemplary. The Financial Secretary admitted to there being still a substantial shortfall in land supply for public housing development. The promise of a 3-year waiting time for those seriously in need for public rental housing to satisfy basic housing needs have become more remote. The Financial Secretary indicated that he will coordinate and supervise the work on land supply through the Steering Committee on Land Supply. The public will surely keep an eye on whether there will indeed come better progress in finding housing sites.

Relief Measures

Relief measures in this Budget are of the same flavor as in previous years; for instance, salaries tax reduction (75%; $20,000 ceiling), waiving rates (4 quarters; $1,000 ceiling per quarter) etc. But to widen the marginal bands for salaries tax, raising the dependent brother/sister allowance and to extend the entitlement period for home loan interest tax deduction, etc. should give more help to a good number of families.

The Institute is pleased to see another year of profits tax reduction (75%; $20,000). And to extend the application period for the Dedicated Fund on Branding, Upgrading and Domestic Sales for 5 years to June 2022, to extend the application period for the "special concessionary measures" under the "SME Financing Guarantee Scheme" to 28 February 2018, and to enhance the underwriting capacity of the Hong Kong Export Credit Insurance Corporation to $55 billion should go some distance to help SMEs cope with cash flow and the cost of doing business.

We do worry that the Budget may not have offered much to those in the lower echelon of society. The hope is for the relevant departments to fashion on their own or through social services groups suitable relief measures for the needy.

Long-term development driven by manpower

Hong Kong's long-term development is to be driven by talents. We recognize the Administration's commitment to develop an orderly framework of education, vocational training and qualification accreditation that features diversity, provides multiple pathways and enjoys high recognition, all towards a seamless integration of education, training, business and employment.

The Budget has some measures to push further the incentives to seek continuing education; for instance, the tax deduction ceiling for self-education expenses will rise from the current $80,000 to $100,000. The Policy Address included a plan to support secondary school teachers to take study leave abroad with pay, which is not a bad idea. When the plan is in place for some time, we may want to closely examine the effectiveness and consider broadening the scope. In the Budget today there will be deployed $700 million for the Education Bureau to strengthen its efforts in promoting vocational and professional education and training and in facilitating the training and professional development of principals and teachers. These measures will have some effect in enhancing our capacity to better groom the next generation.

HKIoD believes lifelong training for directors in corporate governance knowledge and skills is an important yet often neglected segment when it comes to nurturing talents for the economic development of Hong Kong. Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. HKIoD believes that company directors should have a firm measure of competence to perform when they first assume their posts. Over time, they should strive to remain up-to-date with best corporate governance practices. Similarly, directors/governors of social enterprises, charitable organisations and statutory bodies should also be ready and prepared to discharge their duties when they start out and to keep up-to-date with best governance practices over time.

The Institute prays for the Government to draw up measures to help directors of business companies or governors of organisations of various kinds, whether those who now are and those who aspire to be, to obtain quality training so as to raise the level of their corporate governance practices.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. A non-profit-distributing organisation with membership consisting of directors from listed and non listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi cultural environment, HKIoD conducts business in biliteracy and trilingualism. Website: http://www.hkiod.com.

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