

[For Immediate Release]

HKIoD's Response to the 2014-15 Budget

Invest to Stay Competitive, Develop the Economy, and Solve Livelihood Issues

The Hong Kong Institute of Directors (“HKIoD”) made the following statement in response to the 2014-15 Budget.

The Financial Secretary kept many relief measures in this Budget but scaled them down. HKIoD believes the middle class can benefit if we can indeed get the economy going, but they have for now a high burden that needs relief.

Reducing salaries tax and profits tax and adjusting upward the allowances for maintaining dependent parents or grandparents should be the right things to do. Waiving rates for two quarters, down from four, could be too little, however. The electricity charges subsidy was dropped, and the Institute does not object. We believe electricity charges are still low relative to the affordability of many, and the tariff scales are not sufficiently progressive to encourage energy conservation. We have not been in favour of granting this subsidy across the board.

Invest to stay competitive

HKIoD holds the belief that economic growth remains our best friend when it comes to finding new resources to address housing, poverty, ageing population and environmental protection and other livelihood issues.

The Budget mentioned the investments that the Government will continue to make in mega projects such as the new airport runway, the opening up of new development areas and the creation of a man-made island in central waters east of Lantau. We agree these infrastructure projects should help boost Hong Kong’s efficiency and economic strength.

To attract overnight visitors, the Budget included some plans and measures to come up with more hotel rooms, to create more tourist attractions and to make exhibitions and conventions in Hong Kong more enticing. The Government also commits to study the demand for exhibition and convention facilities in the next 15 years. The Financial Secretary listened to our call, and we are delighted.

The Budget introduces the Enterprise Support Scheme to replace the Small Entrepreneur Research Assistance Programme, and will at the same time raise the funding amount and

extend the scope of projects eligible for funding. The Institute believes these measures will further boost R&D investments and commercialisation activities among private companies at home and attract those from abroad to bring their R&D departments to Hong Kong, hence creating a more diversified ecology for innovation and technology.

The Financial Secretary has asked the Financial Services and Treasury Bureau to set up a task force in collaboration with the Hong Kong Monetary Authority to review the requirements under the Inland Revenue Ordinance for interest deductions in the taxation of corporate treasury activities when multinational enterprises choose Hong Kong as the platform to manage their global or regional treasury functions. HKIoD welcomes these proposals.

We believe the Financial Secretary should take the next step, to commence a comprehensive review of the tax regime to make it more competitive and better match economic development needs.

The Budget mentioned an endowment fund of HK\$1 billion to be created by the Education Bureau to provide a steady source of funding to encourage continuous learning. In addition, the Budget allocates money to implement the recommendations of the Task Force on Manpower Development of the Retail Industry. Investments to shape up our workforce should enhance productivity, which should in turn benefit economic development in the long run. We agree with these measures. The Institute, however, regrets that the Financial Secretary did not offer any clear reply to the current situation of labour shortage that is hampering the development of some sectors.

Invest to better city life

The Institute supports the investment of HK\$30 billion from the Government in waste recycling and treatment facilities. Before we can institute a levy on garbage disposal that is fair, we must first have the wherewithal to allow residential households and commercial tenants to segregate waste at the source, and we must have a recycling industry at work.

Corporate governance and the New Companies Ordinance

The New Companies Ordinance will get implemented in just a few weeks. The Financial Secretary could have taken the occasion of this Budget Speech to remind all company directors that there is rising expectation on how they perform. The Institute believes company directors must have and must continue to improve on their skills, knowledge and qualities required to meet the corporate governance demands of today. When they first assume their posts, they should have a firm measure of competence to perform; and over time, they should strive to remain up-to-date with best corporate governance practices.

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.

To view other statements by HKIoD on Policy Address and on Government Budget, please visit: <http://www.hkiod.com/position.html>.

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