香港董事學會
The Hong Kong Institute of Directors
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HKIoD's Response to the 2023-24 Budget

Note: The response first appeared in Chinese on 22 February 2023

"Shoring up the Recovery"

The Hong Kong Institute of Directors made the following statement in response to the 2023-24 Government Budget.

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（22 February 2023, Hong Kong）In the view of HKIoD, the Budget delivered today gives impetus to the recovery, paves the way for digital transformation, all to seek better quality growth to better the quality of people's life.

The economy needs support

The Financial Secretary was quick to point out that, at this early stage of recovery, people and businesses are still in need of support. The Budget again included one-off relief measures. Salary and profits tax reduction remain but are capped lower than prior years. To raise the dependent child deduction can however benefit more families.

During the consultation phase there have been loud calls for more consumption vouchers. The Financial Secretary announced today another round of $5000 to those eligible, probably the result of weighing the public's wish against the cost burden. We think the tax and fee relief could perhaps be more generous to help working families and the middle class, and the extra welfare assistance and allowance could be higher to help the grass roots families.

Though consumption vouchers can add spending to help the economy, one effect could be to send Hong Kong people's high spending overseas to benefit other economies ahead of our own. As we said in our Budget recommendations this year, we should rather seek more visitors to bring their spending here.

Bring visitors in, get the name out

The Government will allocate an additional $200 million for the Hong Kong Tourism Board to bring more conventions and exhibitions of different kinds and scale to stage or to return to Hong Kong. The funding will also be used to raise the profile and get the Hong Kong name out to open new markets.

Following the *Hello Hong Kong* promotion that came about in early February, the Government will soon launch the *Happy Hong Kong* campaign to add options for local tourism and leisure. We look forward to further details.

Digital economy, digital transformation

The FS spoke on the need to break out of bottlenecks in the search of high-quality growth. Technology innovations can drive development. System tweaks and policy changes can spark new impetus. To that end, the Budget keeps adding to innovation and technology development, and will seek to speed up the development of the Web 3.0 ecosystem. The FS will lead a task force on crypto assets to formulate recommendations for a sustainable and responsible development of the sector. We believe the crypto assets sector should not be regulated too tightly to stifle the utility and good that the underlying technologies can bring to foster economic development and transformation.

Life sciences and biotech, microelectronics, advanced manufacturing, AI, the development of these frontier technology fields are key, but the larger economy also needs a makeover. Businesses in older industries, and the SMEs, they should all get on the path of digital transformation. The Budget speech a year ago had already pointed out that digitalization is an inevitable trend as the economy seeks high-quality growth. The Digital Economy Development Committee is now up and running, and its four sub-groups are to present within the year specific recommendations to accelerate the pace of digital transformation.

Smoking, drinking, gambling

The Government will raise tobacco duty, as the intended policy effect of the last hike to discourage smoking has been much diluted by inflation and other factors. Safeguarding public health lends a strong reason to discourage smoking. But if tobacco is to see a higher duty, alcohol which is just as much an addictive and health threatening substance can see a duty hike just as well. The cut some years back fashioned and supported a local wine industry. Wine consumption may have become much more inelastic to be able to withstand the re-imposition of a duty. With bonded warehouse arrangements, the cross-border trade and distribution segment need not be affected.

The Government will impose an annual special football betting duty of $2.4 billion on the Hong Kong Jockey Club for five years. The FS gave consideration to the intense competition from offshore betting upon the local betting business. Meanwhile, the HKJC undertakes not to reduce its commitment to local charities. Fact is, there has been a sharp increase in bets on football matches, now exceeding that on horse racing. What we also know is the Government finds it necessary to regularly air public service announcements to warn against gambling addiction. The Charity Trust balance stands high, which should make the special duty bearable. The dollars received can also be put into welfare programmes for the benefit of the citizenry.

Land and housing

The FS made it clear that demand-side management measures are to stay, but will adjust the ad valorem duty bands (for Rates at Scale 2). The move should lighten the burden on some families purchasing their first home without stirring up speculations in the housing market. In the long run, the Government must press on with getting more land sites available to solve the housing situation.

Public finance

The FS said in his speech Hong Kong still has much room for debt financing to support and expedite economic development to build capacity for the future. The Government will expand the scope of the green bond programme. With the aim to better manage cash flow for major projects, proposals for an Infrastructure Bond Scheme will go to LegCo within the year. The Institute along with others in society has made recommendations to the Government to sell bonds to finance infrastructure projects and develop the bond market along the way. We should like to see it to fruition.

Riding out of the pandemic, Hong Kong requires extra impetus to shore up the economic recovery and to foster high-quality growth towards a better future. A deficit budget for this year still, but we are with the FS that drawing too many conclusions on the surplus or deficit of one year or another will be observations made for the short term. It should be more useful to assess the financial position over an economic cycle.

The Institute has also long held the view that economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues. A real recovery will best turn the deficit around and put more in our tank.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors ("HKIoD") 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. HKIoD is a member institute of the Global Network of Director Institutes, a worldwide alliance of leading director institutes.
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