



香港工業總會

Federation of Hong Kong Industries

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Industry News

Press Release

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The FHKI welcomes the Budget sets to promote innovation & technology development and re-industrialisation

In response to the 2017-18 *Budget* announced by Financial Secretary Paul Chan today (Wednesday), the Chairman of the Federation of Hong Kong Industries (FHKI), Prof Daniel M Cheng, considers that in the light of substantial surplus and fiscal reserves, giving appropriate concession so as to share the fruitful economic gains with the general public is putting the surplus into good use. He also welcomes the Budget's support given to Hong Kong's innovation and technology (I&T) development and re-industrialisation.

Prof Cheng also urges the Government to speed up implementing the supporting measures initiated in the Budget for small and medium-sized enterprises (SMEs) to address the operating pressure posed by economic uncertainties, and to facilitate SMEs in market expansion and talent training. This will be conducive to the sustainable growth of Hong Kong economy.

Prof Cheng said that the FHKI welcomes the tax policy unit to explore the enhancement of tax deductions for I&T expenditure.

"The FHKI and the business community over the years have urged the Government to enhance Hong Kong's tax incentive policies to encourage enterprises to invest more on I&T. The FHKI hopes that this issue will be high on the tax policy unit's agenda as the industries are hoping for speedy implementation of the enhanced tax deduction measures. As many countries have already been using tax incentives to promote R&D, the FHKI has long been advocating triple tax deduction so that the incentive will be effective. Moreover, the FHKI has suggested that expenditures on branding and design should also be eligible for enhanced tax deduction," he said.

Prof Cheng pointed out that if the tax incentive could be used effectively, the private investment of business sector on R&D would increase. Hopefully, the ratio of R&D expenditures in GDP can be raised from the current 0.8 per cent to 2.5-3 per cent in 10 years' time, thus narrowing the gap between Hong Kong and its neighbouring economies.

Regarding the establishment of a new committee on I&T development and re-industrialisation, the FHKI hopes that its work scope will cover land supply, manpower training, STEM education for primary and secondary students, financial support, cross-sectoral collaboration and re-industrialisation studies. Prof Cheng noted that the FHKI is happy to join the committee to convey the views of the industries and propose suggestions.

Regarding the setting up of a "Trade Single Window", the FHKI welcomes measures that



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will help lower the operational costs of enterprises and enhance the industry's competitiveness. However, Prof Cheng reiterated that when considering the introduction of pre-shipment declaration arrangements, the Government must conduct thorough consultation with the industries and stakeholders and the feasibility of actual operations. Against the background of volatile external economic environment, the Government must ensure that any new arrangements have to be more effective and can help cut cost in order to enhance the competitiveness of Hong Kong in trading and logistics, one of Hong Kong's pillar industries.

The Financial Secretary mentioned in the *Budget* that the Government is discussing with major stakeholders the proposal to progressively abolish the offsetting of severance payments or long service payments with Mandatory Provident Fund (MPF) contributions, and he will provide the necessary financial support having regard to the outcome. In response, Prof Cheng pointed out that the Government's proposal is very controversial. He stressed that it is a big issue that would impact on the business sector and Hong Kong's economy at large. The Government needs to carry out in-depth consultations with all stakeholders to arrive at a pragmatic and widely acceptable solution.

As regards to increasing MPF returns and lowering management fees, the FHKI supports the Government's initiative to explore the development of a centralised electronic platform for MPF, yet the FHKI advocates that the Government should consider to take up the management responsibility of MPF so as to attain better transparency and cost control.

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