香港工業總會
FHKI

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The FHKI welcomes the pragmatic and forward-looking measures in the Budget

In regard to the 2016-17 *Budget* announced by the Financial Secretary John Tsang today (Wednesday), Chairman of the Federation of Hong Kong Industries (FHKI) Prof Daniel M Cheng supports the Government's initiatives to take suitable concessions in the light of the budget surplus to share the fruitful outcomes derived from the economic development with the general public. Prof Cheng also welcomes the Government to budget for a series of measures to drive Hong Kong's re-industrialisation and innovation and technology development. Apart from that, he is of the view that relief measures given to the small and medium-sized enterprises (SMEs) to address their operational pressures and other supportive measures to facilitate market expansion (including regions along the Belt and Road), manpower training will help sustain the economy's development.

Innovation and technology is the engine to drive industries' upgrading and transformation and to enhance their competitiveness. The FHKI supports the Government's promotion in three particular aspects, namely robotics, healthy ageing and smart city, and to widely apply and commercialise research results. These measures are broadly in line with the FHKI's advocacy of re-industrialisation. However, Prof Cheng points out, in order to front up with the competition from the neighbouring countries, the Government needs to further encourage enterprises to invest more on research and development (R&D). For this, the FHKI advises the Government to set a target, raising the ratio of R&D expenditures accounted in the Gross Domestic Product from the present 0.8 per cent to 2.5-3 per cent to narrow the gap between Hong Kong and its neighbouring economies.

The FHKI is pleased to see the Government increase the level of cash rebate under the "R&D Cash Rebate Scheme" to 40 per cent, encouraging SMEs to allocate more resources on R&D projects. However, Prof Cheng believes that there is still an ample room for the Government to enhance its tax incentive policies to encourage greater investment on innovation and technology, R&D, branding and design resources. The FHKI has long been proposing that enterprises should enjoy a triple tax deduction for expenditures on the abovementioned areas, so that enterprises can enjoy greater flexibility in choosing the format and partners of their R&D projects. The FHKI has also proposed that a lower Profits Tax rate should be provided for enterprises with small profits. The FHKI is disappointed that these two are not taken in this year's *Budget* and hopes the Government will continue its study on how to take on board these proposals next year.

The FHKI believes both the SMEs and the information and technology sector will be benefited from the Government's measure to reserve HKD500 million to launch a three-year Pilot Technology Voucher Programme to provide, on a matching basis, subsidies for SMEs for their purchase of technological services and solutions. Having said so, Prof Daniel M Cheng urges the Government to streamline the application procedures as to reduce the necessary costs to be generated during the application procedures which may otherwise be borne by the SMEs. He also suggests the Government to conduct mid-term reviews to consider the need for further increase in the amount of subsidies.

The FHKI also welcomes the Government's continuous efforts in rolling out various measures to support the industry and boost the economy. For instance, the extension of the application period for the "special concessionary measures" under the "SME Financing Guarantee Scheme", reduction on profits tax and waving of business registration fees as well as licensing fees for the tourism industry

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and catering sector. These measures, which will help ease the operational pressure of enterprises, are crucial for their survival and development in the face of the current economic downturn.

Regarding the plan of setting up a “single window” which will enable the industry to submit all trade documents and submissions to the Government for trade declaration and customs clearance purpose in a "one-stop" manner and connect with other governments' systems as well as trade information platforms run by the private sector. The FHKI welcomes such an initiative as it will help lower the operational costs of enterprises and enhance the industry’s competitiveness. Prof Cheng urges the dedicated office, which will be established for the initiative, to consult the industry and various stakeholders so that it would design and devise concrete implementation details after fully understanding the actual operation of each party. This will ensure that the new operation model is more effective and cost-saving in facilitating trade and business operations.

In light of the uncertain global economy, fluctuations in international financial market and the tapering off in local economic growth, Hong Kong will have to face more tough challenges, in particular, the structural problems regarding an ageing population, and issues on healthcare and housing. The FHKI supports the Government’s forward-looking move to set aside HKD220 billion as an initial endowment of the Future Fund and hopes that the Government will continue to adhere to its principle of fiscal prudence, striking a balance between making good use of the surplus and saving for the future as to drive the city’s sustainable and stable economic development.