

Hong Kong, 22 February 2017

CPA Australia applauds Hong Kong Budget

CPA Australia, one of the world's largest professional accounting bodies, has given its backing to HKSAR Government Financial Secretary Paul Chan's first Budget Address in Legco and described it as an important step towards enhancing Hong Kong's economic competitiveness while maintaining its mid-term fiscal stability.

"The Government deserves praise for delivering such a strong surplus of HK\$92.8 billion which not only provides Hong Kong with fiscal and structural stability but also allows it to make the required strategic investments that will strengthen its competitive advantage," said Alex Malley, Chief Executive of CPA Australia.

"Hong Kong remains one of the best places to do business in the world. Its fiscal reserve of HK\$935 billion puts Hong Kong in a much better position than many other developed markets to make the investments it needs to secure its future."

"We congratulate the Government for directing its windfall gains into investments supporting the future drivers of growth."

"Today's announcements will assist Hong Kong to meet the immediate challenges presented by the current global environment, as well as major long-term challenges such as Hong Kong's rising ageing population."

Theresa Chan, Deputy Chair of CPA Australia Greater China's Tax Committee said the Government's decision to set up a tax policy unit in the Financial Services and the Treasury Bureau to comprehensively review tax issues was very welcome and she was delighted with the announcement.

"We have been lobbying government to develop and implement a comprehensive tax reform agenda," said Ms Chan. "This will be a critical component in determining how Hong Kong addresses its immediate and long-term social and economic challenges."

Regarding other aspects of the Budget Address, Ms Chan made the following comments:

Innovation and Technology Venture Fund

"Creating the right conditions to encourage innovation is a critical challenge faced by all governments worldwide. We welcome the significant investment in the Innovation and Technology Venture Fund. This is a key ingredient to creating a more innovative economy and stimulating job creation and revenue growth for the future."

"With this in mind, we will be asking the HKSAR Government to consider implementing three initiatives. First, consistent with the forward looking theme of the budget, we would like to see the investment in the Innovation and Technology Venture Fund extended beyond that which was announced today to ensure it will remain competitive with similar initiatives in Singapore and other markets."

"Secondly, we see merit in creating a fund to encourage universities to commercialise their IP and innovation research. This is at the heart of Hong Kong's competitive future."

"Thirdly, we are asking for the establishment of a global STEM (Science, Technology, Engineering and Mathematics) scholarship program for appropriately qualified Hong Kong residents to teach STEM in Hong Kong schools."

SMEs

"As part of the tax policy unit's examination of holistic reform we believe attention should be given to SMEs. Given the scale of Hong Kong's fiscal reserves we think the time is right for the Government to reduce the profits tax rate

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for SMEs. We believe reducing the current rate of 16.5 per cent to something closer to 8 per cent would be appropriate and would stimulate the growth needed in this critical sector of the economy.”

Regional Headquarters

“With Hong Kong positioning itself as a hub for innovation, we believe the Government should provide incentives for the establishment of regional headquarters to ensure we remain competitive. The introduction of a reduced profits tax rate would assist Hong Kong in attracting businesses to establish a regional base here.”

Individual Tax

“We welcome the initiatives announced in today’s budget to provide tax relief for individuals but believe that further opportunities to assist individuals could continue to be examined. We would hope to see this form part of the tax policy unit’s work program.”

CPA Australia is one of the world’s largest accounting bodies with more than 160,000 members working in 118 countries around the world, with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 17,000 in the Greater China region.

For more details, please contact:

Racepoint Global

Clara Liddell

Tel: 3111 9934

Mobile: 6317 8002

Email: cliddell@racepointglobal.com

CPA Australia

Carmen Pan

Tel: 2202 2722

Mobile: 5318 9655

Email: carmen.pan@cpaaustralia.com.au