



Hong Kong General Chamber of Commerce  
香港總商會 1861

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*Helping Business since 1861*

14 December 2016

The Honorable C Y Leung, GBM, GBS, JP  
Chief Executive  
Hong Kong Special Administrative Region  
Tamar, Hong Kong

Dear Chief Executive,

### **Policy Address cum Budget Submission**

Hong Kong General Chamber of Commerce is pleased to enclose its submission containing proposals for the Government's forthcoming Policy Address and Budget.

Against the background of the recent disruptive and unsettled political climate, there has arguably never been a more important year for a Policy Address which gives a clear steer on the Government's future plans for economic growth, for with economic growth comes jobs, and increased prosperity and contentment for Hong Kong citizens.

Our proposals have been chosen with this objective in mind. First and foremost, Hong Kong must return to its roots and regain its reputation of being a business-friendly, free market economy with light-touch regulation. This is necessary both to remove unnecessary costs for local businesses (especially SMEs) thereby enabling them to grow, and for Hong Kong to remain an attractive place for overseas businesses to locate. After all, the business sector provides nearly 80 per cent of all jobs in Hong Kong. Employers need employees, just as employees need employers.

Light touch regulation requires that any policy intervention be accompanied by a rigorous regulatory impact assessment demonstrating clearly that the benefits of regulatory intervention exceed the costs. A holistic approach should be taken in this regard. For example, proposed regulatory intervention in the social field (retirement protection, standard working hours, abolition of MPF offsetting mechanism and so on) should be looked at as a package in assessing their overall costs and benefits, rather than individually. Business cares very much for the needy but is sternly opposed to the notion of "entitlement".

These and other proposals are developed in the attached submission, which we hope you will find helpful. As always, we look forward to working constructively with the Government, for the benefit of all Hong Kong citizens.

Yours sincerely,

Stephen Ng  
Chairman

c.c. Mrs Carrie Lam, Chief Secretary for Administration  
Prof K C Chan, Acting Financial Secretary  
Mr Shiu Sin Por, Head, Central Policy Unit

**2017- 2018 Policy Address cum Budget Submission  
Hong Kong General Chamber of Commerce**

*Introduction*

1. Against the background of the current fractious political situation, there has arguably never been a more important time for a Policy Address which could give a clear direction and vision for Hong Kong's economic future over the next few years. While economic stability and success may not be a *sufficient* condition for the resolution of the current widespread public discontent, HKGCC strongly believes it is a *necessary* one, because with economic stability and success comes increased jobs, better pay and financial security for Hong Kong citizens, and thereby increased prosperity and contentment.

2. Hong Kong is in the fortunate position of being presented with a number of significant opportunities, leveraging on its existing strengths: the 'Belt and Road' Initiative, the interface between technology and financial services ("Fintech") and its unique potential appeal as a tourist destination, to name but three. In order to unlock and benefit from these opportunities to the fullest extent, Hong Kong must address a number of problems. First and foremost, it has to **go "back to basics", and return to its tradition of being a free trade, "light touch" regulation and low-tax economy** - a tradition which it sadly is in danger of losing, due to developments over the last few years. Secondly, it must **take measures to make the most of its most valuable and scarce resources, namely people and land**. Unlike our competitors, we have no natural resources or large internal economy to fall back on if times are difficult.

3. **For Hong Kong, it is imperative that attention to shoring up our competitiveness is aligned with the need to maintain our relevance. Otherwise, Hong Kong runs the real risk of being marginalized.** There is already an upsurge of Free Trade Zones across the border where the formula for economic development that has served us so well is being successfully replicated. Unless we are sufficiently prepared to anticipate and pre-empt these challenges, the risk is that Hong Kong will quickly find itself as an "also-ran".

*Going Back to Basics*

4. "Going back to basics" essentially involves three steps: embracing the fact that Hong Kong needs businesses; ensuring that regulations and red-tape are kept to a minimum; and maintaining and enhancing Hong Kong's status as a low-tax regime. (It is noteworthy that Hong Kong's Basic Law itself requires a free market and low tax approach: see Articles 5 and 108 respectively). We deal with each of these steps in turn.

*A) Embracing the fact that Hong Kong depends and thrives on businesses.*

5. It is disappointing that the interests of Hong Kong's businesses are often overlooked in public debates, particularly in LegCo and the media. For example, debates over prospective legislation are often framed in terms of "business versus consumers" or "pro-business versus anti-business", as if one has to be in one camp or the other. This has unnecessarily polarized positions, and led to a feeling that "business is bad", which is not conducive to an informed debate. This unwelcome development has often been commented on and/or noted with surprise by visiting delegations from overseas.

6. There should therefore be a conscious effort to acknowledge the importance of business, as well as its contributions and value to the community as a whole. Businesses pay taxes, create jobs and contribute to raising living standards. To that end, we need to promote a business friendlier climate that is truly welcoming and accommodating. This is especially relevant if the Government wants to fulfil its aspiration of promoting Hong Kong as a start-up hub, and an attractive jurisdiction for overseas companies to establish their regional headquarters, thereby maintaining and generating jobs for Hong Kong citizens. **The Government needs to take the lead in getting the message across to Hong Kong citizens that businesses are to be encouraged as they bring prosperity and jobs. One specific way it can do this is by ensuring that regulations are kept to a minimum, and that it only regulates where the benefits of doing so exceed the costs.** In other words, it should avoid any temptation to put short-term popularity before economic efficiency. We deal with this recommendation in more detail in section B below.

*B) Ensuring that regulations and red tape are kept to a minimum*

7. Hong Kong's economic success, and its attraction as a place to do business, are due in large part to its free market and light-touch approach to regulatory intervention. This approach reduces unnecessary business costs, and releases more resources for businesses to take advantage of future opportunities. However, the business environment in Hong Kong has become increasingly regulated, and the Government has become more interventionist in the market, in spite of its earlier commitments of "positive non-intervention", "big market, small government" and "light-touch" regulation. Increasingly, new regulations are being introduced as "quick fixes" to address short term issues of popular concern, rather than for the long term healthy development of Hong Kong. There is also a tendency to pick and choose from the policies and practices of other economies, sometimes without due consideration as to context or balance, or Hong Kong's unique local circumstances. The Statutory Minimum Wage and the Competition Ordinance are good examples of this tendency. Moreover, the manner in which regulations are implemented often goes beyond their original intent, and public and/or stakeholder engagement in the law-making process is arbitrary, inconsistent and opaque.

8. The costs of unnecessary regulations and red tape impose a particularly heavy burden on SMEs, which account for over 98% of Hong Kong businesses, including all start-ups. For example, the Standard Working Hours Committee was supposed to submit its report soon. Any recommendation other than doing nothing will surely add to the cost of doing business, which is especially devastating for SMEs. When taken in aggregate with the legislation on minimum wage and paternal leave, businesses are being subjected to increasing overheads in tandem with the rise of compliance obligations. These costs all add up. The future looks to be very challenging for SMEs with the issues of regulated working hours, retirement protection and MPF offsetting abolition. More importantly, such regulations if implemented will undermine the flexibility of the labour market. **The Government needs to adopt a holistic rather than a piecemeal approach to regulation, looking at its overall effect on the market.** For example, proposed regulatory intervention in the social field (retirement protection, standard working hours, abolition of MPF offsetting mechanism, and so on) should be looked at as a package in assessing their overall costs and benefits, rather than individually.

9. **The Chamber strongly advocates that a proper Regulatory Impact Assessment ("RIA") should be conducted and required as part of the policy formulation process,** as is the norm in many well-developed economies. The RIA should explain clearly the perceived need

for intervention (i.e. the objective sought to be achieved); the different methods of achieving the objective; the costs and benefits of each method (as well as the costs and benefits of doing nothing); and on that basis the preferred method of intervention. There should be no intervention unless the costs are clearly outweighed by the benefits. **RIAs should be applied to not just new measures, but also existing measures on a regular basis, after public consultation.** Unless the existing measure passes a rigorous cost/benefit analysis, it should be scrapped, or at least have its unnecessary elements removed.

10. There are a number of other things that the Government could do which would significantly help SMEs. For example, relaxing the requirements on the application of the SME Development Fund so that the same SME can apply for funding again would help, as would increasing the amount of SME Marketing Fund granted, and relaxing the profitability and cash flow requirements of the SME Financing Guarantee Scheme. At the same time, start-ups should be included and encouraged.

### *C) Maintaining and enhancing Hong Kong's reputation and status as a low tax jurisdiction*

11. For a number of years, the Chamber has been advocating a two-tiered profits tax structure. Under this tax structure, the rate on the first HK\$2 million would be reduced to 10%. This would be a very straightforward and powerful way of both helping our SMEs and maintaining Hong Kong's tax competitiveness, thereby maintaining and enhancing Hong Kong's attractiveness as a regional hub for overseas companies. The revenue foregone would be a fraction of the Government's budget surplus and would be offset in any case by the benefits of superior economic growth. **The Government should seriously consider the introduction of a dual rate tax structure, as well as the other measures to alleviate the tax burden described in the Annex.**

## *Seizing Opportunities*

### *A) Capitalising on the Belt and Road Initiative*

12. The Belt and Road Initiative represents one of the most ambitious undertakings unveiled by our nation. The Initiative spans more than 60 countries, which collectively account for over 60 per cent of the world's population, more than one-third of international trade, and 30 per cent of the global GDP. The associated opportunities are immense. Hong Kong can capitalise on our unique advantages of efficient international networks, and professional knowledge and experience of doing business with most places along the routes (especially Mainland China) to contribute to the Initiative, while deriving substantial benefits at the same time.

13. According to Zhang Dejiang, Chairman of the Standing Committee of the National People's Congress, Hong Kong has the support of the Central Government in playing an active role under the Initiative. This involves (1) the establishment of a platform for a comprehensive range of services, such as accounting, design, consultancy, legal and arbitration, high value-added shipping, R&D and other professional services; (2) the facilitation and promotion of capital flows and Renminbi internationalization, as well as the development of the Belt and Road investment and financing platform; (3) the promotion of cultural exchanges for greater mutual understanding among the people along the Belt and Road; and (4) the deepening of co-operation with the Mainland to jointly develop markets along the Belt and Road.

14. The Chamber submitted proposals to the Government earlier in the year on ways in which Hong Kong could capitalise on its intrinsic strengths as a major financial centre, to play a substantive part in the Initiative. We have suggested that **Hong Kong be developed into a Corporate Treasury and Debt Financing Centre to support and complement the Asian Infrastructure Investment Bank in providing financial backing to infrastructure projects.** Asia will need about US\$750 billion a year to cover infrastructure construction between 2015 and 2020, and such funding needs cannot be satisfied by existing multilateral development banks. Accordingly, there are opportunities for the private sector to play a significant role in raising funds for the Belt and Road projects. The open-ended nature of the Initiative means that projects and undertakings are in a constant state of evolution and in the case of certain industries, still very much at the conceptual stage. The Chamber looks forward to working closely with the Belt and Road Commission in identifying opportunities and fleshing out concrete measures for Hong Kong companies to take advantage of these opportunities. We recommend that **the Commission maintains a close dialogue with the Chamber as an interface in helping Hong Kong businesses to realise the opportunities arising from the Belt and Road Initiative.**

*B) Maintaining and enhancing Hong Kong's position as an international financial centre*

15. Hong Kong's economic success has been to a large extent based on its success as an international financial centre, and particularly on its stock exchange as a listing centre for fund-raising. Since this success is so important to Hong Kong, the Government should be particularly wary of interfering with a successful *status quo* - which is one of the reasons why the Chamber is so concerned by the SFC and Stock Exchange proposals to relegate the role of the Listing Committee and promote that of the SFC in the listing process. The Government and public authorities should be averse to, and refrain from implementing, any proposal which threatens Hong Kong's position as an international financial centre.

16. It was stated in the previous Budget Speech that the Government would help develop aircraft leasing business in Hong Kong. We fully support such development as it would help strengthen Hong Kong's position as an international financial centre and create jobs. Other business sectors such as banking, legal, accounting, and aviation related professional and support services would also benefit. In light of the competitive tax structures offered by Ireland and Singapore, two prominent aircraft leasing hubs, we need a tax structure that is at least on a par with theirs. **The Government should consider relaxing the current depreciation allowance restrictions and lower the overall profits tax rate to enable and attract global leasing companies to set up their headquarters in Hong Kong.** In addition, Hong Kong should also strengthen its double tax avoidance treaty network with other jurisdictions to reduce tax burden for cross-border aircraft leasing business.

*C) Leveraging Hong Kong's strengths in financial services and R&D: Fintech and smart city*

17. As a premier international financial centre that is endowed with sophisticated communication networks and enjoys the free flow of information, **Hong Kong is in an advantageous position to develop Fintech.** The recent proliferation of Fintech startups is a testament to Hong Kong's strengths in this regard.

18. The Chamber shares the Government's commitment to the development of innovation and creativity in Hong Kong. To provide much needed impetus, it is essential that there is sufficient capital support for R&D, as well as accommodative strategies in place to nurture talent.

It is therefore encouraging to note that in recent years the Government has put forward a number of initiatives to promote the innovation and technology industries in Hong Kong. However, it is clear that the current amount invested in R&D, which accounts for less than 1% of GDP, is far from enough in achieving the level of critical mass in research activities to underpin startup development. One way the Government can help is by **introducing a "super-deduction" for R&D expenditure by businesses to fast track developments in this direction**. Details of this proposal are set out in the Annex.

19. The Chamber supports the Government's initiative to **embrace and adopt technology more widely, as an accelerator for developing Hong Kong into a "smart city"**. Although there are many interpretations of the term "smart city", we suggest that for Hong Kong **this should mean a "livable city"**. As pointed out by a member of the Chamber's leadership: "*We need a livable city agenda covering energy efficiency, waste management, air and water quality, recreational facilities, open space, sustainability, a public transport/walkability regime and, of course, green buildings, smart living and healthy ageing.*" If Hong Kong is to remain attractive as a place to live and work, it should be doing its utmost to harness technology as a means to fulfil such aspirations. .

20. More generally, the Government should step up its efforts in working with the business sector and community to enhance our living environment. Environmental challenges have featured prominently in the Chamber's previous submissions on a number of issues ranging from local air quality, waste management, conservation and biodiversity, to global climate change. The Chamber has long been a supporter of the polluter-pays principle, and we acknowledge some achievements of the Government in recent years, in terms of policies and initiatives governing emission control, reducing waste, building waste treatment facilities, promoting energy efficiency and a low-carbon economy, and preserving biodiversity. As the Hong Kong economy continues to develop and our living places become more urbanized, it is important for the Government to continue these efforts by encouraging the adoption of new technologies (as noted above) and through the introduction of such policy tools as emission trading.

#### *D) Reviving Hong Kong as an attractive tourist destination*

21. As one of Hong Kong's major economic pillars, the tourism industry accounts for a substantial number of jobs directly and indirectly via the retail and other related industries. However, as a result of the rise of e-commerce, appreciation in the Hong Kong dollar and aggressive competition from regional jurisdictions, we have witnessed a dramatic drop in inbound traffic. In order to rejuvenate the tourism industry, **Hong Kong needs to increase its attraction to overseas tourists, as compared to other places. This requires a more holistic approach than the current emphasis on shopping, which is clearly unsustainable. The Government needs to address two main issues:**

- What is deterring tourists from visiting Hong Kong? For example, if we are losing attractiveness due to the deteriorating environment (e.g. air pollution) and lack of leisure facilities (e.g. green spaces), then measures should be stepped up to address these problems, not just to help attract tourists, but also to improve the quality of life of local citizens (as recommended above).
- What are Hong Kong's "unique selling points" as a tourist destination? In this respect, for example, more should be done to play up Hong Kong's unique juxtaposition of

vibrant urban areas and extensive country parks, and a place where "east meets west". Efforts should be made to enhance the visitor experience by broadening the portfolio of regular "mega-events" such as the Wine and Dine Festival, Rugby Sevens, and the recent FIA Formula E Hong Kong ePrix. Combined destination marketing with other Pearl River Delta ("PRD") cities is also important.

#### *E) Integration with neighbouring economies*

22. The near-term completion of the Hong Kong-Zhuhai-Macau Bridge and the Express Rail Link implies that the travelling time between Hong Kong and the rest of the PRD cities will be shortened significantly. These transport links, together with Shenzhen's remarkably rapid development in recent years, create great opportunities for Hong Kong's economic growth. The cluster of technology giants such as Tencent, Huawei and ZTE, as well as newly-emerged enterprises including DJI, BGI and Kuangchi Science, has created an ecosystem in Shenzhen which draws in thousands of aspiring young entrepreneurs. This provides a further reason why Hong Kong should provide opportunities for its young people to be trained in R&D. Hong Kong's financial, professional and logistics services should be encouraged to enhance the further development of Shenzhen's strong high-value manufacturing and research activities. **It is thus mutually beneficial for the two cities to cooperate with, rather than compete against, each other, owing to their respective specialized expertise, which is not easy to replicate by either city within a short period of time.** It would also be useful to explore further opportunities for closer integration with Shenzhen in areas of mutual interest, such as land use and talent development.

23. At the same time, **the integration with the PRD and the rest of Mainland China should not preclude us from maintaining and extending our connections with the other parts of the world.** In order to remain relevant in today's markets, we will need to, more than ever, rely on our familiarity with and expertise in interacting with the many economies around the world in playing the part of a 'super connector' between the Mainland and other markets.

#### *Securing Resources to Meet the Opportunities*

##### *A) Ensuring appropriate education, training, and immigration policies*

24. In cultivating homegrown talent, we have to ensure that **our school and university curricula include courses to furnish young people with practical working skills, and do not just focus on teaching academic subjects.** With respect to the issue of nurturing young talent in the creative and innovative industries to take advantage of the new opportunities discussed in the last section, coordination and partnership are required between the education system (proper curriculum design, promoting interest), the private sector (internships, cooperation with startups, and investment in R&D) and the Government (startup funding support and facilitative policies).

25. The conventional wisdom that university education is a passport to better prospects may no longer hold true. The reality is that the supply of job opportunities is not growing as fast as the rate of university graduates that are being churned out. Coupled with social mores that value tertiary education over vocational training, these have fueled frustration and anger amongst the younger members of society. There needs to be a more realistic approach to counseling and managing their aspirations and expectations in Hong Kong, as the current mindset of encouraging young people to pursue a degree without due regard to their personal circumstances

and market needs is clearly unsustainable. As mentioned in our response to the Government's Population Policy public engagement exercise in 2014, we suggest that **a dedicated governmental agency be established to oversee Hong Kong's future human capital needs, and to address the issues as laid out in the preceding paragraphs.**

26. Hong Kong is currently engaging in a number of major infrastructure projects which are being delayed, due in part to a lack of local construction workers. The Supplementary Labour Scheme and its enhanced version were set up to address this type of issue, but have so far failed to solve the problem. Therefore, **we urge the Government to take a bold step forward to allow for labour importation of a larger scale, and to expand it to cover all sectors where shortages are threatening our ability to grow.** Meanwhile, **to facilitate the development of Hong Kong into a knowledge-based society, there should be targeted policies to attract overseas talent in relevant areas and professions,** such as scholars, engineers, researchers and technicians engaging in research and/or production of high technology products and services. The influx of such talent should not only help Hong Kong's economic development directly, but also help groom local talent which should indirectly promote our economic growth.

27. Hong Kong's immigration policy is often criticised as being antiquated and out of place with its claims as a 'world city'. **Reforms are needed to ensure that we do not lose out in the worldwide competition for international talent.** An open-door policy is also conducive to our stated desire to attract more start-ups.

#### *B) Enhancing land availability and use*

28. As well as making the most of its human resources, making the most of Hong Kong's scarce land resources is critical for Hong Kong's economic growth. While we appreciate that the Government's recent "Hong Kong 2030+" consultation contains some land supply enhancing initiatives, primarily via identifying brownfield sites in the Northern New Territories for future development, the Government may also want to give priority to a number of other measures in this regard:

- take speedier action to implement its June 2015 "Proposals for Enhancing the Use of Port Back-Up Land in Kwai Chung"; develop a comprehensive plan to consolidate some of the wider port facilities; and remove or relocate those storage facilities currently in close proximity to the port so as to enable the continuous business operation of the maritime, port and logistics industries;
- consolidate flatted factories and other underutilized space for combined office and retail use; and
- create a Harbourfront Authority to oversee the development of the harbour front for tourist, recreation and dining facilities.

#### *Conclusion*

29. In spite of the current uncertainties in the political domain, Hong Kong's unique position as an international financial centre and gateway to Mainland China gives it a unique potential to benefit from major opportunities for economic growth. In order to realise this benefit, it must release Hong Kong businesses from unnecessary regulations and bureaucracy, provide tax incentives to fuel growth, and make the most of its scarce land and human resources.

## Annex on Budgetary Proposals

### *1. Two-tiered profits tax system*

1.1 The Chamber continues to advocate a **very simple two-tiered profits tax structure**. We propose **reducing the standard rate to 15% and further reducing the rate imposed on the first \$2 million of taxable profits to 10%**. We can afford to invest our excess income in the future of our SMEs, and this is the way to do it.

1.2 To make implementation easier, we suggest that the revised system be applied fully and indiscriminately to all businesses registered in Hong Kong. This means that other than small companies, their larger counterparts will also be subject to this graduated approach to taxation although the primary beneficiaries will be SMEs (or about 80% of taxpaying companies earning not more than \$2 million in assessable profits based on 2014-15 data). We submit that such an application of the proposed two-tiered system is consistent with the existing tenet of simplicity in taxation by eschewing clumsy criteria or parochial prerequisites, while also upholding the overarching principle of a level playing field without favouring specific sectors or industries.

1.3 Hong Kong already operates a tiered system for individual income tax and, as such, the Government should have ample experience and sufficient resources to also capably manage a similar system for profits tax. In other words, implementing a two-tiered system for profits tax should not unduly complicate the operations of the Inland Revenue Department.

1.4 We believe that the amount forgone in government receipts to be inconsequential even during periods of economic downturn, given the insignificance of such revenues as a share of the total revenue derivable from profits tax. According to our calculations, the estimated loss in income would be \$4,535 million based on 2014-15 figures.

1.5 **The resultant loss in government revenues from the implementation of a two-tiered taxation system should be more than offset by the positive effects of stronger economic growth, increased job opportunities, and higher incomes.** This is because companies are more likely to re-invest their tax savings.

1.6 A two-tiered system will also improve Hong Kong's standing in the global tax competitiveness league. We are especially mindful of developments in our backyard, namely, the notable rise of special economic zones in Qianhai, Hengqin and Nansha immediately across the border and in Shanghai further to the north. Much like other jurisdictions around the region, these new special economic zones are doing their utmost to catch up with the economic performance of Hong Kong. It also allows us to compete on equal footing with other jurisdictions such as Singapore that already offers progressive taxation.

1.7 It should be noted that **the Government is already practising two-tiered taxation although mostly in the form of one-off concessions**. An example of this is in the last Budget, where the Financial Secretary proposed to reduce the profits tax for 2015-16 by 75% subject to a ceiling of \$20,000. A similar reduction was proposed in the 2014-15 Budget but capped at \$10,000. Instead of discretionary, random rebates, we would suggest that a sustained and recurring approach be adopted because this would provide certainty and clarity, and is demonstrative of the Government's commitment to helping and supporting businesses, especially SMEs.

1.8 We strongly suggest that the two-tiered system be given serious consideration for early implementation because:

- It will not complicate our simple tax system;
- It benefits all businesses but is especially helpful to the more than 79,000 corporations with taxable profits of less than \$2 million, namely, SMEs forming the backbone of our economy;
- It is conducive to Hong Kong's tax competitiveness; and
- It does not result in significant revenue loss or narrowing of the tax base.

1.9 We also suggest that the two-tiered system be applied across the board to all companies because:

- It does not require adopting a definition of SMEs; and
- It avoids distortive incentives.

## *2. Double Stamp Duty*

2.1 It has been three years since property cooling measures were imposed by the Government. Although we agree to some extent that speculation in the property market should be held in check to avoid a bubble, we are doubtful whether such cooling measures have had the intended effect of tamping down market froth. To a large degree, external factors such as persistently low (even negative) interest rates and quantitative easing policies in the US and, more recently the EU, have much greater sway than government intervention in the property market.

2.2 The Chamber therefore remains unconvinced on the usefulness of subjecting non-residential properties to double stamp duty ("DSD"). We believe that the existing arrangement is harmful to the well-being of legitimate business activities as applying DSD to non-residential properties will inhibit business expansion and distort the market for non-residential buildings. **It follows that steps should be taken as a matter of urgency to exempt non-residential properties from DSD.** There is no reason at all why DSD should be applied to non-residential properties, or why taxes cannot vary for different property genres.

## *3. Super tax deductions of research and development expenditure*

3.1 The innovation and technology industries were identified as one of Hong Kong's key economic drivers and the Chamber believes that these industries can make great contributions to the economy and widen employment opportunities for Hong Kong's younger generation.

3.2 In addition to the existing financial assistance, and hardware and software support to enterprises engaged in innovation and technology, **the Chamber proposes consideration be given to a tax incentive by granting 200% super tax deductions for expenditure incurred on research and development activities so as to promote these sectors.**

3.3 It is pertinent for the Government to rethink its tax policies in this regard given that Singapore has actively promoted the development of its innovation and technology industries through various tax incentives, including the enhanced Productivity and Innovation Credit ("PIC") scheme.

3.4 Under the PIC scheme, Singapore businesses enjoy 400% tax deductions/allowances for qualifying expenditure incurred in any of the six qualifying activities. Eligible businesses can also exercise an irrevocable option to convert qualifying expenditure of up to SGD100,000 into cash for each year of assessment at a specified conversion rate.

HKGCC Secretariat  
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