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# The 2025-26 Budget Proposal

## **Key Recommendations**

### **Increasing Revenue Streams and Reducing Expenditure**

#### **I. Assessment of Fiscal Situation**

Since the handover, the Hong Kong Special Administrative Region (HKSAR) Government has continuously reduced taxes to stimulate economic growth. However, public spending on basic services has steadily increased. With reduced government revenue, a structural fiscal deficit has emerged due to an imbalance between income and expenditure. Additionally, many welfare measures introduced over the years have become entrenched, creating long-term fiscal burdens. In light of these challenges, Path of Democracy recommends that the government immediately adopt a comprehensive strategy of “broadening revenue streams and reducing expenditure” while focusing on developing a “high-end economy” to address structural issues and identify sustainable solutions.

#### **II. Recommendations for Increasing Revenue**

Although raising taxes is a common solution, it is widely believed to risk dampening economic recovery and is unlikely to gain public support. To minimize the negative perception of tax hikes and ensure that economic recovery and grassroots welfare remain unaffected, the following measures are proposed to increase government revenue:

## **1. Departure Taxes for Air and Sea Travelers**

Departure taxes for international flights typically include exit taxes, transit taxes, and entry taxes, with other types of levies imposed in some countries. Currently, Hong Kong International Airport collects only a departure tax from air passengers. It is proposed to adjust the Air Passenger Departure Tax moderately and extend it to cruise passengers as well. Based on the airport's passenger traffic of 43,525,000 from January to October 2024, this measure would alleviate some fiscal pressure on the government (excluding high-speed rail and transit passengers).

## **2. Stamp Duty**

As of the end of November 2024, the total market capitalization of the securities market reached HK\$34 trillion, a 9% year-on-year increase (compared to HK\$31.1 trillion in the same period last year). The average daily turnover in November 2024 was HK\$161.5 billion, marking a 69% year-on-year increase (from HK\$95.6 billion last year). It is proposed to raise the stamp duty on stock transactions from the current 0.1% to 0.15%. During periods of market prosperity, this minor adjustment would have limited impact on investors and citizens but would significantly enhance government revenue.

## **3. Profits Tax and Salaries Tax**

Currently, Hong Kong employs a tiered progressive tax rate system for profits tax on assessable corporate profits. Similarly, salaries tax and personal income tax are calculated using progressive rates. It is proposed to introduce additional progressive tax tiers for both tax categories, targeting ultra-high-income corporations and high-income individuals to generate more revenue while maintaining current tax rates for middle- and low-income groups.

#### **4. Motor Vehicle First Registration Tax**

In Hong Kong, the First Registration Tax (FRT) is calculated based on the taxable value of a vehicle using a four-tier progressive rate system. For example, the total tax for private cars with a taxable value of HK\$500,000 is HK\$428,000. It is proposed to increase the FRT for luxury vehicles with a taxable value of HK\$2 million or more, as buyers of such vehicles are presumed capable of bearing higher tax rates.

#### **5. Betting Duty**

Betting Duty in Hong Kong is imposed on authorized betting operators, covering activities such as horse racing betting (72.5%-75%), cash prize activities (30%), lottery activities (e.g., Mark Six; 25%), and football matches (50%). It is proposed to raise these betting duty rates by 5%-10% across the board, or overall tax rate from 9.8% to 15% while strengthening enforcement to eliminate illegal gambling activities and ensure the government receives its rightful share of tax revenue.

Additionally, in Hong Kong, winnings from authorized horse racing or other betting activities are not subject to individual income tax or betting duty. It is proposed to introduce a 5% winner's betting duty, automatically deducted from winnings during prize collection. This method would save time, simplify procedures, and be easy to implement.

### **III. Recommendations for Reducing Expenditure**

We believe it is necessary to reduce government expenditure and minimize resource wastage:

#### **6. Adjustment of the \$2 Scheme**

Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (the \$2 Scheme) has been a topic of debate for two main reasons:

A significant number of people aged 60-65 remain employed. Why should working and affluent individuals be subsidized?

In a 2018 review, the total expenditure for this concession was HK\$1.187 billion, with projections of HK\$4.71 billion by 2031. However, actual expenditure in 2023/24 reached HK\$4.28 billion, and it is expected to surge to HK\$6.34 billion in 2024/25. Does this suggest that the spending is spiraling out of control due to abuse, such as seniors taking short rides for longer fares?

To keep public expenditure within reasonable limits, it is recommended to increase the concession fare from \$2 to \$3 per trip and impose an annual cap of 1,000 rides per person. This measure would help reduce unnecessary resource wastage.

## **7. Reducing Government Departmental Expenditure**

In early December, the government announced a 1% annual reduction in recurrent expenditure for departments as part of a fiscal consolidation plan to address public financial pressures and gradually achieve fiscal balance. The Financial Secretary stated that the effectiveness of these measures would be reviewed, and the feasibility of further expenditure reductions would be considered.

We recommend increasing the annual expenditure reduction for departments to 3%, with 1% achieved through internal resource reallocation and a net 2% reduction. This approach reflects a governance philosophy centered on fiscal prudence and efficiency. It aims to control expenditure growth, ease financial pressures, and minimize the impact on public services.

This governance philosophy emphasizes maintaining fiscal discipline, ensuring sustainable government spending, and enhancing the efficient use of public resources. Through systematic expenditure reductions and internal resource reallocation, the government can optimize operations without compromising the quality of public services, thereby achieving more effective resource management.

## **Developing a High-End Economy**

Hong Kong ranks second globally in cities with the highest number of billionaires, making it well-positioned to develop a high-end consumption and investment market. The high-end economy includes private jets, luxury yachts, autonomous transportation systems, cutting-edge educational industries, specialized medical and wellness services, and research and development in the new space economy.

Below are three examples of high-end economic initiatives:

### **Establishing a "Study in Hong Kong" Office**

- Leverage resources from Hong Kong's Economic and Trade Offices and Beijing Office to set up dedicated offices domestically and overseas to promote Hong Kong's education industry, similar to the British Council or Alliance Française.
- Operate under a model similar to the "Hong Kong Talent Engage," providing a one-stop platform for promoting the education sector, offering admission services, and supporting international students studying in Hong Kong.
- Use international student enrollment numbers as a key performance indicator (KPI) to measure the effectiveness of promotion efforts.

### **Developing a Yacht Economy**

- Strengthen the hosting of maritime events, such as HONG KONG International Boat Show. This would enhance Hong Kong's international image as a maritime hub while fostering professional networking and business collaboration in the maritime industry.

- Simplify online yacht registration and entry procedures for visiting yachts to promote yacht trading and attract more yachts to Hong Kong, thereby achieving economies of scale in local marina facilities and supporting the livelihood of yacht operators and workers.

### **Developing a Private Jet Economy**

- Currently, non-commercial private flights require permits applied for three working days in advance. For infrequent operators, applications generally require at least two weeks' notice. It is recommended that the Civil Aviation Department allow shorter lead times for landing permit applications to better accommodate private jet users and owners.
- Propose that the government assist the industry in establishing routes connecting Hong Kong with major cities in the Greater Bay Area, as well as Belt and Road and ASEAN countries, by liaising with mainland authorities to facilitate private jet routes, addressing the needs of high-end customers.

### **Conclusion**

Faced with severe fiscal deficits, Path of Democracy has put forward the above recommendations to help guide the government in the right direction. These rational and pragmatic measures aim to avoid rushed solutions, ultimately promoting economic recovery while earning public understanding and support. The overarching goal is to ensure smooth governance in the future.



We will not advocate for short-term populist measures merely to gain fleeting public applause. Instead, we believe the proposed measures will effectively help the government address structural deficits while safeguarding Hong Kong's economic recovery and sustainable development. Path of Democracy hopes to work hand-in-hand with the government to ensure Hong Kong's fiscal stability and the long-term welfare of its citizens.

## Other Recommendations

### Introduction

In the context of ongoing global economic volatility, increasing geopolitical tensions, and the rapid development of artificial intelligence technology, Hong Kong's economy is facing multiple challenges. Besides, factors such as weak global demand, a slow recovery in the tourism sector, and a sluggish real estate market have significantly slowed Hong Kong's economic growth. The return of U.S. President-elect Donald Trump to the political scene and his focus on domestic economic and political priorities through a "Make America Great Again" strategy has increased uncertainty between China and the U.S. This shift in domestic policy adds new external pressures to Hong Kong's economic and financial environment, making the situation even more severe. We recognize that revitalizing Hong Kong's economy hinges on deepening reforms in local core industries to maintain competitiveness and enhance resilience against external challenges.

This Budget proposal outlines a series of policy recommendations based on four key areas: "**Industrial Development and New Productive Forces**", "**International Image**", "**Public Finance**" and "**Well-being**," aiming to drive comprehensive economic development and build a more stable and prosperous future for Hong Kong.

### Industrial Development and New Productive Forces

Regarding "Industrial Development and New Productive Forces," we first suggest providing precise classifications and data analysis for the service sector to help the government more effectively attract and allocate international talent, addressing supply-demand imbalances. Secondly, promoting the use of the Renminbi and deepening connectivity with mainland financial markets will help reinforce Hong Kong's status as an international financial center. Supporting local fund management, increasing green bond issuance, and investing in environmentally friendly technology companies will drive economic diversification and sustainable development.

Additionally, establishing a robust virtual asset market and enhancing liquidity can

drive local fintech innovation. Finally, supporting the development of the cultural industry and its digital transformation not only promotes cultural exchange but also enhances Hong Kong's cultural influence in the global market, injecting new vitality into economic development.

### **International Image**

Secondly, we focus on improving Hong Kong's "International Image." We recommend promoting Hong Kong's folk culture to vividly present local life and characteristics, aiming to deepen international understanding and recognition of Hong Kong's culture. Furthermore, we propose leveraging short video competitions and social media platforms to engage young people, revitalizing the local cultural image and strengthening their identification with Hong Kong. Collaborating with local artists and creative teams to hold innovative cultural events and exhibitions can further promote cultural exchange and attract more domestic and international tourists and investors. These measures will effectively strengthen Hong Kong's urban brand and image, enhancing its status as an international cultural exchange center and increasing its global cultural influence.

### **Public Finance**

In the area of "Public Finance", we advocate for flexible fiscal management to strengthen social welfare and infrastructure investment, supporting long-term economic development and guiding Hong Kong towards a sustainable future. The recommendations aim to enhance Hong Kong's fiscal sustainability through effective management of public financial resources. First, refining talent attraction policies and advancing the silver economy can effectively address population aging and reduce social burdens. Second, adjusting the Hong Kong PhD Fellowship Scheme by setting a usage cap and feedback obligations will ensure resources are used efficiently. Third, raising the retirement age to 65 will fully utilize the older workforce and alleviate financial pressure. Lastly, adopting deficit spending strategies and establishing a long-term fiscal planning committee will help respond flexibly to economic changes while

enhancing the transparency and trust in public finances. Overall, these recommendations promote economic development while improving fiscal robustness and sustainability through optimized resource allocation and financial management.

### **Well-being**

We emphasize enhancing the quality of life for citizens through various measures to increase their sense of well-being. Firstly, we propose establishing a 'Self-Reliance Support Development Fund for the Elderly' to ensure that seniors receive quality care. Secondly, we advocate for the continuation of the 'Newborn Baby Bonus' alongside new childcare support measures to alleviate the burden of child-rearing, promoting family happiness and economic stability. In terms of tourism, we suggest promoting hiking tourism, professional guided services, and improving hiking facilities to encourage citizens to engage in healthy leisure activities, enhancing their appreciation of nature and their sense of well-being in Hong Kong. Additionally, installing road cameras to manage illegal parking will reduce traffic congestion and improve travel convenience for citizens. These policies aim to enhance well-being and life satisfaction by improving quality of life, health environments, and travel experiences.

Through these comprehensive policy recommendations across the four key areas, we hope to provide a clear direction for Hong Kong's economic recovery, assisting the region in overcoming challenges and achieving long-term growth. We anticipate that the government will adopt these recommendations to jointly drive Hong Kong toward a stable and prosperous future.

## Industrial Development and New Productive Forces

### 1. Financial Product Industry Chain: Infrastructure, Products, Promotion

Hong Kong's core competitiveness as an international financial center stems from its highly developed capital markets. It is recommended to strengthen financial infrastructure, including cross-border capital flow mechanisms, which would provide greater space and potential for market product innovation—particularly in risk management (derivatives), environmental sustainability (carbon markets), and long-term capital allocation (real estate markets). Building on this infrastructure, the government should collaborate with the private sector to further develop RMB-denominated green finance and virtual asset market products, supporting the internationalization of the RMB. Finally, a more robust external promotion strategy should be implemented to enhance demand in conjunction with the supply derived from infrastructure and product developments.

- Explore the Introduction of a "Property Connect" Mechanism:
  - Expand Cross-Border Carbon Market Connectivity:  
Promote linkage between Hong Kong and mainland carbon trading markets, incorporating carbon emission trading into the Shanghai-Hong Kong Stock Connect or a dedicated "Carbon Connect" mechanism to create Asia's largest carbon finance trading center.
  - Design Specialized RMB-Denominated Financial Products Including Green Finance and Virtual Assets:  
Allow investors to make investments without needing to convert currencies. The government should issue a wider variety of diversified green bonds (e.g., bonds themed around smart cities) to signal the market clearly, enhancing the investment appeal in emerging sectors and providing pricing references for companies looking to issue similar products. The government should encourage financial institutions to develop collateralized lending and yield-enhancing products based on virtual assets to expand their application scenarios.
  - Establish RMB Promotion Offices:  
Set up dedicated offshore RMB promotion offices in major cities on the mainland and in countries along the Belt and Road Initiative and ASEAN countries, introducing local governments, central banks, and sovereign funds to the advantages of Hong Kong's offshore RMB market and RMB-denominated products.

- Encourage More Companies to Issue Products with Government Agencies:

In addition to roadshows and international financial forums, the government should attract international institutions, promote local Hong Kong enterprises, and encourage mainland state-owned enterprises and Greater Bay Area companies to issue green bonds and RMB-denominated assets through Hong Kong, enhancing market product supply and scaling the market. Providing tax incentives or fee waivers could further support this initiative.

## **2. Provide Classifications for the Productive Services Sector**

Currently, the Hong Kong government is striving to attract international talent to meet local market demands. However, the lack of specific data on the needs of various industries has led to imbalances in supply and demand. Recent reports and discussions in the Legislative Council indicate that skilled talents who have come to Hong Kong are also facing employment difficulties, partly due to an oversupply of talent in certain sectors. As a result, some incoming professionals find it challenging to apply their expertise in the most suitable fields.

With accurate classification of the productive services sector and related data collection and analysis, the government can effectively understand the actual demand for specialized roles within various industries. This understanding will help formulate targeted talent attraction strategies, enhancing Hong Kong's overall competitiveness, promoting economic diversification, and providing a clear career path for professionals seeking development opportunities in the region.

In light of this, to boost the economy, Hong Kong urgently needs to establish a comprehensive classification standard for the productive services sector, along with a corresponding statistical system for ongoing assessment and timely updates.

## **3. Recommend Government Investment in Local Fund Management Companies**

Although the government has made efforts to invest in the local economy, the results remain insufficient. For instance, in the fund management industry, despite multiple calls from stakeholders for government and semi-government agencies to invest in local fund management companies, most funds continue to flow toward large multinational firms. To nurture the local fund management sector, the government should allocate more resources to local companies. We anticipate that retaining funds locally will enhance market diversity, boost investor confidence, and ultimately promote overall economic stability and sustainable development.

#### **4. Continuously Develop Hong Kong's Unique Cultural Industry**

To enhance Hong Kong's international competitiveness, the government should adopt a series of measures to support the development of the cultural industry.

- Establish the "International Cultural Talent Development Fund":  
The Create Hong Kong Office and the Education Bureau can collaborate to support local artists, designers, and creative professionals in participating in overseas training and international cultural exchange programs. By establishing the "International Cultural Talent Development Fund," they can assist these individuals in furthering their education both domestically and abroad, while also bringing foreign professionals to Hong Kong for technical guidance. Additionally, the Education Bureau should encourage higher education institutions to partner with renowned overseas universities to offer internationalized courses, allowing students to engage with the latest trends in the global cultural industry and thereby enhance their international competitiveness.
- Establish the "Hong Kong Cultural and Arts International Development Program":  
The government can support local artists and creative talents in participating in international film, music, and art projects through the Leisure and Cultural Services Department and the Commerce and Economic Development Bureau.

It is recommended to establish the "Hong Kong Cultural and Arts International Development Program" to provide funding for local artists to attend international film festivals, further promoting local works and strengthening the global influence of Hong Kong's cultural brand.

- Improve the "Hong Kong Cultural Industry Funding Program" to Support Infrastructure Development:

For the development of the cultural industry, robust infrastructure is essential. It is suggested that the Development Bureau and the Leisure and Cultural Services Department jointly plan and invest in more world-class cultural facilities, such as museums and theaters, to attract international cultural activities and provide platforms for local and overseas artists to showcase their work. The West Kowloon Cultural District is currently a flagship project, and the government should further expand the scale and quality of facilities based on this foundation, while establishing the "Hong Kong Cultural Industry Funding Program" to support private sector investment in cultural infrastructure development.

- Promote the Digital Transformation of the Cultural Industry:

Digitalization is a key development direction for the future of the cultural industry. The Office of Digital Policy and the Create Hong Kong Office can collaborate to promote the digital transformation of the cultural industry, including entering global cultural content platforms to showcase and sell local artists' works through digital channels, thereby expanding into overseas markets. The government should support the establishment of innovative cultural projects, such as online art fairs and virtual museums, providing technical and financial support to attract global audiences. The Office of Digital Policy can also work with local tech companies to promote the application of AR/VR technology in the cultural industry, preserving and showcasing local cultural assets digitally to international audiences.

Through these comprehensive measures, Hong Kong is expected to enhance its influence in the global cultural industry, cultivate talent with an international



perspective, and accelerate the digital transformation of the cultural sector. Specifically, these measures will not only strengthen the creative capabilities of local artists but also attract the participation of international artists and audiences, creating a platform for multicultural exchange.

## International Image

### 1. Telling Good Hong Kong Story

In recent years, the prevailing sentiment in the market has been that social movements, the pandemic, and the implementation of the National Security Law have directly impacted foreign companies' willingness to remain in Hong Kong, subsequently affecting foreign investment and business operations. About six months ago, a democratic initiative began an in-depth study of this issue, visiting over a dozen foreign chambers of commerce and interviewing more than 600 local foreign businesspeople to gather their opinions on the business outlook in Hong Kong. Surprisingly, it was found that the fear of Hong Kong's situation among overseas businesspeople largely stems from a lack of understanding of the facts. Local foreign businesses feel pressured due to misunderstandings about Hong Kong held by their headquarters and families. The following six recommendations aim to promote a better understanding among foreign communities and to dispel these biases.

- **Organize Promotional Activities:**  
Hong Kong can organize targeted promotional events in major foreign markets, such as the United States and Europe, to introduce its investment environment and business opportunities.
- **Establish Media Partnerships:**  
Collaborate with international media to publish positive reports about Hong Kong's economy and business environment, sharing success stories and investment opportunities to attract more attention and interest.
- **Provide On-Site Exchange Opportunities:**  
Arrange for representatives and investors from foreign companies to visit Hong Kong to understand its investment environment and infrastructure.
- **Promote Hong Kong's Unique Appeal:**  
By sharing the unique personal experiences or stories of locals and expatriates in Hong Kong, Western countries can gain a deeper understanding of the city from an empathetic perspective. These narratives should be inspiring and heartwarming.

- **Leverage Hong Kong's Role as a Spokesperson for the Greater Bay Area:**  
Introduce the strengths of the Greater Bay Area cities to foreigners and clarify some misconceptions about the region.
- **Establish an International Think Tank:**  
In addition to utilizing official platforms, invite foreign industry leaders and experts to form a think tank that assists in building business networks and promoting exchange and participation.

## **2. Develop Hong Kong's Folk Culture**

Hong Kong's folk culture is a reflection of everyday life, giving rise to numerous films and other artistic works, and profoundly influencing both local and international cultural perspectives. To better promote Hong Kong's stories, the government can further develop related projects that delve into the streets and alleys of Hong Kong and the homes of its citizens, vividly showcasing the city's unique cultural characteristics.

- **Launch a Short Video Competition Focused on Local Culture:**  
According to data from 2022<sup>1</sup>, there are over 7 million social media users in Hong Kong, with young people being particularly active on these platforms, presenting a great opportunity for cultural promotion. The government can leverage various forms of expression, such as reality shows, films, city promotional videos, and short videos, combined with major social media platforms (like Instagram, YouTube, and TikTok), to attract more youth participation. For example, organizing a short video competition themed around local culture and showcasing the winning entries at MTR stations would encourage young creators to share their Hong Kong stories. This initiative would not only enhance cultural resonance but also ignite young people's interest and sense of identity regarding local culture.
- **Continue Developing Innovative Themed Cultural Activities and Exhibitions:**

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<sup>1</sup> Kemp, S. (2022, February 10). *Digital 2022: Hong Kong — DataReportal – Global Digital Insights*. DataReportal – Global Digital Insights. <https://datareportal.com/reports/digital-2022-hong-kong>

By collaborating with local artists and creative teams, the government can organize a series of engaging cultural activities and exhibitions featuring innovative themes, such as Hong Kong's folk legends and distinctive culinary culture. These initiatives would allow residents and tourists to deeply experience Hong Kong's folk culture and foster cultural exchange. Such efforts would not only enhance Hong Kong's cultural image but also promote economic development, attracting domestic and international tourists and investors, thereby establishing Hong Kong as a vibrant cultural exchange center.

### **3. Increase Resources to Strengthen Hong Kong Radio's English Channel Broadcasting**

In light of Hong Kong's declining international image in recent years, the SAR government should consider reasonably increasing resources for Hong Kong Radio's English Channel, transforming it into a media platform with international influence that helps "tell Hong Kong's story" effectively.

We suggest starting with a small step by converting some of the news and international affairs programs from the English Channel from audio broadcasting to live television interviews, many of which can already be conducted via Zoom or Skype. Subsequently, the content of the English channel's programs can be gradually expanded, referencing the model of China Global Television Network (CGTN), while incorporating Hong Kong's unique atmosphere of openness and freedom to enhance program appeal.

This initiative would have significant political, economic, and social impacts. It would not only help strengthen Hong Kong's international image and provide foreigners with a better understanding of the situation between China and Hong Kong, but also offer citizens a broader international perspective, enhancing Hong Kong's competitiveness in the global market.

## Public Finance

### 1. Review Social Welfare for Newly Arrived Talents

Attracting talent is a key strategy for enhancing Hong Kong's international competitiveness and promoting economic development. According to Legislative Council data<sup>2</sup>, in 2021, the population of seniors aged 65 and above in Hong Kong exceeded 20% of the total population, and this figure is expected to continue rising. To maintain the workforce, Hong Kong urgently needs young talent to support sustainable social and economic development. To this end, the government launched and relaxed various talent attraction schemes at the end of 2022. According to an update from the Education Bureau in July 2023, three newly approved talent schemes include provisions for the children of applicants under the "High-End Talent Pass Scheme," allowing them to attend Hong Kong's government-subsidized and direct-subsidy schools with tuition fees subsidized by the government, similar to local students. However, given the current situation where many talent visa holders are accessing resources and benefits in a gray area<sup>3</sup>, along with the government's financial status, it is recommended that the government review the relevant policy loopholes. The government can refer to common practices in countries or regions worldwide that attract immigrants, requiring foreign professionals to meet a basic residency condition of over one year or to obtain visa renewals before their dependents can enjoy education and healthcare benefits available to local residents. This policy would not only help attract and retain talent in Hong Kong but also facilitate their better integration into the local community. In the initial years after their arrival, the

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<sup>2</sup> Legislative Council of Hong Kong. (2024). 立法會 研究人口政策和措施小組委員會 會議紀要. [https://www.legco.gov.hk/yr2023/chinese/hc/sub\\_com/hs52/minutes/hs5220240723.pdf](https://www.legco.gov.hk/yr2023/chinese/hc/sub_com/hs52/minutes/hs5220240723.pdf)

<sup>3</sup> 高才通 | 疑有中介利用人才計劃衍生「考試移民」 網上聯署促為受養人升讀八大設限  
<https://topick.hket.com/article/3844534/%E9%AB%98%E6%89%8D%E9%80%9A%EF%BD%9C%E7%96%91%E6%9C%89%E4%B8%AD%E4%BB%8B%E5%88%A9%E7%94%A8%E4%BA%BA%E6%89%8D%E8%A8%88%E5%8A%83%E8%A1%8D%E7%94%9F%E3%80%8C%E8%80%83%E8%A9%A6%E7%A7%BB%E6%B0%91%E3%80%8D%E3%80%80%E7%B6%B2%E4%B8%8A%E8%81%AF%E7%BD%B2%E4%BF%83%E7%82%BA%E5%8F%97%E9%A4%8A%E4%BA%BA%E5%8D%87%E8%AE%80%E5%85%AB%E5%A4%A7%E8%A8%AD%E9%99%90>

government could encourage participation in existing protection schemes, such as voluntary medical insurance, through partial subsidies.

- Encourage New Talent to Actively Participate in the Voluntary Health Insurance Scheme:

During the first three years, it is recommended that the government provide subsidies to encourage talent to join the Voluntary Medical Insurance (VMI) scheme. The VMI scheme aims to alleviate pressure on public hospitals and improve access to private healthcare services. Launched in 2020, by 2022, over 150,000 citizens had enrolled in the VMI scheme, but there remains significant room for growth. Given that public healthcare spending in Hong Kong accounts for 10% of the local GDP and approximately 20% of government recurrent expenditure<sup>4</sup>, it is crucial to relieve pressure on public medical institutions while ensuring the accessibility of healthcare through a reallocation of expenditures. Furthermore, the implementation of this policy can promote the retention and development of talent, allowing them to establish a more stable living foundation in Hong Kong, thereby enhancing their quality of life.

- Examine the Definition of "Local Students":

To better manage local educational resources and promote social integration, the Hong Kong government should review the definition of "local students" and impose certain restrictions on the education of children of new arrivals. Specifically, it is suggested that regulations be established requiring the children of new talent to meet certain conditions, such as having at least three years of study experience in Hong Kong, in order to qualify as "local students" for admission to local subsidized universities. In light of the increasing student population and strained educational resources, the core objective of this measure

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<sup>4</sup> *Domestic Health Accounts*. (2024). Health Bureau.  
[https://www.healthbureau.gov.hk/statistics/cn/dha/dha\\_summary\\_report.htm](https://www.healthbureau.gov.hk/statistics/cn/dha/dha_summary_report.htm)

is to ensure that local school resources prioritize the needs of local residents. According to 2023 data, the number of students in Hong Kong continues to rise, with intense competition for admission to popular schools. Therefore, by setting admission thresholds, unnecessary competitive pressure can be effectively reduced, ensuring that local students have adequate access to places and educational support.

Additionally, this policy can facilitate the better integration of incoming talent, encouraging them and their children to participate in local community activities and strengthening their connection to local culture. Through their experiences in local schools, these children will be better equipped to understand and adapt to Hong Kong's social environment, thus contributing to future social and economic development.

## 2. Continuously Develop the Silver Economy

- Encourage Retirees to Participate in Bond Programs to Unlock "Silver Productivity":

Encouraging retirees to participate in bond programs is a vital way to release "silver productivity." With the rapid aging of Hong Kong's society, the number of elderly individuals aged 65 and above has exceeded 20%, and this trend is expected to continue<sup>5</sup>. Fully utilizing the experience and skills of retirees can not only create value for society but also enhance their quality of life.

The government can design specialized bond programs that encourage retirees to invest their funds in long-term sustainable financial products, such as social responsibility bonds and green bonds. This approach would provide them with stable returns while allowing their investments to have a positive impact on society and the environment. According to recent survey data<sup>6</sup>, Hong Kong's

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<sup>5</sup> 2022 年至 2046 年香港人口推算. (2023). In 政府統計處. <https://www.censtatd.gov.hk/tc/EIndexbySubject.html?scode=190&pcode=FA100061>

<sup>6</sup> 存保會調查:港人每人每月平均儲蓄 9800 元, 較去年增近一成 - etnet 經濟通|香港新聞財經資訊和生活平台. (n.d.). Etnet 經濟通|香港新聞財經資訊和生活平

savings rate continues to rise, and the financial potential of retirees is significant. Through this method, they can actively participate in economic activities and unleash their potential economic contributions.

- Continue to Inject Funds into the "Continuing Education Fund":

Additional funding can help stimulate the relevant four major industries in the silver economy, accelerating local economic recovery and initiating internal circulation. The government should promote retraining and re-employment programs to help retirees acquire new skills and further enhance their employability. This could include providing free or subsidized vocational training courses covering fields such as technology, finance, healthcare, and services. Surveys indicate that many retirees express a desire to continue working to maintain social connections and mental health; such courses can help them adapt to the rapidly changing labor market and continue to contribute to new positions.

At the same time, to encourage businesses to hire retirees, it is recommended that the government provide subsidies and tax reductions for companies that employ a certain percentage of elderly individuals. By offering flexible job opportunities, retirees can re-enter the workforce according to their circumstances. This not only helps businesses attract seasoned employees who can pass on their experience to younger generations but also promotes inclusive social development.

### **3. Change the Mindset on Fiscal Spending**

The government needs to recognize the changes in the economic environment and can learn from the practices of Western countries by adopting a more flexible approach to deficit spending to stimulate economic development.

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台. [https://www.etnet.com.hk/www/tc/news/categorized\\_news\\_detail.php?category=latest&newsid=ETN341126572](https://www.etnet.com.hk/www/tc/news/categorized_news_detail.php?category=latest&newsid=ETN341126572)



- Deficit Spending to Stimulate the Economy:

Deficit spending is quite common in Western countries, whereas Hong Kong has traditionally adhered to a more conservative approach, focusing on living within its means. However, times have changed, and Hong Kong needs to adopt a new, more proactive mindset. The United States, for example, is the largest debtor nation in the world but still maintains a leading position in the global economy. Therefore, as long as Hong Kong can continue to pay interest and roll over its debt, it can use borrowing to provide financial support for the economy. Of course, prudent financial management remains crucial, and the government should adjust its borrowing scale according to changes in the economic cycle. Currently, the government requires more fiscal spending to stimulate the economy, and responsibly issuing government bonds is one way to enhance fiscal vitality.

- Establish a Long-Term Fiscal Planning Committee:

It is recommended to establish a statutory public organization with the authority to make independent forecasts and assessments of public finances, reviewing the cost of government policies. This committee would be authorized to access government data and present at least two reports annually as mandated by law. It would regularly conduct medium- to long-term projections of fiscal revenues, forecasting the economic and fiscal situation for no less than five years, evaluating the government's fiscal objectives, and examining trends in welfare spending to plan resource utilization effectively in advance.

For the fiscal department, third-party analytical reports can provide professional advice on daily operations. For stakeholders, the office would ensure continuous engagement in the formulation of public finance, maintaining good communication. For the public, the transparency of the fiscal budget would be greatly enhanced, boosting confidence in the government's future policies.

#### **4. Review the "Hong Kong PhD Fellowship Scheme"**

The scheme offers approximately 400 scholarships each year, with substantial funding. According to the latest data, the monthly living allowance for the "Hong Kong PhD Fellowship Scheme" (HKPFS) is about HKD 28,100, along with an annual travel allowance of approximately HKD 14,000 for conference and research-related travel<sup>7</sup>. This means that a student awarded the HKPFS scholarship could receive over one million Hong Kong dollars in total funding over three years.

However, a preliminary review of the list of recipients reveals that very few awardees remain in Hong Kong to work after completing their degrees. Therefore, it is recommended that the government implement arrangements like those in Singapore, such as requiring HKPFS recipients to remain in Hong Kong for at least three years of service after completing their degrees, or else to repay a corresponding portion of the scholarship.

#### **5. Establish an Economic Development Board**

To align with the national economic strategy transformation and Hong Kong's long-term economic development needs, it is proposed to establish an Economic Development Board under the Financial Secretary's Private Office. As the mainland shifts from relying on land sales to issuing long-term bonds, implementing quantitative easing, and recognizing financial markets as part of economic development, Hong Kong needs to undergo a strategic transformation. This will help leverage its unique position as the only international financial market within China and promote research and development in key areas such as innovative technology and green technology.

Additionally, it is recommended that the Financial Secretary regularly lead economic delegations abroad to strengthen Hong Kong's international economic role. The proposal also suggests establishing a Hong Kong Investment Company within the

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<sup>7</sup> *Hong Kong PhD Fellowship Scheme*.

(n.d.). [https://www.ugc.edu.hk/eng/rgc/funding\\_opport/hkpfs/index.html](https://www.ugc.edu.hk/eng/rgc/funding_opport/hkpfs/index.html)

framework of the Economic Development Board to support technology startups and cross-border investments in the Greater Bay Area, while fostering public-private partnerships with international partners.

These initiatives will solidify Hong Kong's long-term economic stability, reduce reliance on volatile income, enhance competitiveness, and safeguard Hong Kong's unique positioning under the "One Country, Two Systems" framework. This will attract more international investment, promote the development of innovative technology, and ensure Hong Kong's pivotal role in both the Chinese and global economies.

## **6. Set the Statutory Retirement Age at 65**

According to data from the World Economic Forum, major economic powers around the world have established statutory retirement ages. On September 13, 2024, the Standing Committee of the National People's Congress decided to implement a policy of gradually raising the statutory retirement age<sup>8</sup>. Given the demographic changes in Hong Kong, including serious aging, low birth rates, and a gradually decreasing labor force, the government is advised to legislate a retirement age of 65. The benefits are as follows:

- **Older Adults Can Continue to Serve Society:** This move can reduce employers' age discrimination against older workers, allowing them to continue contributing to the workforce.
- **Align with MPF Withdrawal Timing:** Older adults can continue to work between the ages of 60 and 65, maintaining their livelihood and avoiding economic difficulties.
- **Enhance Hong Kong's Overall Competitiveness:** Extending the retirement age allows for better utilization of existing talent resources, particularly experienced and skilled older workers. They can leverage their expertise in

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<sup>8</sup> 全國人民代表大會常務委員會關於實施漸進式延遲法定退休年齡的決定--時政--人民網. (n.d). <http://politics.people.com.cn/BIG5/n1/2024/0913/c1001-40319774.html>

their respective fields to train and mentor the younger generation, thereby improving overall work efficiency and quality and enhancing Hong Kong's competitiveness in the international market.

## **Well-being**

### **1. Establish the “Elderly Self-Reliance Support Development Fund”**

To address the cost pressures arising from an ‘super-aged society’, we propose the establishment of the "Elderly Self-Reliance Support Development Fund" to support self-reliance among seniors and alleviate the cost burden on the government and society concerning elderly care. The rationale for this fund is as follows:

- Assist Home Caregivers: To reduce the caregiving pressure and potential costs for home caregivers.
- Enhance Autonomy in Care Homes: To improve the autonomy and independence of elderly residents in care homes, thereby reducing their reliance on institutional and social care and preventing premature dependence.
- Lower Long-Term Costs: To decrease the long-term cost burden on the government and society regarding elderly care.

This aims to provide subsidies to community care and residential care facilities that focus on the development of "Elderly Self-Reliance Support." It seeks to strengthen the golden period of recovery for seniors, thus reducing their dependence on care facilities. This initiative will help further control the medical and social costs associated with an aging society, improve the quality of life for the elderly, and reduce the financial pressure on the government. Implementing this fund will promote the health and self-reliance of seniors, providing effective measures to address the challenges of Hong Kong's aging population.

### **2. Encourage Private Institutions to Provide Child Care Services**

We recommend that the government, while continuing to implement the "Newborn Baby Bonus" initiative, allocate additional resources to enhance childcare services. Considering that many families in Hong Kong are dual-income households, there is a pressing demand for childcare spaces in nurseries and childcare centers, often resulting in a supply shortage. To encourage childbirth and alleviate the pressures faced by families with newborns in the early stages of care, we propose that the

authorities increase funding to support public institutions and subsidize private and non-profit organizations in two key areas: (1) acquiring private premises and (2) training and hiring childcare staff. This initiative aims to increase the supply of childcare services, promote family willingness to have children, and support women in returning to the workforce.

### 3. Local Tourism Development

- Promote "Signature Hiking Trails" Globally to Make a Statement:

There are very few places in the world where one can complete a subtropical rainforest hiking trail in a single day, and Hong Kong is one of them. A few years ago, one of the "Top Ten Attractions in Hong Kong" recommended by the Hong Kong Tourism Board was "Hiking and Scenic Views," which has received high praise from foreign hiking enthusiasts. The world-renowned travel guide Lonely Planet also highlighted six of Hong Kong's best hiking trails, instilling pride in this concrete jungle<sup>9</sup>; among them, the Dragon's Back on Hong Kong Island was selected as one of the "Best Hiking Trails in the World." In line with paragraph 129 of the Policy Address stating "Hong Kong is a tourist destination everywhere," the government should invest in advertising through traditional and new media to attract environmentally conscious foreigners to Hong Kong.

- Collaborate to Offer Day Hiking Tours and Guided Services:

We recommend that the Leisure and Cultural Services Department collaborate with major hiking organizations in Hong Kong to offer day hiking tours and guided services, with online booking options available. This initiative will allow travelers to appreciate Hong Kong's mountains, geoparks, and coastal scenery, thereby extending their stay and increasing their spending in the city. Additionally, this will attract more young people interested in pursuing careers in the tourism industry.

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<sup>9</sup> Bloomfield, P. (2013, November 12). The Dragon's Back and beyond: the best hikes in Hong Kong. *Lonely Planet*. <https://www.lonelyplanet.com/articles/the-dragons-back-and-beyond-the-best-hikes-in-hong-kong>

- Enhance Coastal Hiking and Cycling Paths:

We suggest accelerating the construction of the "Vibrant Island-wide Corridor" and extending the "New Territories Bicycle Path Network" to the coastal areas of Sai Kung and the western New Territories.

- Install Shower Facilities, Rest Areas, and Supply Points:

We recommend that the Leisure and Cultural Services Department set up paid shower facilities, free rest areas, and supply procurement points at the beginning, middle, and end of hiking trails to ensure that both local and international travelers feel the government's care and attention.

#### **4. Funding to Install Road Cameras Across Hong Kong to Eliminate Illegal Parking and Reduce Traffic Congestion**

The Hong Kong SAR Government shall implement a "user pays" principle to improve compliance with parking regulations. Specific recommendations include installing CCTV Systems in major traffic-heavy areas to monitor illegal parking and overstaying in real time. These cameras will automatically capture violations and issue fine notices, increasing the costs for offenders and effectively curbing such behavior.

Additionally, establishing a transparent fine mechanism and widely promoting it through official channels will enhance public awareness and compliance with the new measures. Traffic enforcement agencies should also strengthen patrols, combining them with the automated fine system to create a deterrent effect, thereby further reducing traffic congestion and improving pedestrian convenience.

Finally, a portion of the government revenue generated from this measure should be used to improve public transport systems and infrastructure, enhancing the overall travel experience for citizens and achieving a virtuous cycle. These measures will not only reduce violations but also improve the efficiency of public road use and enhance the quality of life for residents.

## **5. Funding to Study the Challenges of a City Approaching a Population of Ten Million**

With the upcoming developments of the Northern Metropolis and the Kau Yi Chau Artificial Island projects, Hong Kong's land supply is expected to increase over the next twenty years. This will help alleviate the pressure on economic development caused by high land prices and allow Hong Kong to accommodate an additional three million residents. (According to official data<sup>10</sup>, the Northern Metropolis covers approximately 30,000 hectares, about one-third of Hong Kong's total area, and is projected to support a population of 2.5 million. The Kau Yi Chau Artificial Island, covering about 1,000 hectares, could provide housing for 400,000 to 700,000 people once fully developed.)

Population growth has both advantages and disadvantages. We recommend that the SAR government establish a long-term strategy task force to consider political, economic, and cultural factors and conduct various studies on the future of a ten-million-population city. These studies should include: (1) Population and population growth analysis; (2) Urban planning and infrastructure; (3) Economic development and employment; (4) Housing and real estate; (5) Social welfare and inclusivity; (6) Environmental sustainability and climate change; (7) Governance and public administration; (8) Technology and innovation; (9) Cultural and heritage preservation; and (10) Safety and public security.

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<sup>10</sup> Ove Arup & Partners Hong Kong Ltd L. (n.d.). 交椅洲人工島填海工程. In *epd.gov.hk*. Civil Engineering and Development Department.  
<https://www.epd.gov.hk/eia/chi/register/profile/latest/cesb349/cesb349.pdf>



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Path of Democracy (PoD) is a mission- and action-driven think tank that strives to create maximum room for democratic development under the principles of “One Country, Two Systems”, “Hong Kong people ruling Hong Kong” and a high degree of autonomy.

We believe that communication with mutual trust, conducted with a moderate attitude, is essential for the development of democracy. To this end, we have established PoD as a platform to:

1. Consolidate the majority of supporters of the democratic camp in society;
2. Promote a moderate political approach in a proactive manner, and carve out new political horizon in society;
3. Formulate agendas and construct systematic political discourse;
4. Establish new ideological dimensions in the politics, society, economics and culture of the Hong Kong Special Administrative Region together with different stakeholders through research, dialogue and engagement.

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