Public Finance of Hong Kong

Objective:

(1) Cultivate data literacy and understand how to obtain statistical data related to Hong Kong's public finances from reliable sources (e.g., Census and Statistics Department).

(2) Understand Hong Kong's public finance, and understand the relationship between the government's public finances and our daily lives by interpreting relevant statistical data.

Key Learning Stage: 3

Prior Knowledge:

(1) At the primary level, students have learned to understand their community and develop a concern for community affairs. They have also understood the rights and responsibilities of individuals. Relevant learning contents of General Studies include "to recognise that economic decisions of the society can affect our lives as well as the environment", "our rights and responsibilities as consumers of goods and services and in using community facilities" and "to reflect on the balance between one's rights and responsibilities".

(2) Students have learned to collect and process data, known how to use appropriate charts to show data and extract information from charts.

Public Finance of Hong Kong

Public finance is the financing of government. This includes government revenue and government expenditure.

The sources of government revenue include: taxation, general rates, land premium, utilities and various charges.

Government expenditure (categorized by policy area) includes: health, social welfare and education, etc.

Do you know where to find the data of the government revenue and government expenditure?

I know! We can find relevant information from newspapers and online news!

Census and Statistics Department
The Government of the Hong Kong Special Administrative Region

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> Statistics > By Subject > Economy > Public Finance, Money and Market

Public Finance, Money and Market

| Overview | Tables | Reports | Feature Articles | Statistics in Other Sites | Concepts and Methods |

Overview		^
	Q4 2022	Q1 2023
Government General Revenue Account -Revenue (HK$ million)	188,465	267,785
Government General Revenue Account -Expenditure (HK$ million)	158,766	180,221
	Q1 2023	Q2 2023
Effective exchange rate index for Hong Kong dollar (Year-on-year % change)	+5.9	+3.9
	Q4 2022	Q1 2023
Money Supply M3 (HK$ million)	16,568,886	16,653,624
Money Supply M3 (Year-on-year % change)	+1.6	+1.4

Although newspapers and online news provide relevant information, there may be errors and omissions. The website of the Census and Statistics Department is a helpful resource for verifying the authenticity of data! (Please refer to the appendix for details)

Activity 1:

Read the appendix carefully. Fill in the blanks and answer the questions below by referring to the website of the Census and Statistics Department (Hong Kong Annual Digest of Statistics 2022 Edition).
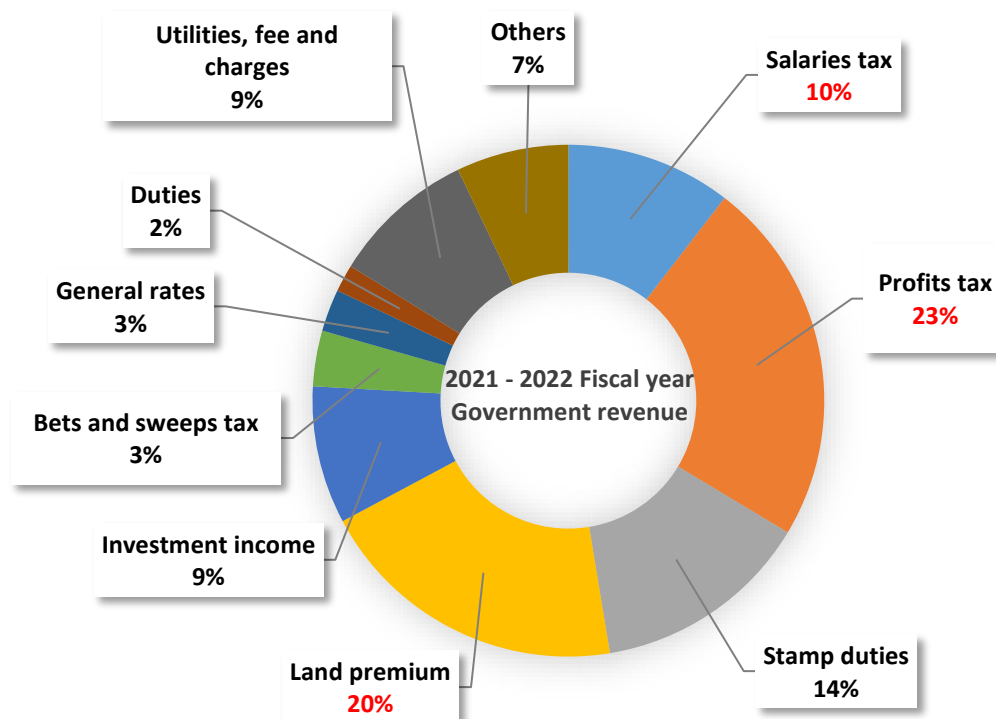
A Government revenue

1.

HK$ million				
Fiscal year	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**
Salaries tax	60,146	50,412	75,027	75,570
Profits tax	166,620	155,900	135,540	167,336
Land premium	116,861	141,728	88,713	143,044

2.

HK$ million				
Fiscal year	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**
Total government revenue	599,774	598,755	583,534	722,700

3. Calculate the missing percentages and fill in the blanks below.

Utilities, fee and charges 9%
Others 7%
Salaries tax 10%
Duties 2%
Profits tax 23%
General rates 3%
Bets and sweeps tax 3%
Investment income 9%
2021 - 2022 Fiscal year Government revenue
Land premium 20%
Stamp duties 14%

Cross-curricular learning: The function of the statistical chart shown in the previous page is similar to the pie chart that we have learned in Mathematics. However, from the pie chart, we can also find out the percentage share of various revenue sources in total government revenue by measuring the angles at the centre.

Source 1

Generally speaking,

Profits tax is payable on profits made by a Hong Kong company during business operation.

Stamp duty is payable on real estate transfer/leasing or securities trading.

General rates are levied on a property. Both the owner and the occupier are liable for rates. For leased property, it depends on the terms of agreement between the owner and the tenant.

4. Based on question 3, list the three main sources of government revenue in year 2021 – 2022.

	Revenue items	**Percentage share of total revenue**
First	*Profits tax*	*23%*
Second	*Land premium*	*20%*
Third	*Stamp duties*	*14%*

5. Based on question 4, which social strata are the main revenue source of the Hong Kong government?

The main revenue source of the Hong Kong government include profits tax from the business sector, land premium from land developers (and landlords of properties after completion of buildings), the stamp duties from stock investors, buyers and sellers of properties and salaries tax from employed persons.

6. Based on question 1, explain the changes in profits tax revenue from the 2019-2020 fiscal year to the 2020-2021 fiscal year.

(Note: The 2020-2021 fiscal year begins at 1ˢᵗ April 2020 and ends on 31ˢᵗ March 2021)

Due to the raging of the COVID-19 pandemic in year 2020, the profits of many stores and companies have been greatly reduced. Some companies even closed down, which lead to a substantial decrease in the profits tax.
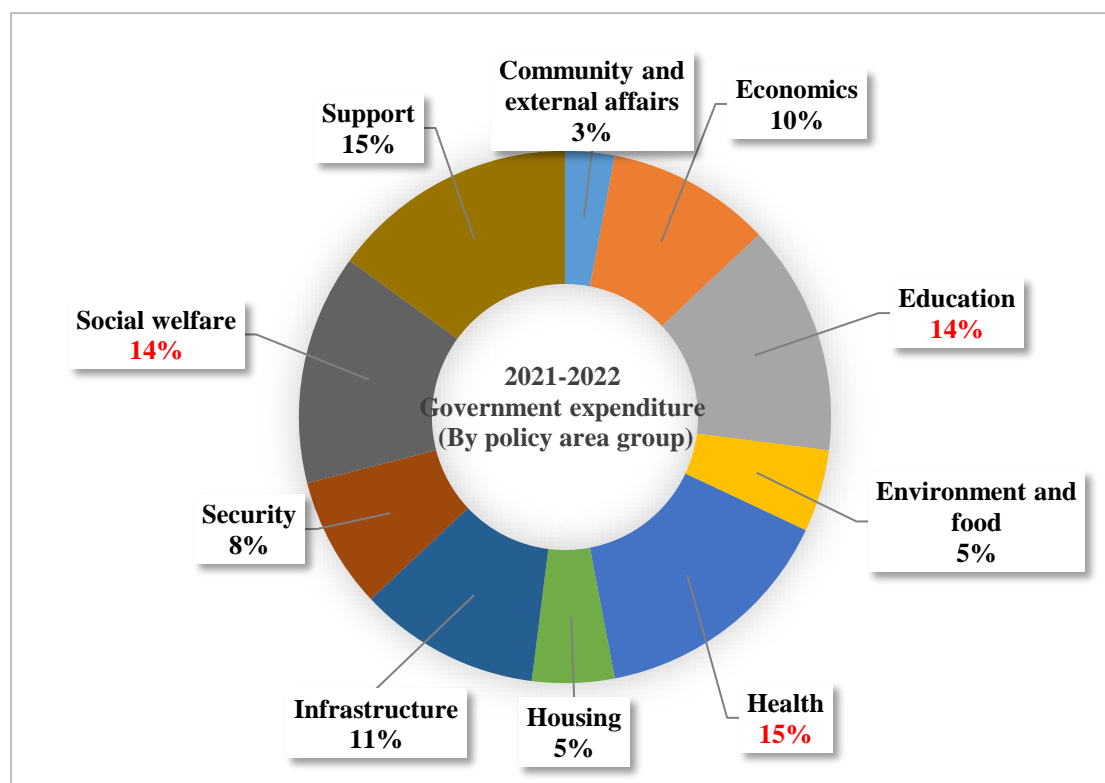
B Government public expenditure

1.

HK$ Million				
Fiscal year	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**
Health	78,275	87,347	**96,999**	**114,389**
Social welfare	90,126	92,249	**98,046**	**103,910**
Education	108,035	125,341	**107,040**	**106,785**

2.

HK$ Million				
Fiscal year	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**
Government's total public expenditure	567,578	642,682	**854,256**	**739,904**

3.

4. According to the above data, which policy area's expenditure takes up the largest proportion of the total government expenditure in 2021-2022? Why?

Health is the policy area that takes up the largest proportion of the total

government expenditure in 2021-22 (which constitutes 15% of the total government

expenditure). This is because society needs to spend a lot on vaccination and

pandemic prevention under the COVID-19 pandemic.

Cross-curricular learning: By using the knowledge learnt from Mathematics in choosing appropriate statistical charts to present data, explain the main point that can be addressed by using a pie chart to present the data.

Answer: From the pie chart, we can understand which policy area takes up the largest portion of the government expenditure. It is easier to identify the government's policy priorities, such as the government's emphasis on public health, support services, education and social welfare.
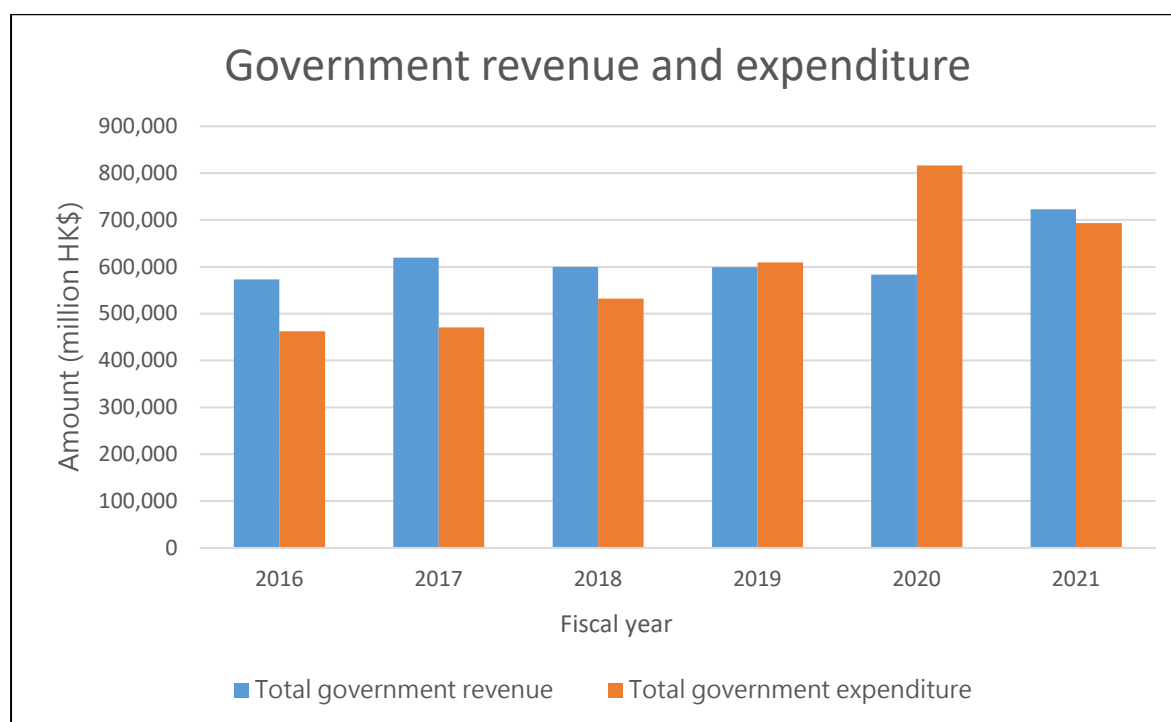
Activity 2:

Read the appendix carefully and refer to the website of the Census and Statistics Department (Hong Kong Annual Digest of Statistics 2022 Edition P.xiv), complete the table below and answer the questions.

1. Total government revenue and expenditure

Year	Total government revenue (million HK$)	Total government expenditure (million HK$)
2016	573,124	462,052
2017	619,837	470,863
2018	599,774	531,825
2019	598,755	609,330
2020	583,534	816,075
2021	722,700	693,321

2. Use the data of total government revenue and expenditure from 2016 to 2021, draw a bar chart and paste it in the box below.

Cross-curricular learning: Through reading a compound bar chart, we can easily spot the government surplus and deficit, and the trend of government revenue and expenditure in recent years.