

Motion Debate on
“Urging the Government to Make Effective Use
of the Surplus and Plough it Back into the Community”

Progress Report

At the Legislative Council meeting on 24 January 2007, the motion on “urging the Government to make effective use of the surplus and plough it back into the community” moved by Hon SIN Chung-kai as amended by Hon Frederick FUNG Kin-kee and Hon WONG Kwok-hing was carried. The motion reads as follows:

“That, as the disparity between the rich and the poor in Hong Kong continues to aggravate, whereas the Government’s finance returned to the surplus last year and the target fiscal surplus for this year will be attained, and the Government further anticipates a very robust financial position with a fiscal reserve exceeding \$400 billion by 2012, this Council urges that, having regard to the existing improved economic and financial situation, the Government should accord priority to alleviating the disparity between the rich and the poor and protecting the interests of the grass-roots workers and the disadvantaged groups before reducing salary tax to alleviate the burden on the middle class, and target at facilitating Hong Kong’s long term development by making effective use of the surplus and investing more resources in:

- (a) setting up a children’s development fund to provide opportunities for children from low-income families to participate in extra-curricular activities;
- (b) granting travelling allowance to the low-income groups residing in remote areas to relieve the problem of working poverty;
- (c) promoting the development of social enterprises by providing them with one-stop support, training and consultancy services, as well as offering them seed money, short-term rent remission and tax concessions;

- (d) shortening the waiting time for care places for the elderly;
- (e) allowing the elderly to use public medical services at half price;
- (f) implementing cross-boundary and large-scale infrastructure projects to create jobs;
- (g) implementing small class teaching to improve the quality of education;
- (h) offering loans to associate degree graduates to study abroad, so as to nurture talents;
- (i) implementing a green tax to encourage environmental protection by the public through economic incentives;
- (j) relaxing the limit of absence from Hong Kong to one year in respect of the Old Age Allowance;
- (k) allowing tax deduction on loan repayment to various student financial assistance schemes;
- (l) raising the allowance for the first two children to \$50,000 and creating an allowance for unemployed dependent parents or grandparents aged over 50;
- (m) providing every household with a deduction of \$5,000 on rates; and
- (n) offering employees a tax concession of up to \$1,000 for voluntary contributions to the Mandatory Provident Fund.”

2. This note aims to inform Members of the follow-up actions taken by the Administration in respect of the motion.

3. The Financial Secretary presented the 2007-08 Budget to the Legislative Council on 28 February 2007. “Revitalising the economy, promoting employment and improving people’s livelihood” were the guiding principles adopted by the Financial Secretary in formulating the Budget. He hoped, by means of this Budget, to balance the changing aspirations of our society, and contribute to the long-term economic development, social harmony and stability of Hong Kong.

4. In the speech moving that the Appropriation Bill 2007 be read a second time, the Financial Secretary stated that one of the Government’s main areas of work is to care for the disadvantaged, helping them to achieve self-reliance and improve their livelihood. Over the past two years, the Commission on Poverty, which is chaired by the Financial Secretary, has held in-depth discussions on ways to prevent and alleviate poverty and to promote self-reliance, provided the Government with specific proposals and assisted in taking forward work on poverty alleviation. In the Budget, the Financial Secretary has allocated about \$900 million to implement a series of measures to help the disadvantaged, which include:

- introducing a one-year pilot Transport Support Scheme in mid-2007 to encourage unemployed and low-income people in financial difficulties who live in remote areas to seek jobs and work across districts. It is estimated that this scheme will incur expenditure of about \$300 million. In addition, the Government will provide a transport allowance for participants in the Youth Pre-Employment Training Programme and the Youth Work Experience and Training Programme;
- raising the “no-deduction” limit for disregarded earnings under Comprehensive Social Security Assistance (CSSA) from \$600 to \$800, and relaxing the criteria for allowing CSSA recipients to be eligible for disregarded earnings from not less than three months on CSSA to not less than two months. The cost of this initiative is estimated to be about \$30 million a year;

- supporting social enterprises. The Home Affairs Department has launched the Enhancing Self-Reliance Through Partnership Programme. In collaboration with the business, social welfare and education sectors, the Government will continue its efforts to promote and facilitate the further development of social enterprises in Hong Kong, which include assisting them to nurture more management talent;
- strengthening family support and fostering child development, including allocating an additional \$52 million a year to provide more training and care services for pre-school children with disabilities and people with disabilities; providing an additional \$31 million to give better care to victims of domestic violence; allocating an additional \$20 million to enhance outreach services for the promotion of mental health in the community; providing an allocation of about \$10 million over the next three years to expand the Capacity Building Mileage Programme; and earmarking \$300 million to set up a child development fund so as to provide children from a disadvantaged background with more development opportunities; and
- strengthening elderly support, including allocating an additional \$38 million a year to enhance the outreach programmes so as to assist more elderly singletons, an additional \$16 million to provide more subsidised residential care places in new purpose-built residential care homes for the elderly, and \$96 million in the next four years to implement a trial scheme in two districts to provide one-stop support services to elderly discharges who have difficulty taking care of themselves.

5. The Financial Secretary hopes to leave wealth with the community where affordable. In response to the comments made by Members and the community, he has proposed the following tax relief measures in the 2007-08 Budget:

- reverting the marginal bands and marginal rates for salaries tax to their 2002-03 levels. In other words, the band width will be increased from \$30,000 to \$35,000, and the two highest marginal tax rates will be reduced from 13 per cent and 19 per cent to 12 per cent and 17 per cent respectively;
- increasing the child allowance from \$40,000 to \$50,000 for each child, and introducing an additional one-off child allowance of \$50,000 for each child in the year of birth;
- increasing the maximum amount of deduction for self-education expenses from \$40,000 to \$60,000;
- reducing the rate of stamp duty on transactions of properties with a value between \$1 million and \$2 million from 0.75 per cent to a fixed amount of \$100; and
- reducing the duty rate on beer and other types of liquor containing not more than 30 per cent of alcohol from the current 40 per cent to 20 per cent, and that on wine from the current 80 per cent to 40 per cent.

6. The Financial Secretary has also proposed the following one-off measures:

- waiving 50 per cent of salaries tax and tax under personal assessment assessed for 2006-07, subject to a ceiling of \$15,000;
- waiving rates for the first two quarters of 2007-08, subject to a ceiling of \$5,000 per quarter for each rateable tenement; and
- providing one additional month of standard rate CSSA payments for CSSA recipients and one additional month of allowance for Social Security Allowance recipients in 2007-08.

7. On infrastructure, the Government will continue to earmark \$29 billion a year on average for infrastructure projects over the next few years. In 2007-08, a number of major projects will commence construction, including the Tamar development project, the improvement and upgrading works for the 2009 East Asian Games sports facilities, Stage 2 of the Replacement and Rehabilitation Programme for Water Mains, and drainage works in various districts. It is expected that these will create about 23 000 jobs for the construction industry.

8. On human resources, the Government has been investing heavily in education to enhance the quality of teaching and nurture talent. Our provision for education in 2007-08 will be \$50.1 billion, an increase of \$2.2 billion over 2006-07, accounting for nearly a quarter of our total recurrent expenditure. The Government will provide continuous support to local tertiary institutions in attracting more students from outside Hong Kong to study and, upon graduation, stay here to work. In addition, we will continue to attract talent from around the world to pursue careers here through various talent admission schemes.

9. On environmental protection, the Financial Secretary has earmarked \$3.2 billion in the Budget to provide an incentive for replacement of old diesel commercial vehicles with new models, and will also lower the first registration tax for environment-friendly vehicles. Moreover, the Government will put forward specific proposals on the charging scheme for plastic shopping bags.

10. In preparing the Budget, the Government will continue to widely consult various sectors of the community, maintain strict fiscal discipline and observe the principle of prudent management of public finances.

Financial Services and the Treasury Bureau

April 2007