

Legislative Council Finance Committee

Pre-primary Education Voucher Scheme FCR(2006-07)29

Supplementary Note

This paper aims to address the questions raised by the Chairman of the Finance Committee regarding –

- (a) the normal duration that the Government would take to process an application from Private Independent (PI) Kindergarten (KG) to become a non-profit-making (NPM) KG;
- (b) as the one-off facilitation grant will only be disbursed to those which apply for reimbursement by August 2007, whether the Government can confirm that processing of all applications of PI KGs for conversion to NPM KGs can be completed in time by August 2007 so that the PI KGs can receive the one-off facilitation grant;
- (c) whether the Government can confirm that for PI KGs that apply for “conversion” to NPM KG status before August 2007, the processing of these applications can be completed before the expiry of the three-year transitional period;
- (d) in the event that the processing of a PI KG’s application cannot be completed by the end of the three-year transitional period, whether there is any contingency plan for this KG and how the children attending this KG would be affected; and
- (e) how the Government would monitor the spending of the part of the voucher value earmarked for teacher development.

2. KGs having been granted exemption from tax under section 88 of the Inland Revenue Ordinance (Cap. 112) are recognised by the Education and Manpower Bureau (EMB) as NPM KGs. Any organisation wishing to seek exemption from tax under section 88 should submit to the Inland Revenue Department (IRD) an application letter, a copy of the relevant certificate of registration, a certified true copy of the governing instrument (the Memorandum and Articles of Association in the case of a corporation, the Trust Deed in the case of a trust or the Constitution in the case of a society), a list of any activities which

have been carried out in the past 12 months (or less, if appropriate) and a list of activities planned for the next 12 months and a copy of its accounts for the last financial year (if the organisation has been established for 18 months or more). In case the organisation has not yet been established, the required documents would be restricted to an application letter, the draft governing instrument and the planned activity list.

3. EMB encourages PI KGs to apply for conversion to NPM status as early as possible. The one-off facilitation grant will help PI KGs meet the costs of professional services in handling the necessary procedures and preparing documents required for seeking exemption under section 88 of the Inland Revenue Ordinance. IRD will usually grant tax exemption within eight weeks from the date of receipt of the application, provided that there are no identified deficiencies in the governing instrument and there is no need to request for supplementary information. Otherwise, the time taken to process the application will depend on the facts of each individual case and the speed with which the applicants can rectify the identified deficiencies and supply any requested information.

4. The transition period of three years starting from the 2007/08 school year until the end of the 2009/10 school year will allow PI KGs satisfying all prescribed requirements of eligible NPM KGs save for the NPM status to redeem the vouchers of parents whose children are enrolled at various study levels in such PI KGs as of the 2007/08 school year throughout these children's education in the same PI KGs. In other words, children enrolled in nursery classes in such PI KGs in the 2007/08 school year will benefit from the voucher up to the final year of their KG education in the 2009/10 school year.

5. Regarding how the Government would monitor the spending of the part of the voucher value earmarked for teacher development to ensure that the KGs concerned will use it for professional upgrading of teachers and principals, EMB will carry out the monitoring through administrative arrangements. KGs will be required to submit to EMB an annual staff development plan which will set out the timetable for teacher training among other matters, and to state clearly the spending position of the part of the voucher value dedicated towards teacher development in their audited accounts. KGs will also be required to maintain separate accounts for keeping track of the spending of the provision. The unspent balance as at the end of the 2011/12 school year will be clawed back by EMB.