

**Progress Report on the Motion on
“Promoting the development of local creative industries”
Passed by the Legislative Council on 4 February 2009**

Purpose

This report sets out actions taken by the Administration to follow up on the motion debate in respect of “Promoting the development of local creative industries” held on 4 February 2009. The Motion carried by the Legislative Council is enclosed at Annex.

Promoting Development of Creative Industries

2. The Administration sought the Legislative Council’s approval to set up a dedicated office under the title “Create Hong Kong” (CreateHK) to strengthen our efforts in promoting development of the creative industries. CreateHK is set up with a view to more effectively respond to industries’ demands and better serve the trade through a one-stop service. Resources previously under different units within the Government catering for creative industries were redeployed to CreateHK for better synergy. With Members’ support, CreateHK was set up in June this year under the Commerce and Economic Development Bureau.

3. We have, in consultation with the creative industries and with the endorsement of the Legislative Council, introduced a seven-pronged strategy to drive development of creative industries as follows:

- (a) Nurturing of local talent;
- (b) Supporting the development of start-up companies;
- (c) Developing local market;
- (d) Expanding overseas and Mainland China market;
- (e) Developing creative clusters;
- (f) Enhancing the atmosphere to promote creative industries in the community; and
- (g) Supporting the organization of mega events to promote

Hong Kong's development as the creative capital in Asia.

4. In addition to the setting up CreateHK, the Administration also sought the Legislative Council's approval and set aside \$300 million to establish a CreateSmart Initiative (CSI) in June this year to support the development of creative industries in the coming three years. The CSI is used to extend financial support for projects that are conducive to the development of the creative industries and are in line with the seven-prong strategy as stated above. The CSI has been in operation since June this year. Some 12 applications have been approved so far, with funding involved totaling \$20 million.

5. Since its establishment and the setting up of the CSI, CreateHK has been working closely with creative industries stakeholders to develop initiatives that are in line with the above-mentioned strategy and best suit their needs. Some of the projects introduced in collaboration with the industries include trainee and internship programmes for the advertising and design sectors, as well as supporting local creative industries to participate in prestigious international competitions to raise the profile of Hong Kong. We will continue to engage our stakeholders and encourage the trade to better utilise the CSI to drive the development of the industries.

Intellectual Property Protection

6. Hong Kong has a well-established copyright protection regime which provides a favourable environment for the development of creative industries. Besides protecting the interests of the copyright owners, we also have measures that facilitate the fair use of copyright works. The Copyright Ordinance provides for a number of permitted acts, including "fair dealing" provisions, in order to protect creative products on the one hand and cater for the need for the fair use of copyright works on the other. We understand that the balance between protection and fair use may shift as a result of social development. We will review the relevant legislation from time to time, making reference to international practices, to ensure that the permitted acts under the Ordinance remain appropriate at all times.

7. "Creative Commons" was introduced into Hong Kong in October last year to further facilitate the use of copyright works. It provides a flexible way of authorisation in which copyright owners can authorise others to use their copyright works under simple licensing terms. The nature of "Creative Commons" is not incompatible with the copyright legislation. Under the overriding principle of respecting copyright and complying with the relevant laws, we welcome copyright owners to share their works with others through any kind of licensing arrangement, including "Creative Commons". The Intellectual Property Department has prepared relevant reference materials for the public to gain a better understanding of the copyright regime in Hong Kong and matters to note in relation to the use of the "Creative Commons" licensing terms.

Nurturing Talents

8. The Administration has been advocating the development of students' creativity and their literacy in culture and arts, as well as encouraging universities to expand their training programmes related to culture and creative industries. In basic education, all primary and secondary schools develop students' generic skills through different subjects under the eight Key Learning Areas (KLAs), in which creativity has been promoted as a priority generic skill.

9. In the new senior secondary curriculum, schools will continue to enhance students' creativity through different KLAs/ subjects, and provide students with diversified pathways and other learning experiences for learning arts. For instance, students will participate in activities related to Aesthetic Development throughout the three years of senior secondary education, and they can also pursue in-depth development of arts and creativity through studying Music, Visual Arts and Applied Learning courses as elective subjects. The Education Bureau also organises and supports projects as well as local and international events with relevant learning experiences to further nurture students' creativity. Moreover, to develop expertise in creativity, arts and arts management, the Administration supports a number of tertiary institutions to offer a variety of programmes related to these subjects.

10. CreateHK has also been working with the creative industries to introduce initiatives to nurture creative talents. Through the Film Development Fund, we supported a project to introduce film and animation education to the Visual Arts curriculum of the New Senior Secondary structure with a view to nurturing new talent for the animation and film sector. We are also working with the design and architecture sector to incorporate elements of design and architecture in the senior secondary school curriculum to develop students' appreciation of and interest in creativity.

Tax Concessions

11. It is the Administration's long-standing policy to provide a business environment that is conducive to fair competition. We avoid providing specified tax incentives for selective lines of business or classes of taxpayers so as not to affect the neutrality of our tax system.

12. Tax deduction for Research and Development (R&D) expenses is already provided under the existing provisions of the Inland Revenue Ordinance. A wide definition is adopted for the term R&D, which includes market, business or management research and the application of research findings to the production of new products or services. In computing a taxpayer's assessable profits, deduction is allowable for both expenditure on R&D carried out by the taxpayer and payments to approved research institutes.

13. Allowing enhanced deduction for a particular expense would amount to providing a hidden subsidy, which would tilt the neutrality of our tax system. Besides, enhanced deduction is easily subject to abuse. Introducing anti-avoidance provisions to combat abuse would complicate our tax legislation. Therefore, we do not support the proposal. Instead, we are now introducing a cash rebate scheme to encourage R & D activities in Hong Kong.

(Translation)

**Motion on
“Promoting the development of local creative industries”
moved by Dr Hon Samson TAM Wai-ho
at the Legislative Council meeting
of Wednesday, 4 February 2009**

Motion as amended by Hon Cyd HO Sau-lan and Hon Paul CHAN Mo-po

That Hong Kong’s economic development is already at a crossroads where there is a pressing need to develop a new economy and the creation of jobs has become a social consensus; this Council urges the Government to make reference to the experience of successful countries or regions to formulate expeditiously the long-term policies, objectives and implementation timetables for creative industries in coping with the development of a new economy, as well as to:

- (a) safeguard free flow of information and freedom of thoughts and speech to stimulate creativity and imagination;
- (b) secure Hong Kong as the locomotive for developing creative industries in the region, with a view to assisting the industries in expanding their markets, in particular the highly promising Mainland market, and strengthening its cooperation with the industries in the Pearl River Delta region;
- (c) facilitate cross-sector collaboration among creative industries, take proactive measures, such as building a one-stop platform and using the internet and technologies of new media, to enhance the competitiveness of local creative industries and assist the conventional industries in transforming their business successfully;
- (d) offer various incentives, including tax concession, to ensure that adequate resources are available for implementing the policies and realizing the objectives;
- (e) nurture and engage talents needed by creative industries;
- (f) promote creative commons, strike a balance between retaining of copyright and the right of reasonable utilization to further broaden the room for developing creative industries; and
- (g) foster a social culture which is conducive to promoting the development of creative industries, encourage the general public to have the values of exploration and innovation, and build up a local cultural identity; and

- (h) offer various incentives to help Hong Kong enterprises and manufacturers upgrade their business and transform into high value-added industries, which include, but not limited to, the following tax concessions:
 - (i) extending the current practice of allowing deduction of expenditure incurred in the purchase of patent rights in calculating assessable profits to cover the purchase of trade marks and copyrights; and
 - (ii) increasing the amount of tax deduction for expenditure on research and development from the existing 100% to 200% of the actual expenditure.