

財經事務及庫務局局長



SECRETARY FOR FINANCIAL
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本函檔號 OUR REF.:

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9 March 2011

The Honourable Emily LAU Wai-hing, JP
Chairman of the Finance Committee
Legislative Council
Hong Kong Special Administrative Region

Dear Emily,

On 23 February 2011, the Financial Secretary (FS) submitted the 2011-12 Budget to the Legislative Council. The estimates of expenditure have been passed to the Finance Committee (FC) of the Council for consideration.

In response to public demands, the FS announced on 2 March that adjustments would be made to individual Budget measures. I enclose a note on the adjustments and related issues to facilitate consideration of the Appropriation Bill 2011 and the estimates of expenditure by the Legislative Council.

As usual, officials concerned will attend the special FC meetings to answer Members' questions about the estimates of expenditure. The adjustments related to expenditure involve Head 106 of the General Revenue Account. We propose to reschedule the special FC meeting session on public finance under the Financial Services and the Treasury Bureau from 12 noon on 21 March 2011 to 11:30 a.m. on 25 March 2011. The deadline for submission of Members' initial written questions in respect of Head 106

will be extended to noon of 11 March 2011 accordingly. As for the revised revenue proposals, we will submit relevant amendment bills to the Legislative Council for consideration in due course.

Yours Sincerely,

K.C. Chan

(Professor K C Chan)
Secretary for Financial Services and the Treasury

c.c. All Members of the Legislative Council

Adjustments to the Proposed Measures in the 2011-12 Budget

The Budget has been widely discussed in the community since its announcement. Major concerns include the proposed injection into Mandatory Provident Fund (MPF) accounts, ways to take care of people facing financial hardship who cannot benefit from the proposed measures, and the possibility of tax rebates. The Financial Secretary has listened carefully to the views of the community and LegCo Members. After careful consideration, the Financial Secretary has decided to make the following adjustments to the Budget.

2. First of all, since the proposed injection into MPF accounts has not been well received by the public, the Financial Secretary accepts the public view and decides not to pursue the proposal. Instead, he proposes to give a sum of \$6,000 to all Hong Kong Permanent Identity Card holders aged 18 or above. Those who apply and are eligible may, having regard to his or her own wish, withdraw the sum upfront or choose to defer withdrawal in order to accumulate “savings bonus”. This proposal will benefit over 6.1 million people and involve an expenditure of almost \$37 billion.

3. At the same time, the Financial Secretary plans to inject funds to the Community Care Fund to provide assistance to those who cannot benefit from the above measure but face financial hardship, including new immigrants. The Steering Committee on Community Care Fund and relevant Government departments will further examine the details.

4. It is also the common demand of the public to provide concession for salaries tax and tax under personal assessment so that the middle class may benefit from the Budget initiatives. In response to this call, the Financial Secretary proposes to reduce salaries tax and tax under personal assessment for 2010-11 by 75%, subject to a ceiling of \$6,000. The extent of reduction is the same as that proposed in last year’s Budget. The reduction will be reflected in the taxpayer’s final tax payable for 2010-11. This proposal will benefit 1.5 million taxpayers and cost the Government about \$5.3 billion.

5. We believe that the above proposals can leave wealth with the people and also respond to their demands. We must not underestimate the threat of inflation and any relief measure will inevitably have an impact on inflation. Nevertheless, there are clear and strong demands for wealth sharing and tax relief from our community, and the Financial Secretary respects these views. Having weighted various factors and after careful consideration, the Financial Secretary arrived at the decision to introduce the above proposals.

6. While the tax relief measures are nothing new, the payment of \$6,000 to over 6.1 million residents is a brand new venture. The Treasury Branch of the Financial Services and Treasury Bureau and relevant departments are exploring and formulating the implementation details. In view of the scale of the proposal, we must be meticulous in our planning to facilitate the public while also ensuring the proper use of public money. After finalising the details, we will seek funding approval for the proposal from the Finance Committee in accordance with the established mechanism. This proposal will incur a total expenditure of about \$37 billion, higher than the \$24 billion earmarked for the proposed MPF injection. Its estimated expenditure budget for 2011-12 will be transferred from Head 106 of the General Revenue Account.

7. The proposed tax concession will reduce total revenue under Head 3 of the Revenue Estimates by about \$5.3 billion. We will submit the relevant bill to LegCo for consideration in due course.

8. The Financial Secretary hopes the adjustments to specific Budget proposals will help forge public consensus and thank Members for their attention and views on the Budget.

Financial Services and the Treasury Bureau
March 2011