

NOTE FOR FINANCE COMMITTEE

Work Incentive Transport Subsidy Scheme

PURPOSE

This paper informs Members of the Administration's plan to update the income and asset limits for the means test of the Work Incentive Transport Subsidy (WITS) Scheme.

BACKGROUND

2. At the meeting on 25 February 2011, the Finance Committee of the Legislative Council (LegCo) approved vide FCR(2010-11)60 and FCR(2010-11)60A the creation of a new commitment of \$4,805 million for implementing the WITS Scheme. The Scheme seeks to relieve the burden of travelling expenses arising from commuting to and from work on employed members of low-income households, and encourage them to stay in employment. The Scheme has been open for application since 3 October 2011 and has been running smoothly. In due course, we will carry out a mid-term review to take account of the operational experience in the first year, and a comprehensive review after three years of operation. Meanwhile, we see a need to update the income and asset limits for its means test.

UPDATING THE MEANS TEST LIMITS

3. The current income and asset limits were set having regard to the income and other relevant data of the second quarter of 2010. Since then, the overall local economic situation has significantly improved and the Statutory Minimum Wage has come into effect. As a result, the median monthly household income has risen notably. While such an increase has to some extent helped mitigate the impact of transport costs on the working poor, it remains the objective of the WITS Scheme to assist those who are relatively disadvantaged. We therefore see a need to update the means test limits to keep pace with the changes and better serve our policy objectives. As this is a technical adjustment, we are guided by the benchmarks for setting the original limits.

/Income

Income limits

Encl. 1 4. We will update the income limits with reference to the median household income in the fourth quarter of 2011, so that they remain at more or less the same level of the median as at the second quarter of 2010 when the limits were first set. The updated income limits are at Enclosure 1. The new income limits will take effect from March 2012.

Asset limits

Encl. 2 5. The original asset limits were about two to three times the corresponding limits under the Comprehensive Social Security Assistance (CSSA) Scheme^{Note}. To make WITS an effective tool for encouraging employment, we will raise the limits to three times the corresponding limits under the CSSA Scheme for households of all sizes. The additional amount of \$35,000 allowed for each elderly household member will remain unchanged. The adjusted asset limits are at Enclosure 2. The new asset limits will also take effect from March 2012.

CONSULTATION

6. We briefed the LegCo Panel on Manpower on 16 February 2012 on the progress of the WITS Scheme and the Administration's plan to update the income and asset limits. Members generally supported the adjustment.

FINANCIAL IMPLICATIONS

7. The commitment of \$4,805 million approved by the Finance Committee on 25 February 2011 is sufficient for implementing the WITS Scheme. No additional funding is required for effecting the new limits.

Labour and Welfare Bureau
Labour Department
February 2012

^{Note} The asset limits under the WITS Scheme were set at two times the corresponding limit under CSSA Scheme for one to four-member households, 2.5 times the limits for five-member households and three times for households with six or more members.

**Work Incentive Transport Subsidy Scheme
Income Limits
(With effect from March 2012)**

Household size	Current income limit	Updated income limit	Increase
1	\$6,500	\$7,300	\$800 (12.3%)
2	\$12,000	\$13,400	\$1,400 (11.7%)
3	\$13,000	\$14,800	\$1,800 (13.8%)
4	\$14,000	\$16,400	\$2,400 (17.1%)
5	\$14,500	\$16,700	\$2,200 (15.2%)
6 or above	\$16,000	\$18,600	\$2,600 (16.3%)

Enclosure 2 to FCRI(2011-12)18

**Work Incentive Transport Subsidy Scheme
Asset Limits
(With effect from March 2012)**

Household size	Current asset limit ¹	Adjusted asset limit ^{1,2}	Increase
1	\$44,000	\$72,000	\$28,000 (63.6%)
2	\$60,000	\$99,000	\$39,000 (65.0%)
3	\$90,000	\$148,500	\$58,500 (65.0%)
4	\$120,000	\$198,000 ³	\$78,000 (65.0%)
5	\$150,000	\$198,000 ³	\$48,000 (32.0%)
6 or above	\$180,000	\$198,000 ³	\$18,000 (10.0%)

¹ \$35,000 will be added to the asset limit for each elderly member aged 60 or above.

² The adjusted asset limits are referenced upon new asset limits under CSSA Scheme which were price-adjusted on 1 February 2012.

³ Under the CSSA Scheme, households with four or more members are subject to the same (highest) asset limit. As the asset limits under the WITS Scheme are raised to three times the corresponding limits under the CSSA Scheme, households with four or more members under the WITS Scheme would be subject to the same (highest) asset limit.