

(Translation)

**Motion on
“Reviewing public finances policies”
moved by Hon Paul CHAN Mo-po
at the Legislative Council meeting
of Wednesday, 19 January 2011**

Motion as amended by Hon Ronny TONG Ka-wah

That in the Budgets of the HKSAR Government in recent years, there have been big discrepancies in the forecasts of government revenue, budget surpluses and fiscal reserves, resulting in the incessant accumulation of fiscal reserves, but there are no clear criteria on what an appropriate level of fiscal reserves should be; at the same time, there are substantial accumulations in the Exchange Fund year over year, and the Government has set up, in different forms (e.g. fund), quite a number of ‘small vaults’ and owns many valuable assets (e.g. the shares of the MTR Corporation Limited and the Airport Authority), and that the financial strength of the Government can be described as enormous; however, despite the sustained economic growth of Hong Kong in the past decade or so, quite a number of low-income earners and the grassroots are completely unable to enjoy the benefits, giving rise to the phenomenon of the poor getting poorer and even the emergence of ‘three have-nots’ and ‘five have-nots’ in the society; in the past, the Government usually adopted across-the-board and one-off measures to return part of the surpluses to members of the public, but the relevant measures lacked long-term policy objectives and specific focuses, resulting in those who need help finding the measures insufficient to address their needs, and those who do not need help simply treating the measures as nice-to-haves and not caring at all; the increasing hardship of the livelihood of low-income persons has created social grievances and conflicts; with the Mainland’s acceleration of full scale opening up and intensification of reforms as well as economic globalization, the economy of Hong Kong needs to be restructured, but the tax policy of Hong Kong has lagged behind the changes in business and competitive environment, thus threatening Hong Kong’s competitiveness as an international financial, commercial and trade centre; moreover, Hong Kong’s narrow tax base and the Government’s over-reliance on land-related revenue poses the risk of instability to public finances; in this connection, this Council urges the Government to conduct a comprehensive and in-depth review of the existing high land-price policy as well as Hong Kong’s policies and measures on taxation, social welfare and public finances, to clearly specify that generally, it will already be sufficient to only maintain fiscal reserves at a level of not exceeding 15 months of government expenditure, to study relaxing the restriction that the Government’s recurrent expenditure shall not exceed 20% of the Gross Domestic Product, and to set up within the government structure a tax policy group with the employment of full-time tax experts to study the use of tax measures to dovetail with the Government’s policies on economy and industries, upgrade Hong Kong’s competitiveness as an international financial, commercial and trade centre, address the problem of poverty and eradicate social and economic inequalities.