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Panel on Financial Affairs

Special Meeting on 27 June 2011

Background brief on Proposal to Give a Sum of \$6,000 to Eligible Persons

Purpose

This paper provides background information on the proposal to give a sum of \$6,000 to eligible persons (the \$6,000 Proposal) and summarizes the relevant concerns and views expressed by Members.

Background

2. In order to assist citizens in preparing for retirement, the Financial Secretary (FS) proposed in the 2011-2012 Budget to make a one-off injection of \$6,000 into the Mandatory Provident Fund (MPF) accounts of all MPF scheme members and members of occupational retirement schemes covered by the Employment Ordinance of Hong Kong as of 23 February 2011 (the MPF injection proposal). FS initially earmarked \$24 billion for this measure.

3. The 2011-2012 Budget had been widely discussed in the community since its delivery by FS on 23 February 2011. While the MPF injection proposal had drawn a lot of criticisms, there were calls for alternative measures which would address the needs of different quarters of the community in both the short term and long term. FS announced before the media on 2 March 2011 that upon listening to the views of the community and Legislative Council Members, he had decided to make the following adjustments to the proposed measures in the 2011-2012 Budget:

- (a) to give a sum of \$6,000 to all Hong Kong Permanent Identity Card holders aged 18 or above, involving an expenditure of around \$37 billion;
- (b) to inject funds into the Community Care Fund (CCF) to provide assistance to those who cannot benefit from the above measure but who face financial hardship, including new arrivals;
- (c) to reduce salaries tax and tax under personal assessment for 2010-2011 by 75%, subject to a ceiling of \$6,000, involving a reduction of government revenue by about \$5.3 billion; and
- (d) not to pursue the MPF injection proposal.

4. At the special meeting of the Finance Committee (FC) on 25 March 2011, the Administration advised that taking into account the adjustments set out in paragraph 3, the forecast surplus of \$3.9 billion in the Consolidated Account for 2011-2012 would become a deficit of \$8.5 billion. The Administration also provided information on its preliminary thinking on the implementation arrangements for the \$6,000 Proposal and the major issues to be addressed, including the following:

- (a) Holders of non-permanent identity cards comprise different groups, and extending the proposal to non-permanent residents may not fit in with the objective to leave wealth with the people.
- (b) Eligible persons may withdraw the sum upfront or choose to defer withdrawal in order to accumulate "savings bonus".
- (c) The Administration would establish a platform which can facilitate people's registration for and collection of the payment without compromising the protection of privacy. Discussions were being held with banks regarding the use of the banking network for building that platform.
- (d) Some staggering arrangements should be made to avoid bunching of over six million registrations for the payment within a short period of time.

5. The Second Reading debate on the Appropriation Bill 2011 was resumed at the Council meeting held on 6 and 7 April 2011. On 13 April 2011, FS moved a Committee Stage amendment to increase the provision

under subhead 789 of Head 106 by \$7.1 billion to reflect the additional expenditure required for the adjustments to the 2011-2012 Budget. The Appropriation Bill as amended was passed at the Council meeting on 14 April 2011.

Major concerns and views expressed by Members during relevant discussions

Special meeting of Finance Committee and debates on the Budget at Council meetings

6. The major concerns and views expressed by Members on the \$6,000 Proposal at the special meeting of the Finance Committee on 25 March 2011 and during the debates on the 2011-2012 Budget at the Council meetings in April 2011 are as follows:

Implementation arrangements

- (a) the \$6,000 should be disbursed as quickly as possible;
- (b) the Administration should work out the details of the Proposal carefully to ensure smooth implementation and adequate protection of personal data privacy;
- (c) the Administration should adopt a lenient approach in deciding the cut-off date for determining the age eligibility;
- (d) the registration and payment methods should be user-friendly and convenient for people with or without bank accounts;
- (e) the Administration should take precautionary measures against possible swindling of funds by unscrupulous persons acting on behalf of the incapacitated such as those in aged homes;
- (f) eligible persons should be provided the option of keeping the sum as a time deposit for one to four years at specified interest rates;

Principles of public finance management

- (g) the abrupt change to handout cash was an arbitrary decision and had affected the governance and credibility of the Government;

- (h) the Administration should devote more efforts on long-term planning, particularly in the policy areas of social welfare, housing and health;
- (i) the Administration should manage the expectation of the public carefully so that the public would not expect the \$6,000 Proposal to become a regular measure in subsequent years;

Persons not covered by the \$6,000 Proposal

- (j) some people including new arrivals and persons aged below 18 and were working were originally covered under the MPF injection proposal but could not benefit from the \$6,000 Proposal;
- (k) non-permanent residents were discriminated against under the \$6,000 Proposal and this had led to social differentiation; and
- (l) the Administration should let the Steering Committee on CCF have a free hand in deciding the use of the funds to be injected into CCF.

Council questions

7. At the Council Meeting on 30 March 2011, Hon James TO raised an oral question on public finance management. In view that only a week after the delivery of the 2011-2012 Budget, the Government decided to withdraw the MPF injection proposal and put forth the \$6,000 Proposal instead, Mr TO queried, inter alia, whether the Government had given up the principle of prudent financial management and whether the Government had evaluated the impact of the proposal on people from various sectors and the community before putting it forward.

8. At the Council Meeting on 8 June 2011, Hon KAM Nai-wai raised an oral question on the implementation details of the \$6,000 Proposal, including the order of priority for the disbursement of funds, arrangements for persons with special needs, the cut-off date for determining the age eligibility, registration channels and procedures, and resource requirements etc.

9. The contents of the Council questions and the Administration's replies may be retrieved from the hyperlinks provided under paragraph 11 below.

Latest development

10. The Administration released the details of the \$6,000 Proposal on 16 June 2011 vide LC Paper No. CB(1)2500/10-11(01), and will consult the Panel on Financial Affairs on the implementation arrangements for the proposal on 27 June 2011.

Relevant papers

11. The relevant papers are available at the following hyperlinks:

Speech by the Financial Secretary on the 2011-2012 Budget	Speech (paragraph 177-178)
Special Meeting of the Finance Committee on 25 March 2011	Speaking Note of the Secretary for Financial Services and the Treasury
Meeting of the Legislative Council on 30 March 2011	Hansard (page 44-56)
Meeting of the Legislative Council on 6 April 2011	Hansard (page 103-279)
Meeting of the Legislative Council on 7 April 2011	Hansard (page 6-148)
Meeting of the Legislative Council on 13 April 2011	Hansard (page 139-318)
Meeting of the Legislative Council on 14 April 2011	Hansard (page 6-13)
Meeting of the Legislative Council on 8 June 2011	Hansard (floor) (page 38-46)