

**立法會**  
***Legislative Council***

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**Panel on Commerce and Industry**

**Meeting on 19 February 2013**

**Updated background brief on  
the Research and Development Cash Rebate Scheme**

**Purpose**

This paper provides background information on the Research and Development (R&D) Cash Rebate Scheme (the Scheme) and a summary of views and concerns expressed by Members during previous discussions on the subject matter.

**Background**

2. Following the recommendations of the Task Force on Economic Challenges in June 2009 on further promoting innovation and technology in Hong Kong, the Administration undertook to explore actively the provision of financial and policy incentives to encourage more R&D investment in the private sector. On 14 October 2009, the Chief Executive announced in his 2009-2010 Policy Address that the Government would introduce the Scheme in 2010 to inculcate a research culture among enterprises and encourage them to establish long-term partnerships with local public research institutions.

3. The Scheme was first launched in April 2010 to provide 10% cash rebate on the investment made by business enterprises in conducting R&D projects. The \$200 million Scheme covers all R&D projects under the Innovation and Technology Fund (ITF) and non-ITF R&D projects where enterprises partner with or engage local designated research institutions (including local universities, the R&D Centres set up under ITF, Vocational Training Council and the Hong Kong Productivity Council) to undertake R&D work. Overseas and Mainland companies in partnership with local designated research institutions are also eligible to apply for cash rebate under the Scheme.

4. To enhance the effectiveness of the Scheme, the level of cash rebate under the Scheme was increased by three-fold, from 10% to 30%, with effect from 1 February 2012.

### **Previous discussions**

5. Panel members in general supported the Scheme and considered it an innovative initiative to encourage business enterprises to increase their investment in R&D which would also provide more job opportunities for university graduates and expand the commercialization of R&D deliverables. Members also appreciated that unlike tax rebate schemes, the Scheme could obviate the need for enterprises to generate a profit before becoming eligible for the rebate. Views and concerns expressed by members during previous discussions on the subject matter are summarized in the ensuing paragraphs.

6. Some Panel members held the view that apart from providing direct financial support under the Scheme, the Administration should also step up efforts in grooming and bringing in talent not available in Hong Kong as well as formulate a forward-looking manpower plan for the R&D industry.

7. Some Panel members suggested that in addition to the cash rebate, the Administration should provide incentives for enterprises to set aside a certain percentage of their profits for R&D purpose by means of tax concessions. The Administration advised that a 100% deduction for R&D expenditure from the business profits for the purpose of tax assessment was already provided for under section 16B of the Inland Revenue Ordinance (Cap. 112). The Scheme was designed to provide added incentives on top of the existing tax concession to further stimulate private investment in R&D, which would contribute to the overall Gross Domestic Product. The Administration would monitor the response to the Scheme and make suitable adjustments to the financial commitment as and when necessary.

8. Noting that the lowest amount of cash rebate disbursed was \$500, some Panel members opined that the Administration should set a minimum amount of cash rebate for each application to ensure the cost-effectiveness of the Scheme. Some other Panel members further suggested that for the benefit of the small and medium enterprises, higher levels of cash rebate should be granted to relatively smaller projects with a low level of industry contribution. The Administration advised that it would review and refine the Scheme to reinforce research culture among business enterprises and provide more incentives to companies in conducting R&D in collaboration with designated local public research institutes.

9. Some Panel members urged the Administration to foster greater collaboration amongst the Government, the industry and the various stakeholders, and provide non-financial support to encourage enterprises to partner with or engage local public research institutions to undertake R&D work. To create more job opportunities in Hong Kong, members considered it important that the Administration should put in place measures to encourage the commercialization of R&D deliverables in Hong Kong rather than allowing the technologies to be acquired by overseas companies. They also called on the Administration to take the lead to adopt more local R&D results.

10. On fostering stronger partnership between business enterprises and designated local public research institutions, the Administration highlighted the need to bridge the gap between the academic sector which tended to be more interested in basic research, and the industry which demanded practical technology solutions to improve product development and competitiveness. In this connection, the Administration had been working closely with local universities (in particular their knowledge transfer offices) as well as the R&D Centres under ITF to identify measures to facilitate work in applied research, in particular commercialization. According to the Administration, the vetting criteria of ITF had been refined to give greater emphasis to relevant factors apart from scientific/technical considerations, so as to encourage and select projects with greater prospect of realization/commercialization for support.

11. Regarding the adoption of local R&D results, the Administration advised that it would be difficult to give priority to local R&D results in the government procurement policy because Hong Kong was a founding member of the World Trade Organization (WTO) and was bound by the WTO Agreement on Government Procurement. Nevertheless, the Administration would facilitate the trial of R&D products by Government departments and public organizations, so that researchers and product developers could gain actual experience to fine-tune their products, build up "reference" for subsequent marketing, and bring about wider economic and social benefits to the community. The scope of ITF funding had already been extended to cover production of prototypes/samples and conducting of trial schemes in the public sector. Examples of such trial schemes included the light-emitting diode corridor lamps and streetlamps installed at Housing Department and Highways Department premises, the solar cell demonstration system installed at the Tseung Kwan O Hospital by the Hospital Authority, and the electric vehicle used at the Correctional Services Department's facilities in Hei Ling Chau.

**Latest position**

12. The Administration will brief the Panel at its meeting on 19 February 2013 on the outcome of the review of the Scheme.

**Relevant papers**

13. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
8 February 2013

Research and Development Cash Rebate Scheme

List of relevant papers

Date of meeting	Committee	Minutes/Paper	LC Paper No.
14/10/2009	Council	<p>Policy Address by the Chief Executive: "Breaking New Ground Together"</p> <p>The 2009-2010 Policy Address - "Policy Agenda"</p>	<p><a href="http://www.legco.gov.hk/yr09-10/english/panels/0910policy-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/0910policy-e.pdf</a></p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/0910agenda-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/0910agenda-e.pdf</a></p>
20/10/2009	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Minutes of meeting</p>	<p>CB(1)13/09-10(03)</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1020cb1-13-3-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1020cb1-13-3-e.pdf</a></p> <p>CB(1)536/09-10</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20091020.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20091020.pdf</a></p>
15/12/2009	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Background brief</p>	<p>CB(1)614/09-10(03)</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1215cb1-614-3-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1215cb1-614-3-e.pdf</a></p> <p>CB(1)614/09-10(04)</p> <p><a href="http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1215cb1-614-4-e.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1215cb1-614-4-e.pdf</a></p>

Date of meeting	Committee	Minutes/Paper	LC Paper No.
		Minutes of meeting	CB(1)1103/09-10  <a href="http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20091215.pdf">http://www.legco.gov.hk/yr09-10/english/panels/ci/minutes/ci20091215.pdf</a>
19/7/2011	Panel on Commerce and Industry	Administration's paper  Updated background brief  Minutes of meeting	CB(1)2722/10-11(01)  <a href="http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0719cb1-2722-1-e.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0719cb1-2722-1-e.pdf</a>  CB(1)2722/10-11(02)  <a href="http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0719cb1-2722-2-e.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ci/papers/ci0719cb1-2722-2-e.pdf</a>  CB(1)3098/10-11  <a href="http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110719.pdf">http://www.legco.gov.hk/yr10-11/english/panels/ci/minutes/ci20110719.pdf</a>
7/3/2012	Finance Committee	Administration's replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2012-2013: serial nos. CEDB(CT)034, CEDB(CT)045 and CEDB(CT)046	<a href="http://www.legco.gov.hk/yr11-12/english/fc/fc/w_q/cedb-ct-e.pdf">http://www.legco.gov.hk/yr11-12/english/fc/fc/w_q/cedb-ct-e.pdf</a>

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20/3/2012	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Updated background brief</p> <p>Minutes meeting of</p>	<p>CB(1)1298/11-12(07)</p> <p><a href="http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0320cb1-1298-7-e.pdf">http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0320cb1-1298-7-e.pdf</a></p> <p>CB(1)1298/11-12(08)</p> <p><a href="http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0320cb1-1298-8-e.pdf">http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0320cb1-1298-8-e.pdf</a></p> <p>CB(1)1787/11-12</p> <p><a href="http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120320.pdf">http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120320.pdf</a></p>
15/5/2012	Panel on Commerce and Industry	<p>Administration's paper</p> <p>Minutes meeting of</p>	<p>CB(1)1790/11-12(03)</p> <p><a href="http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0515cb1-1790-3-e.pdf">http://www.legco.gov.hk/yr11-12/english/panels/ci/papers/ci0515cb1-1790-3-e.pdf</a></p> <p>CB(1)2432/11-12</p> <p><a href="http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120515.pdf">http://www.legco.gov.hk/yr11-12/english/panels/ci/minutes/ci20120515.pdf</a></p>