

NOTE FOR FINANCE COMMITTEE

Work Incentive Transport Subsidy Scheme

PURPOSE

This paper informs Members of the Government's plan to freeze the income limits for the following types of applications under the Work Incentive Transport Subsidy (WITS) Scheme –

- (a) individual-based/one-person household-based applications; and
- (b) household-based applications from households of six persons or above.

BACKGROUND

2. Under the existing annual adjustment mechanism approved by the Finance Committee (FC) of the Legislative Council (LegCo) in December 2012, the income and asset limits for WITS applicants are to be adjusted concurrently with the asset limits of the Comprehensive Social Security Assistance (CSSA) Scheme in February each year. The income limits are updated on the basis of the median monthly domestic household income (MMDHI) in the third quarter of the previous year, with the limits for individual-based applications/different household sizes ranging from 100% to 60% of MMDHI of corresponding household sizes¹.

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¹ MMDHI excludes the income of foreign domestic helpers. For individual-based applications and household-based applications of one-member households, the income limit is set at 100% of MMDHI of single-person households. As for household-based applications from households with two members or more, the income limits are as follows –

- (a) households with two members: 85% of MMDHI of two-member households;
- (b) households with three members: 65% of MMDHI of three-member households;
- (c) households with four members: 60% of MMDHI of four-member households;
- (d) households with five members: 60% of MMDHI of five-member households; and
- (e) households with six members or more: 60% of MMDHI of households of six members or more.

The asset limits are pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted².

FREEZING OF TWO INCOME LIMITS IN THE ANNUAL ADJUSTMENT IN 2017

3. Based on MMDHI in the third quarter of 2016, the income limits for applications from households of two to five persons have increased from the claim month of February 2017 onwards. However, the income limit for individual-based/one-person household-based applications would be reduced from the original limit of \$10,000 to \$8,700, and that for household-based applications from households of six persons or above would be reduced from the original limit of \$25,200 to \$24,300³. A strict adherence to the existing adjustment mechanism would result in a tightening of the eligibility criteria for these two groups of applicants and reduction in the number of low-income earners covered by the WITS Scheme⁴.

4. The Government will conduct an overall policy review of the Low-income Working Family Allowance (LIFA) Scheme one year after its implementation, i.e. in mid-2017. In this context, the interface issues between LIFA and WITS will be examined, and we would explore how to rationalise the adjustment mechanism for WITS.

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² For individual-based applications and household-based applications of one-member households, the asset limit is set at three times of CSSA single person (able-bodied adult) cases. As for other household-based applications, the asset limits are set at three times of CSSA family cases of corresponding household sizes involving able-bodied adults. Under the CSSA Scheme, households with four or more members are subject to the same (highest) asset limit. As the asset limits for WITS are pegged to the corresponding limits for CSSA, households with four or more members under the WITS Scheme are subject to the same (highest) asset limit.

³ In the third quarter of 2016, MMDHI for one-person households was \$8,700, representing a drop by 13% over MMDHI at \$10,000 in the third quarter of 2015. Besides, MMDHI for households of six persons or above in the third quarter of 2016 was \$40,500, which was lower than \$42,000 in the third quarter of 2015 by 3.6%. As compared to the third quarter of 2015, the drop in MMDHI for one-person households in the third quarter of 2016 might be attributable to an extra payment equal to one month of CSSA standard rates disbursed to CSSA households in June 2016 vis-à-vis an extra payment equal to two months of CSSA standard rates disbursed to CSSA households in July 2015. As a relatively higher proportion of CSSA recipients are one-person eligible persons, MMDHI of one-person households is more easily affected by an extra payment of CSSA standard rates. As to MMDHI for households of six persons or above which recorded a slight year-on-year decrease in the third quarter of 2016 while MMDHI of the other quarters of the year recorded year-on-year increases, the drop in the third quarter of 2016 might be a short-term fluctuation.

⁴ In 2016, 2 836 (9.1%) of 31 294 WITS applicants with individual-based/one-person household-based applications approved had an average monthly income greater than \$8,700 but not exceeding \$10,000 while four (1.1%) of 364 applicants from households of six persons or above with their household-based applications approved had an average monthly household income greater than \$24,300 but not exceeding \$25,200.

5. Pending the completion of the forthcoming overall policy review as set out in paragraph 4 above, the Government will, as a special one-off arrangement, freeze the income limits for individual-based/one-person household-based applications and household-based applications from households of six persons or above at \$10,000 and \$25,200 respectively in the annual adjustment exercise for 2017. The income limits for household sizes of two to five persons and asset limits for individual-based applications and households of all sizes have been adjusted in accordance with the existing mechanism and taken effect from the claim month of February 2017. The income limits effective from 1 February 2017 are shown at Enclosure.

Enclosure

PUBLIC CONSULTATION

6. We consulted the LegCo Panel on Manpower (the Panel) on 18 April 2017 on the Government's proposal to freeze the above-mentioned two income limits. The Panel had no objection to the Government proceeding with reporting the proposal to FC by circulation of an Information Note.

FINANCIAL IMPLICATIONS

7. For budgeting purpose, we assume a full-rate subsidy of \$600 per month for 12 months would be granted to all WITS applicants benefitting from the freezing proposal. Based on figures of WITS applications in 2016, the estimated financial implication of the freezing proposal is about \$20 million with breakdown in the table below –

Household size	Number of applicants (based on figures of 2016) (a)	Subsidy rate per month (b)	Claim month (c)	Financial implications of freezing the income limits (a)x(b)x(c)
One person or individual-based application	2 836	\$600	12	\$20,419,200
Six persons or above household-based application	4	\$600	12	\$28,800

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8. The non-recurrent commitment of \$4,805 million for the WITS Scheme approved by FC on 25 February 2011 had a remaining balance of \$3,092 million as at 31 March 2017. No additional funding is required for effecting this special one-off arrangement.

Labour and Welfare Bureau
Labour Department
April 2017

**Work Incentive Transport Subsidy Scheme
Income Limits
(effective from the claim month of February 2017)**

Household size	Monthly income limit for claim months from February 2016 to January 2017	Monthly income limit for claim months from February 2017 onwards	Change
1 person or individual-based application	\$10,000	\$10,000	-
2 persons	\$16,600	\$17,000	+\$400 (+2.4%)
3 persons	\$18,900	\$19,500	+\$600 (+3.2%)
4 persons	\$22,100	\$22,800	+\$700 (+3.2%)
5 persons	\$22,800	\$23,900	+\$1,100 (+4.8%)
6 persons or above	\$25,200	\$25,200	-
