

**For discussion on
13 March 2017**

Legislative Council Panel on Welfare Services

**One-off Extra Payment for Recipients of Social Security Payments,
Low-income Working Family Allowance, and
Work Incentive Transport Subsidy**

Purpose

This paper informs Members of the Government's initiative to provide a one-off extra payment to recipients of social security payments, Low-income Working Family Allowance (LIFA), and Work Incentive Transport Subsidy (WITS).

Justification

2. Having regard to the current economic situation, the complicated and uncertain global political and economic climate in the coming year, as well as the Government's fiscal surplus, the Financial Secretary announced in his 2017-18 Budget to introduce a series of one-off measures that will on the one hand share the fruits of our economic development with members of the public, stimulate domestic demand, stabilise the economy and support the employment market and on the other hand, invest for the future by optimising the use of government resources. These measures include the provision of an extra payment to recipients of social security payments, equal to one month of the standard rate Comprehensive Social Security Assistance (CSSA) payments or allowance payments under the Social Security Allowance (SSA) Scheme which includes Old Age Allowance (OAA), Old Age Living Allowance (OALA) and Disability Allowance (DA); and similar arrangements for recipients of LIFA and WITS.

One-off Extra Payment to Recipients of Social Security Payments

3. For CSSA recipients, the extra payment is equal to one month of the standard rates. Different standard rates are applicable to different categories of recipients (such as elderly persons, children and able-bodied adults). The following are examples of the monthly standard rates for different CSSA persons/households –

Single elderly person	\$3,435
Single able-bodied adult	\$2,420
A two-member CSSA family comprising one elderly person and one severely disabled elderly person	\$6,915
A three-member CSSA family comprising one single parent and two school children	\$6,705
A four-member CSSA family comprising two able-bodied adults (one of them being a family carer) and two school children	\$7,710

4. For recipients of OAA (including the Guangdong (GD) Scheme), OALA¹ and DA, the extra payment is equal to one month of the allowance. The monthly rates of the allowances are as follows –

OAA	\$1,325
OALA ²	\$2,565
Higher OALA ³	\$3,435
Normal DA	\$1,695
Higher DA	\$3,390

¹ Two proposed enhancements to OALA were announced in the 2017 Policy Address, namely relaxing the asset limits of the existing allowance and adding a higher tier of assistance (Higher OALA). The implementation details of the enhancements are set out in **Annex**.

² The implementation details of the relaxation of the asset limits of existing OALA are set out in paragraph 3 of the Annex. Recipients who are eligible for social security payments on the date of passage of the Appropriation Bill 2017 (Eligibility Date) will be eligible for the one-off extra payment. This arrangement applies to existing OALA recipients and those who become eligible for OALA under the relaxed asset limits.

³ The implementation details of the introduction of Higher OALA are set out in paragraphs 5 to 8 of the Annex. Recipients who are eligible for social security payments on the Eligibility Date will be eligible for the one-off extra payment. This arrangement applies to Higher OALA recipients. Eligible recipients will be granted a one-off extra Higher OALA payment together with the lump sum payment as referred to in paragraph 8 of the Annex. Recipients who have received one-off extra social security payments under other allowances will be granted the difference between the two rates.

5. Recipients who are eligible for social security payments on the date of passage of the Appropriation Bill 2017 would be eligible for the one-off extra payment. It is estimated that about 1.24 million recipients⁴, including 350 000 CSSA recipients, 160 000 OAA recipients, 20 000 GD Scheme recipients, 580 000 OALA⁵ recipients and 140 000 DA recipients, will benefit⁶.

One-off Extra Payment to Recipients of LIFA

6. Under the LIFA Scheme, LIFA applicants make applications every six months. Each claim period covers the past six months, and the applicants' eligibility is assessed on a monthly basis during the claim period. Recipients of LIFA whose applications⁷ were made in the Applicable Period (i.e. from the beginning of six calendar months immediately before the month in which the Appropriation Bill 2017 is passed to the date of passage of the Appropriation Bill 2017) would be eligible for the one-off extra payment⁸.

7. The extra payment is equal to the average monthly amount payable to the recipients in their most recently approved LIFA applications, which varies from case to case, depending on the family composition, income and working hours of the applicants⁹. It is estimated that about 35 000 households in receipt of LIFA would benefit.

⁴ The number of recipients may not add up to the total due to rounding.

⁵ These 580 000 OALA recipients include about 88 000 existing OALA recipients, 127 000 elderly persons who will become eligible for OALA under the relaxed asset limits and 366 000 Higher OALA recipients (mainly involving those who are receiving existing OALA and meet the asset limits of Higher OALA).

⁶ Recipients may only receive one type of social security payments under the "no double benefits rule". This arrangement also applies to one-off extra payment.

⁷ For applications sent by post, the date of the post-stamp will be adopted as the application date.

⁸ Under the LIFA Scheme, a LIFA household cannot receive concurrently in the same month CSSA or household-based WITS. Besides, a LIFA applicant cannot receive concurrently individual-based WITS in the same month. If, during the Applicable Period, a LIFA household received LIFA in some months and WITS in some other months, or is receiving CSSA on the date of the Passage of the Appropriation Bill 2017, the LIFA household is eligible for one single extra payment, the amount of which is the highest the LIFA household might be eligible for under the LIFA Scheme, CSSA and WITS as the case may be. This arrangement does not apply to a non-LIFA applicant household member who receives individual-based WITS.

⁹ Based on past payments of LIFA, the average monthly amount ranges from \$300 to \$5,800.

One-off Extra Payment to Recipients of WITS

8. Similar to the arrangements under LIFA, recipients of WITS whose applications¹⁰ have been made in the Applicable Period¹¹ would be eligible for the extra payment. The extra payment is equal to the average monthly amount of WITS payable to the recipients in their most recently approved applications¹². It is estimated that about 48 000 recipients of WITS will benefit.

Financial Implications

9. The one-off extra payment will entail an estimated expenditure of \$3.5 billion for eligible recipients of social security payments, \$73 million for eligible recipients of LIFA and \$29 million for eligible recipients of WITS.

10. We have included the necessary funding for the Social Welfare Department (SWD), the Working Family and Student Financial Assistance Agency (WFSFAA) and the Labour Department (LD) to implement the one-off extra payment in the 2017-18 draft Estimates for the approval of the Legislative Council in the context of the Appropriation Bill 2017.

Implementation

11. Subject to the passage of the Appropriation Bill 2017, SWD, WFSFAA and LD will make necessary adjustments to their computer systems to implement the one-off extra payment as soon as possible, and make suitable publicity arrangements.

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¹⁰ For applications sent by post, the date of the post-stamp will be adopted as the application date.

¹¹ While WITS applicants may apply for subsidy covering the preceding six to 12 calendar months, an applicant may choose to apply for WITS for six months during the Applicable Period even if his/her previous application(s) covered a past period of more than six months.

¹² Each WITS recipient receives \$300 or \$600 per claim month.

**Implementation of the Proposed Enhancements
to the Old Age Living Allowance**

The Proposals

Two proposed enhancements to the Old Age Living Allowance (OALA) under the Social Security Allowance (SSA) Scheme were announced in the 2017 Policy Address¹, namely –

- (a) relaxing the asset limits for the existing monthly allowance of \$2,565 per person from \$225,000 to \$329,000 for elderly singletons and from \$341,000 to \$499,000 for elderly couples²; and
- (b) adding a higher tier of assistance under OALA by providing a higher monthly allowance of \$3,435 per person for elderly singletons with assets not exceeding \$144,000 or elderly couples with assets not more than \$218,000³.

The required provisions for implementing the above proposed enhancements have been included in the 2017-18 draft Estimates for the approval of the Legislative Council in the context of the Appropriation Bill 2017.

Effective Date of the Proposed Enhancements

2. Subject to the passage of the Appropriation Bill 2017, the above proposed enhancements will take effect on the first day of the month of the passage of the Appropriation Bill 2017 (Effective Date).

¹ The amount of allowances and the financial limits in this Annex are at 2017 price levels.

² The income limits (i.e. \$7,750 per month for singletons and \$12,620 per month for couples) will remain unchanged.

³ The income limits of the existing OALA (i.e. \$7,750 per month for singletons and \$12,620 per month for couples) will be adopted.

Implementation of the Proposed OALA Enhancements

Relaxation of existing OALA asset limits

3. Subject to the passage of the Appropriation Bill 2017, OALA payments⁴ under the relaxation of existing OALA asset limits will take effect from the Effective Date, the date of application or the Eligibility Date (i.e. the date which the applicants meet all the eligibility criteria, including age⁵, residence⁶ and means test⁷ requirements for the allowance), whichever is the latest. It is estimated that the earliest payments will be credited to the recipients' bank accounts about four weeks after passage of the Appropriation Bill 2017.

4. Guangdong (GD) Scheme adopts the same asset limits as OALA for its applicants aged 65 to 69. Subject to the passage of the Appropriation Bill 2017, the GD Scheme's asset limits will also be relaxed as in the case of OALA as from the first day of the month of the passage of the Appropriation Bill 2017. The arrangements will generally be the same as those for the relaxation of asset limits under OALA set out in paragraph 3 above.

Adding a higher tier of assistance under OALA

5. In view of various operational considerations, including the lead time for updating the computer system of the Social Welfare Department (SWD) for implementing the proposed enhancement, subject to the passage of the Appropriation Bill 2017 in the 2017-18 financial year, it is estimated that the higher tier of assistance under OALA (Higher OALA)

⁴ Under the "no double benefits rule", applicants of OALA who have been receiving other social security payments (e.g. Old Age Allowance or Disability Allowance (DA)) will be granted the difference between OALA and the relevant payments.

⁵ OALA is applicable to elderly persons aged 65 or above.

⁶ An applicant must have been a Hong Kong resident for at least seven years and have resided in Hong Kong continuously for at least one year immediately before the date of application (absence from Hong Kong up to a maximum of 56 days during the one-year period is treated as residence in Hong Kong). By way of background, during receipt of the allowance, a recipient's payment would not be affected if he/she satisfies the minimum residence requirement of 60 days in Hong Kong in a year.

⁷ The means test requirements are set out in paragraph 1(a) above. The asset limits are adjusted annually on 1 February in accordance with the movement of the Social Security Assistance Index of Prices (SSAIP) while the income limits are adjusted in accordance with the following formula –
Income limit = Comprehensive Social Security Assistance (CSSA) standard rate for able-bodied/50% disabled elderly recipients + CSSA monthly maximum rent allowance + CSSA maximum level of monthly disregarded earnings

will be implemented in mid-2018 at the earliest (while adopting the first day of the month of the passage of the Appropriation Bill 2017 as the Effective Date). SWD will announce the actual implementation date in due course.

6. Higher OALA, which will be applicable to eligible persons aged 65 or above, will adopt the same pre-application and post-application residence requirements as the existing OALA and other allowances under the SSA Scheme. The rate of Higher OALA is pegged to the standard rate for able-bodied/50% disabled elderly singleton recipients under the CSSA Scheme (currently at \$3,435 per month). The rate will be adjusted annually on 1 February according to the movement of SSAIP. The income and asset limits for Higher OALA will be adjusted annually on 1 February in line with the established mechanism for the existing OALA. As the Effective Date will be the first day of the month of the passage of the Appropriation Bill 2017, SWD will adjust its rate and financial limits as stipulated in paragraph 1(b) above according to the above mechanisms on 1 February 2018.

7. SWD will implement a set of simplified application procedures for Higher OALA –

- (a) “Auto-conversion” stage: SWD will issue notifications to existing OALA recipients whose reported assets, according to SWD’s record, meet the asset limits of Higher OALA around April 2018. These recipients, subject to the passage of the Appropriation Bill 2017 in the 2017-18 financial year, will be deemed to be eligible for Higher OALA and be switched to Higher OALA without having to make fresh applications, unless they take the initiative to report to SWD that they have exceeded the relevant financial limits and/or opt not to switch to Higher OALA;
- (b) “Postal submission” stage: SWD will issue letters to existing OALA recipients whose reported assets, according to SWD’s record, exceed the asset limits of Higher OALA and Higher DA recipients aged 65 or above to invite them to consider opting for Higher OALA by postal submission around May 2018 if they meet the relevant financial limits. These recipients will be required to make declaration on their financial condition on the postal submission form for switching to Higher OALA, subject to the passage of the Appropriation Bill 2017 in the 2017-18 financial year; and

- (c) “New application” stage: New applicants (i.e. elderly persons who are not currently receiving OALA or Higher DA) may submit applications directly to SWD in person or by post⁸, fax or email starting from the implementation date of Higher OALA and their applications will be processed subject to the passage of the Appropriation Bill 2017 in the 2017-18 financial year.

8. Payment from the Effective Date (i.e. the first day of the month of the passage of the Appropriation Bill 2017) will be applicable to eligible recipients admitted during the “Auto-conversion” stage and eligible applications during the “Postal submission” stage or “New application” stage received on or before 31 December 2018⁹. These recipients will be granted a lump sum payment counting from the Effective Date or the Eligibility Date, whichever is later. Those who have been receiving the existing OALA payment or other social security payments will be granted the difference between Higher OALA and the relevant payments. It is expected that payments will be credited to recipients’ bank accounts shortly after the launch of Higher OALA in mid-2018 for those admitted during the “Auto-conversion” stage, and to successful applications during the “Postal submission” stage or “New application” stage soon thereafter.

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⁸ The date of the post-stamp will be adopted as the application date.

⁹ For applications received on or after 1 January 2019, eligible applicants will be entitled to Higher OALA payment from the date of application or the Eligibility Date, whichever is later.