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20 April 2018

The Honourable CHAN Kin-por, GBS, JP
Chairman of the Finance Committee
Legislative Council
Hong Kong Special Administrative Region

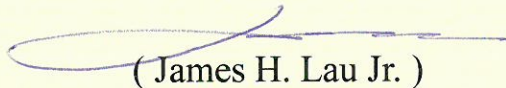
Dear K. P.,

The Financial Secretary (FS) delivered the 2018-19 Budget and introduced the Appropriation Bill 2018 at the Legislative Council (LegCo) sitting on 28 February 2018.

The Budget proposed an array of measures to diversify the economy and create wealth, invest for the future, and foster a caring and sharing community. Thereafter, there was extensive discussion of the Budget measures in the community and LegCo. In response to the views of the public and LegCo Members and after careful consideration, the FS announced on 23 March 2018 the introduction of the Caring and Sharing Scheme (the Scheme) to share the fruits of our economic success with more people in the community. He also announced that social security recipients who would benefit from the Budget proposal to provide them with an extra allowance would also receive the difference between the maximum payment under the Scheme (\$4,000) and the extra allowance as proposed in the Budget (the top-up arrangement).

The Government has given notice to move Committee Stage Amendments (CSAs) to the Appropriation Bill 2018 to secure necessary funding for the implementation of the Scheme and the top-up arrangement. I enclose an Information Note on the CSAs and the details of the Scheme for Members' information.

Yours,



(James H. Lau Jr.)

Secretary for Financial Services and the Treasury

c.c. All Members of the Legislative Council

NOTE FOR FINANCE COMMITTEE

Committee Stage Amendments to the Appropriation Bill 2018

PURPOSE

The Government will move two Committee Stage Amendments (CSAs) to the Appropriation Bill 2018 to secure funding for implementing the Caring and Sharing Scheme (the Scheme) and align the amount of one-off two-month extra allowance to social security recipients where necessary with the maximum payment under the Scheme (i.e. \$4,000). This note informs Members of the relevant details.

BACKGROUND

2. The 2018-19 Budget delivered by the Financial Secretary (FS) on 28 February 2018 proposed an array of measures to share the fruits of our economic success with the community. There was extensive discussion of the Budget measures in the community and the Legislative Council (LegCo). In response to the views of the public and LegCo Members and after careful consideration, the FS announced on 23 March 2018 the introduction of the Scheme to share the fruits of our economic success with more people in the community. He also announced that social security recipients, who would be given an extra two-month allowance under the Budget, would receive the difference between the maximum payment under the Scheme and the relevant allowance (the top-up arrangement).

THE SCHEME

Eligibility Criteria

3. A person who meets the following eligibility criteria as at 31 December 2018 may apply for receiving \$4,000 under the Scheme –

(a) is aged 18 or above;

/(b)

- (b) holds a Hong Kong Identity Card (including new arrivals, but excluding Hong Kong non-permanent residents who have been admitted to Hong Kong to work, study, or receive training and their dependants, and excluding individuals who have entered Hong Kong as visitors);
- (c) ordinarily resides in Hong Kong (including those who are temporarily away from Hong Kong but would reasonably be expected to return to live in Hong Kong, for example, duty trips, overseas studies, medical treatment, but excluding those who have emigrated);
- (d) is not benefiting from the two-month extra allowance of Comprehensive Social Security Assistance (CSSA), Old Age Living Allowance (OALA), Old Age Allowance (OAA), or Disability Allowance (DA) announced in the 2018-19 Budget;
- (e) is not required to pay salaries tax for the Year of Assessment (YA) 2017/18; and
- (f) does not own any property in Hong Kong.

4. If a person meets criteria (a) to (e) in paragraph 3 above but owns only one property in Hong Kong which is used as his principal place of residence with an amount of rates concession for 2018-19 of less than \$4,000, he may apply for the difference between \$4,000 and the amount of rates concession. Any person who owns a property in Hong Kong which is not used as his principal place of residence, or who owns more than one property in Hong Kong, will not be eligible under the Scheme.

5. For a person who meets criteria (a) to (d) in paragraph 3 above but is required to pay salaries tax for YA 2017/18 –

- (a) if he does not own any property in Hong Kong and the salaries tax concession he receives for YA 2017/18 is less than \$4,000, he may apply for the difference between \$4,000 and the amount of tax concession; or
- (b) if he owns only one property in Hong Kong which is used as his principal place of residence, and the salaries tax concession for YA 2017/18 and rates concession for 2018-19 that he receives is less than \$4,000 in aggregate, he may apply for the difference between \$4,000 and the aggregate tax and rates concessions.

6. Eligibility under the Scheme will be assessed on an individual basis. Using married couple as an example, they should submit separate applications and their eligibility will be individually assessed¹. An eligible person may submit an application to the Working Family Allowance Office (WFAO) of the Working Family and Student Financial Assistance Agency. When doing so, he will be required to give consent authorising WFAO to verify with the Inland Revenue Department, Land Registry and Rating and Valuation Department, where appropriate, relevant information about his tax concession, property ownership and rates concession status.

7. We anticipate that a maximum of about 3 000 000 people may be eligible under the Scheme.

Implementation

8. WFAO will implement the Scheme, including developing a computer system, receiving and processing applications, making payments, handling enquiries and complaints, organising publicity, dealing with appeals, and conducting investigations. WFAO will set up an office comprising 41 civil service posts through internal redeployment and 706 non-civil service contract (NCSC) staff members to handle applications and related matters. Having regard to the time required for office set-up, computer system development, staff recruitment and training, as well as publicity etc, we plan to receive applications from 1 February 2019 at the earliest for three months until 30 April 2019 (the application period).

9. WFAO has started preparations for the implementation of the Scheme. In order to streamline the application process, WFAO will only require essential information necessary for vetting an applicant's eligibility. It will conduct data matching with relevant government departments, thereby saving the need of applicants to provide supporting documents.

10. WFAO will issue a Notification of Result of Application in respect of each application. Payment will be made to each successful applicant through his local bank account in his sole name as stated in the application form. If a successful applicant does not have any local bank account, he has to collect a cash cheque in

/person

¹ For example, if a married couple is assessed by way of joint assessment under salaries tax, only one of them needs to pay salaries tax and can benefit from the tax concession under salaries tax. Therefore, the one who is not required to pay salaries tax and meets the other eligibility criteria of the Scheme can apply. If the other one receives tax concession of less than \$4,000 and meets the other eligibility criteria of the Scheme, the person can also apply and the maximum amount of payment that he may receive is the difference between \$4,000 and the amount of tax concession. The actual payment depends on whether it is necessary to deduct the rates concession as well in a particular case.

person from WFAO. An applicant who is not satisfied with the result of the application may apply in writing to WFAO for an appeal within 4 weeks from the issue of the Notification of Result of Application.

11. The information in this note and a set of Frequently Asked Questions regarding the Scheme will be made available on WFAO's website, and may be updated from time to time as necessary. A telephone hotline (3897 1088) will be available from 21 April 2018 to answer public enquiries about the Scheme. Publicity will also be arranged nearer the time of and during the application period.

TOP-UP ARRANGEMENT FOR SOCIAL SECURITY RECIPIENTS

12. The Budget has also proposed to provide a two-month extra allowance for social security recipients. This refers to the provision of an extra allowance to recipients of social security payments, equal to two months of the standard rate CSSA payments or allowance payments under the Social Security Allowance Scheme, which includes OAA (including the Guangdong Scheme and the Fujian Scheme), OALA and DA. For recipients who would receive a one-off extra allowance of less than \$4,000, the Government would provide allowance payment to make up the difference under the Scheme². It is estimated that about 430 000 recipients of social security payments (including 280 000 OAA recipients (including the Guangdong Scheme and the Fujian Scheme), 130 000 Normal DA recipients and 20 000 eligible CSSA recipients) will benefit from the top-up arrangement.

13. The Social Welfare Department (SWD) will arrange the top-up payment together with the two-month extra allowance through the existing allowance payment methods (i.e. normally through autopay arrangement to the designated bank accounts of the recipients). Recipients are not required to make separate applications for the payments.

FINANCIAL IMPLICATIONS

14. We estimate that the implementation of the Scheme will require a non-recurrent commitment of **\$11,316,000,000** including –

/(a)

² The LegCo Panel on Welfare Services was consulted on the related arrangement at its meeting held on 9 April 2018.

	Financial implications (\$'000)
(a) Payment to eligible persons	11,005,000
(b) One-off implementation costs for WFAO, including –	311,000
(i) <i>staff costs</i> ³	160,000
(ii) <i>office rental</i> ⁴	46,000
(iii) <i>IT expenses</i>	15,000
(iv) <i>publicity and printing</i>	26,000
(v) <i>other operating expenses (e.g. data preparation services, land search expenses, postage)</i>	64,000
Total:	11,316,000

15. WFAO will also require office automation facilities and a computer system at a one-off total non-recurrent cost of around \$19 million. Funding will be provided for under Head 710 Computerisation Block Vote of the Capital Works Reserve Fund.

16. We estimate that the top-up arrangement for social security recipients discussed in paragraph 12 will require an additional funding of **\$435,000,000**. No additional implementation cost will be incurred.

WAY FORWARD

17. The Government plans to move CSAs to the Appropriation Bill 2018 to –

- (a) create a new Item 804 *Caring and Sharing Scheme* under Head 173 Subhead 700 *General non-recurrent* with a provision of **\$11,316,000,000** for payments under the Scheme and related implementation costs; and
- (b) increase the provision under Head 170 Subhead 700 Item 803 *Additional provision for social security recipients 2018* by **\$435,000,000** to \$7,447,000,000 so that SWD can make top-up payments to social security recipients as mentioned in paragraph 12 above.

/18.

³ The provision is for the engagement of 706 NCSC staff for one year.

⁴ We will identify suitable premises with minimum fitting-out costs. The estimate is based on a rental period of 12 months.

18. Subject to the passage of the Appropriation Bill and the two CSAs set out in paragraph 17 above, WFAO will implement the Scheme whereas SWD will make the top-up payments. WFAO expects the first batch of applications to be approved in April 2019. SWD anticipates that the top-up payments to social security recipients will start to be made together with the extra two-month allowance one month after the passage of Appropriation Bill 2018 at the earliest.

19. Members are invited to note the content of this note.

Financial Services and the Treasury Bureau
Labour and Welfare Bureau
Social Welfare Department
Working Family and Student Financial Assistance Agency
April 2018