

## NOTE FOR FINANCE COMMITTEE

### Work Incentive Transport Subsidy Scheme

#### PURPOSE

This paper informs Members of the Government's plan to freeze all the income and asset limits of the Work Incentive Transport Subsidy (WITS) Scheme for the 2018 annual adjustment.

#### BACKGROUND

2. The Chief Executive's 2017 Policy Address (PA) announced a series of enhancements to the Low-income Working Family Allowance (LIFA) Scheme (to be renamed as the Working Family Allowance (WFA) Scheme with effect from 1 April 2018) —

- (a) extending the LIFA Scheme to cover singleton households;
- (b) adding a tier of income limit of 70% of the Median Monthly Domestic Household Income (MMDHI)<sup>1</sup> and using MMDHI of economically active households instead for calculating the income limits<sup>2</sup>;
- (c) adding a tier of working hour requirement of 168 hours per month for non-single-parent households; and adding a tier of 54 hours per month for single-parent households. Households fulfilling the relevant working hour requirement will receive a higher rate of allowance;
- (d) allowing all household members to aggregate their working hours<sup>3</sup>; and

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<sup>1</sup> The existing LIFA Scheme adopts MMDHI of households for calculating the income limits.

<sup>2</sup> The Old Age Living Allowance will no longer be taken into account under the income test.

<sup>3</sup> For a household which cannot fulfil the relevant working hour requirement under the existing mechanism, if there is more than one working member in the household, it may become eligible under the enhanced arrangement where working hours are allowed to be aggregated.

- (e) raising all the rates of allowances, and adding an additional layer of 3/4 rate between the existing full rate and half rate allowances.

3. The Government plans to implement the relevant enhancements on 1 April 2018<sup>4</sup>. Key parameters of the WFA Scheme<sup>5</sup> are set out below —

	<b>Full rate monthly allowance</b> (monthly household income not higher than 50% of MMDHI of economically active households)	<b>3/4 rate monthly allowance</b> (monthly household income of more than 50% but not higher than 60% of MMDHI of economically active households)	<b>Half rate monthly allowance</b> (monthly household income of more than 60% but not higher than 70% of MMDHI of economically active households)
Basic Allowance: monthly working hours of at least 144 hours (single-parent households: 36 hours)	\$800	\$600	\$400
Medium Allowance: monthly working hours of at least 168 hours (single-parent households: 54 hours)	\$1,000	\$750	\$500

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<sup>4</sup> Applications submitted on or after that date will be processed in accordance with the details of the WFA Scheme.

<sup>5</sup> The key parameters of the existing LIFA Scheme are as follows —

	<b>Full rate monthly allowance</b> (monthly household income not higher than 50% of MMDHI)	<b>Half rate monthly allowance</b> (monthly household income of more than 50% but not higher than 60% of MMDHI)
Basic Allowance: monthly working hours of at least 144 hours (single-parent households: 36 hours)	\$600	\$300
Higher Allowance: monthly working hours of at least 192 hours (single-parent households: 72 hours)	\$1,000	\$500
Child Allowance (Each child or youth)	\$800	\$400

Note: Household members are not allowed to aggregate their working hours for LIFA applications; and the LIFA Scheme does not cover singleton households.

	<b>Full rate monthly allowance</b> (monthly household income not higher than 50% of MMDHI of economically active households)	<b>3/4 rate monthly allowance</b> (monthly household income of more than 50% but not higher than 60% of MMDHI of economically active households)	<b>Half rate monthly allowance</b> (monthly household income of more than 60% but not higher than 70% of MMDHI of economically active households)
Higher Allowance: monthly working hours of at least 192 hours (single-parent households: 72 hours)	\$1,200	\$900	\$600
Child Allowance (Each child or youth)	\$1,000	\$750	\$500

Note: All household members will be allowed to aggregate their working hours for WFA applications; and the WFA Scheme will cover singleton households.

4. Upon the implementation of enhancements, it is expected that the WFA Scheme will basically cover the applicants of the household-based WITS. As such, the household-based WITS will be abolished at the same time when the enhancements are implemented. Henceforth, eligible applicants may apply for WFA and/or the individual-based WITS<sup>6</sup>. Furthermore, the Working Family and Student Financial Assistance Agency (WFSFAA) will upgrade its information technology systems. Upon completion of such work, the processing of individual-based WITS applications currently performed by the Labour Department will be taken up by WFSFAA (expected to be on 1 April 2019 the earliest) to bring about more efficient and convenient service provision to applicants. The way forward for the individual-based WITS will be considered having regard to the changes in the number of applications following the implementation of the WFA Scheme, as well as the proposed non-means-tested Public Transport Fare Subsidy Scheme announced in PA.

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<sup>6</sup> Similar to the existing arrangement, working members in a WFA household (except for the WFA applicant and those household member(s) whose working hour(s) are aggregated for the WFA application) may apply for individual-based WITS, but the WITS payment will be counted towards the household income in WFA's income test.

## **FREEZING OF ALL THE INCOME AND ASSET LIMITS IN THE 2018 ANNUAL ADJUSTMENT**

5. 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 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 sizes<sup>7</sup>. The asset limits are pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted<sup>8</sup>.

6. In the 2017 annual adjustment, the income limits for individual-based/one-person household-based applications and household-based applications from households of six persons or above would have to be reduced under the existing adjustment mechanism<sup>9</sup>. The Government informed FC on 28 April 2017 of the freezing of these two income limits for 2017 vide FCRI(2017-18)2.

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<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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.

7. The next annual adjustment exercise shall take effect from 1 February 2018. However, having regard to the way forward for the WITS Scheme as referred to in paragraph 4 above, the Government will freeze all the income and asset limits of the WITS Scheme for the 2018 annual adjustment. The current income and asset limits, which will be maintained with effect from 1 February 2018, are shown at Enclosure.

Enclosure

## PUBLIC CONSULTATION

8. We consulted the LegCo Panel on Welfare Services (the Panel) on 13 November 2017 on the Government's proposal to freeze all income and asset limits for the WITS Scheme. Members of the Panel on Manpower were also invited to join the discussion. The Panel raised no objection to the Government proceeding with reporting the proposal to FC by circulation of an Information Note.

## FINANCIAL IMPLICATIONS

9. As the household-based WITS will be abolished on 1 April 2018 upon the implementation of the WFA Scheme, freezing all the income and asset limits will mainly affect the individual-based WITS applicants. As regards the individual-based WITS, MMDHI for one-person households was \$8,800 in the third quarter of 2017, which is lower than the frozen income limit of \$10,000 for individual-based applications in 2017. For indicative projection, we assume a full-rate subsidy of \$600 per month for 12 months would be granted to each relevant applicant. Based on figures of WITS applications in the past year, the estimated financial implication of the freezing proposal is about \$51.4 million as detailed in the table below<sup>10</sup> –

Number of individual-based applicants <sup>11</sup>	Subsidy rate per month	Claim month	Financial implication of the freezing proposal
(a)	(b)	(c)	(a) x (b) x (c)
7 141	\$600	12	\$51,415,200

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<sup>10</sup> Individual-based applicants have basically met the existing asset limit and therefore freezing the relevant asset limit will not have significant financial implication.

<sup>11</sup> This is the number of individual-based applicants with an average monthly income exceeding \$8,800 and approved WITS from November 2016 to October 2017.

10. The non-recurrent commitment of \$4,805 million for the WITS Scheme approved by FC on 25 February 2011 had a remaining balance of \$2,913.9 million as at 31 October 2017. No additional funding is required for effecting this freezing proposal.

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Labour and Welfare Bureau  
Labour Department  
December 2017

**Work Incentive Transport Subsidy Scheme  
Income and Asset Limits  
(effective from the claim month of February 2018<sup>1</sup>)**

Household size <sup>2</sup>	Monthly income limit <sup>3</sup>	Monthly asset limit <sup>3</sup>
1 person or individual-based application	\$10,000	\$91,500
2 persons	\$17,000	\$123,000
3 persons	\$19,500	\$184,500
4 persons	\$22,800	\$246,000
5 persons	\$23,900	\$246,000
6 persons or above	\$25,200	\$246,000

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<sup>1</sup> The household-based WITS will be abolished on 1 April 2018 upon the implementation of the WFA Scheme.

<sup>2</sup> According to the existing arrangement, the asset limit is increased by \$35,000 for each elderly applicant or (in household-based application) household member aged 60 or above.

<sup>3</sup> Same as the monthly income and asset limits adopted since February 2017.