

NOTE FOR FINANCE COMMITTEE

Individual-based Work Incentive Transport Subsidy Scheme

PURPOSE

This paper informs Members of the Government's plan to freeze the income limit of the individual-based Work Incentive Transport Subsidy (I-WITS) Scheme.

BACKGROUND

2. According to the annual adjustment mechanism on the income and asset limits for Work Incentive Transport Subsidy Scheme applications as approved by the Finance Committee (FC) of the Legislative Council, the limits are adjusted in February each year. The income limit is updated on the basis of 100% of the median monthly domestic household income (MMDHI) for one-person household in the third quarter of the previous year, and the asset limit is pegged to three times of the corresponding asset limit of the Comprehensive Social Security Assistance Scheme as adjusted annually. According to the MMDHI for one-person household in the third quarter of 2019, the income limit for I-WITS applications would have been reduced from \$11,000 (based on the MMDHI figure as at the third quarter of 2018) to \$10,000.

JUSTIFICATION

3. If we were to follow the existing adjustment mechanism, the Working Family Allowance Office (WFAO)^{Note} has to tighten the eligibility criterion for I-WITS, which will reduce the number of low-income earners to be covered thereunder. For instance, out of the I-WITS applications processed by WFAO (involving 23 257 persons with their allowances approved as at end-December 2019), 7.1% (or 1 654 persons) had an average monthly income

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^{Note} The WFAO of the Working Family and Student Financial Assistance Agency, which is responsible for the processing of the Working Family Allowance Scheme, has been taking up the processing of I-WITS applications from the Labour Department to provide more efficient and convenient service for applicants since 1 April 2019.

greater than \$10,000 and not exceeding \$11,000. Should the income limit for I-WITS be adjusted to \$10,000, these applicants would no longer be eligible for I-WITS. Having considered factors including the prevailing economic situation, it is proposed, as a one-off special arrangement, to freeze the income limit of I-WITS at \$11,000.

CONSULTATION

4. We have consulted the Panel on Manpower of the Legislative Council (the Panel) on 21 January 2020 about the Government's proposal to freeze the income limit of the I-WITS Scheme. The Panel had no objection for the Government to report this proposal to FC by circulation of an Information Note.

FINANCIAL IMPLICATION

5. As at end-December 2019, the balance of the non-recurrent commitment for the I-WITS Scheme was about \$620 million. For budgeting purpose, it is assumed that a full-rate subsidy of \$600 per month for 12 months would be granted to all applicants benefitting from the freezing proposal (i.e. the 1 654 persons mentioned at paragraph 3 above). As such, the financial implication of the proposal of freezing the income limit of the I-WITS Scheme is about \$12 million. No additional funding is required for effecting this proposal.

Labour and Welfare Bureau
Working Family and Student Financial Assistance Agency
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