

財經事務及庫務局

香港添馬添美道二號  
政府總部二十四樓



FINANCIAL SERVICES AND  
THE TREASURY BUREAU

24/F, Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong

傳真號碼 Fax No. : (852) 2179 5848  
電話號碼 Tel. No. : (852) 2810 2370  
本函檔號 Our Ref. :  
來函檔號 Your Ref. :

(Translation)

By email (aykshek@legco.gov.hk)

23 October 2020

Legislative Council Secretariat  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms Angel SHEK)

Dear Ms SHEK,

**Finance Committee of the Legislative Council**

**FCR(2020-21)63**

**Creation of one permanent post of Administrative Officer Staff  
Grade B1 (D4) post/D4-equivalent non-civil service position in the  
Financial Secretary's Office to strengthen its directorate support for  
assisting the Financial Secretary in the formulation and follow-up of  
Budget-related proposals as well as spearheading strategic  
tax policies and measures in Hong Kong**

We refer to your email dated 20 October attaching the letter from the Hon WU Chi-wai regarding the captioned matter. In consultation with relevant bureau and departments, we provide a consolidated reply to the questions raised by the Hon WU Chi-wai in his letter at **Annex**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Helen Chung'.

( Miss Helen CHUNG )

for Secretary for Financial Services and the Treasury

c.c.

Chief Secretary for Administration's Office (Attn: Ms Sharon TSANG)  
Financial Secretary's Office (Attn: Mr Rudolf CHEUNG)  
Civil Service Bureau (Attn: Ms Amy CHOW)

**Creation of one permanent post of Administrative Officer  
Staff Grade B1 (D4) post/D4-equivalent non-civil service  
position in the Financial Secretary's Office**

**Questions raised by the Hon WU Chi-wai**

**Q1: During the scrutiny of the item by the Establishment Subcommittee (ESC), a government representative said that “in addition to the conduct of tax policy research, the candidate would have to assist FS in the formulation of the Budget framework and co-ordinate with relevant departments for follow up actions. For the time being, the Administration inclined to identify a suitable candidate from the Civil Service to fill up the post”. In this connection:**

**(A) Given that the proposed post not only has to “co-ordinate with relevant departments for follow up actions”, but also requires tax knowledge in different industries as well as a deep understanding of the mode of operation of various industries, why does the Government incline to have the post to be filled from within the civil service? Does it mean that the main duties of the post will still be formulating the Budget framework and co-ordinating with relevant departments?**

**(B) Has the Government decided to identify a candidate from the civil service to take up the post? If yes, is there already a shortlisted candidate?**

**(C) If the Government has decided that the candidate for the proposed post is to be recruited on a non-civil service contract basis, what is the estimated time required for the recruitment? Has the Government set any preliminary requirements on qualifications or other experience? What is the estimated contract period?**

**A1: The major functions of the Budget and Tax Policy Unit (BTPU) are to support the Financial Secretary (FS) in the formulation of the**

Budget and tax matters. The Budget is closely related to tax policies and measures. On the Budget side, the BTPU will assist the FS in formulating the annual Budget, including liaising with various bureaux and organisations on relevant proposals and measures and providing the necessary co-ordination. On tax policy side, the BTPU will continue to assist other bureaux in exploring feasible tax measures in key policy areas. It will also continue to keep a close watch over new developments in the international tax arena, including the proposal of imposing a global minimum tax rate that is being explored by the Organisation for Economic Co-operation and Development (OECD), and maintain close communication with the Financial Services and the Treasury Bureau (FSTB) and the Inland Revenue Department (IRD) on such matters to assist them in conducting studies and analyses. We consider that the arrangement for the post to be taken up by a civil servant can meet the current operational needs. Subject to the funding approval, the Civil Service Bureau will make staffing arrangement for the post under the established mechanism.

The operation and work arrangements (including manpower deployment) of the BTPU will be adjusted based on actual circumstances and needs. If there is a need for the post to be taken up by a non-civil servant in future, we will not rule out the possibility of recruiting a suitable candidate on contract terms.

**Q2: It is stated in paragraph 4 of the paper that the Tax Policy Unit (TPU) is currently staffed by two Senior Tax Researchers employed on a fixed-term contract basis and one Assistant Clerical Officer, and is under the supervision of a Deputy Secretary of the FSTB. It is also mentioned in paragraph 10 of the paper that the team set up in the FSTB every year on a supernumerary basis to underpin the preparation of the Budget Speech is transient in nature and will be disbanded after the passage of the Appropriation Bill.**

**In addition, in its reply at the special meetings of the Finance Committee to examine the Estimates of Expenditure this year, the Government indicated that a six-month supernumerary directorate post was created in October 2019 to enhance the co-ordination of the 2020-21 Budget and to undertake other relevant work (see Reply Serial No.: CSO031). In this connection:**

**(A) According to the information, the Government has created the post of Co-ordinator of the TPU on a supernumerary basis again with the power conferred by the Public Finance Ordinance to assist in the formulation of the Budget for the coming year. What is the effective date on which the supernumerary post was created? Will the post be deleted immediately if the funding for this item is approved by the Legislative Council (LegCo)?**

**(B) What are the organisational structure and composition of the above temporary team set up by the FSTB on a supernumerary basis? Is it under the supervision of a Deputy Secretary of the FSTB or under the supervision of the Co-ordinator of the TPU?**

**(C) If the funding for this item is approved, will the Government change to employ the existing two Senior Tax Researchers on civil service agreement terms instead of fixed-term contracts? If no, what are the contract terms as well as the qualifications, experience and other requirements for the posts in future?**

A2: The TPU has been transferred from the FSTB to come under the Financial Secretary's Office (FSO). A supernumerary directorate post has been created on a temporary basis in the TPU with full justifications and relevant conditions being met under the stringent system established by the Government to follow up on the relevant work of the Cash Payout Scheme announced in the 2020-21 Budget and to assist in the preparation of the 2021-22 Budget, etc. The temporary post will lapse automatically upon expiry according to the established practice. Together with the TPU, the two contract Senior Tax Researchers as referred to in the question have been transferred from the FSTB to the FSO with effect from 1 July 2019 and are currently under the supervision of Co-ordinator (Special Duties). The holders of two posts will continue to be employed on non-civil service contract terms.

The Treasury Branch sets up a time-limited team to assist in the preparation of the Budget Speech every year. In general, the team, supervised by a Deputy Secretary of the Treasury Branch, comprises one Administrative Officer Staff Grade C, two officers at the equivalent rank of Senior Administrative Officer and one Personal

Secretary II. The team will normally be disbanded upon the passage of the Appropriation Bill.

**Q3: It is mentioned in paragraph 14 of the paper that “the work of the BTPU is also much wider in scope and requires expertise much different from that of the Office of the Government Economist”. Will the civil servants in the BTPU (including the holders of the proposed posts of Head of the BTPU and Senior Assessor) be transferred to other departments or different positions within the FSO in future?**

A3: Upon the LegCo’s approval for the creation of the directorate post currently under discussion, the BTPU will formally be established. Its staffing arrangement will be reviewed having regard to actual needs and manpower situation. The civil servants in the BTPU will be subject to regular posting arrangements in future in accordance with the established mechanism.

**Q4: During the scrutiny of the item by the ESC, a Deputy Secretary of the FSTB explained that “at present two professional grade officers were deployed at TPU, whereas three professional grade officers would be deployed at BTPU, who would be responsible for conducting studies on new tax measures for individual industries and follow up on matters relating to the formulation of the Budget”. He further elucidated that “in-depth studies on tax policies and relevant legislative amendment exercises (including preparation of amendment bills and discussions with LegCo and stakeholders) would remain the responsibility of FSTB, whereas IRD would be responsible for enforcement of IRO”:**

**(A) How is the above work of the BTPU in formulating “new tax measures for individual industries” different from that of the FSTB? What does “in-depth studies on tax policies” refer to? At what stage will the FSTB take over the handling of the proposals made by the BTPU?**

**(B) Regarding the approach and mechanism adopted by the BTPU in formulating proposals on new tax policies, are they different from those of the FSTB? For example, will the BTPU engage stakeholders in discussions? If yes, how is it different from that of the FSTB?**

**(C) What is the existing establishment of the FSTB for formulating “new tax measures for individual industries”? If the funding for this item is approved, will there be a decrease in the relevant workload of the FSTB that necessitates manpower redeployment?**

A4: On tax policy side, the FSTB is a policy bureau responsible for the co-ordination of overall tax matters and the policy work on local and international tax co-operation. It also serves as the policy bureau of the IRD. As for the IRD, it is tasked with the enforcement of the Inland Revenue Ordinance.

The future BTPU under the FSO will be primarily responsible for assisting other policy bureaux in conducting studies on new tax policies and measures for individual industries in support of economic development, closely monitoring international tax developments to ensure compliance of the new tax policies and measures with the latest requirements in the international tax regime, and providing support for the FS on tax matters. On the Budget side, the BTPU mainly supports the FS in formulating the Budget framework and co-ordinating with relevant policy bureaux and organisations to follow up on individual proposals and measures. There will be no overlapping of work between the FSTB and the BTPU.

The work of both FSTB and BTPU on tax policies will be complementary to each other and will not overlap. Hence, no reduction in manpower will be needed.

**Q5: In recent months, the FS has expressed repeatedly that the Government is in a tough financial situation. In view of this, is the TPU currently carrying out any studies on the tax regime in Hong Kong? If yes, what are the details?**

A5: From time to time, the TPU carries out analyses and studies on various tax issues as appropriate, including tax regime proposals received by the FSO during Budget consultation and on other occasions. The FS indicated in the 2020-21 Budget that we might need to consider seeking new revenue sources or revising tax rates. The Government maintains an open mind on this at this stage and will thoroughly consider different views of the community in drawing up any proposal.

**Q6: Overall speaking, will the BTPU draw up any short-to-medium term work plans with indicators if the funding for this item is approved? How will the Government ensure that the essence of the prevailing simple tax regime in Hong Kong is retained while reforming our tax regime?**

A6: On the Budget side, the BTPU will assist the FS in formulating the annual Budget, including liaising with various bureaux and organisations on relevant proposals and measures and providing the necessary co-ordination. On tax policy side, the BTPU will continue to assist other bureaux in exploring feasible tax measures in key policy areas. It will also continue to keep a close watch over new developments in the international tax arena, including the proposal of imposing a global minimum tax rate that is being explored by the OECD, and maintain close communication with the FSTB and the IRD on such matters to assist them in conducting studies and analyses. The operation and work arrangements of the BTPU will be adjusted based on actual needs.

Hong Kong is renowned for its simple and low tax regime, which is one of our key competitive edges. Hence, in formulating any tax policies, we will take into account the principle of a simple tax regime as well as other factors like the need to maintain Hong Kong's competitiveness.