

**FINANCIAL SERVICES AND
THE TREASURY BUREAU**

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(Translation)

By email (aykshek@legco.gov.hk)

13 November 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)/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 9 November attaching the letter from the Hon WU Chi-wai regarding the captioned matter. Our consolidated reply to the follow-up questions raised by the Hon WU Chi-wai in his letter is at **Annex**.

Yours sincerely,

(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)

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

**Reply to the follow-up questions
raised by the Hon WU Chi-wai**

We seek to obtain the approval of the Legislative Council (LegCo) for the creation of the directorate post currently under discussion, with a view to expanding the Tax Policy Unit (TPU) into the Budget and Tax Policy Unit (BTPU) to strengthen the support for the Financial Secretary (FS) on tax policy matters as well as Budget formulation and related matters. On the Budget side, the major functions of the BTPU are to assist the FS in formulating the Budget framework, and liaise with relevant policy bureaux and organisations on individual proposals and measures with the provision of the necessary co-ordination. These liaison and co-ordination efforts are particularly pivotal to the implementation of measures of a relatively complex nature or cross-year initiatives. On tax policy side, the BTPU will continue to assist other bureaux in exploring the feasibility of tax measures related to key policy areas. It will also continue to keep a close watch over new developments in the international tax arena, including the proposal of the Organisation for Economic Co-operation and Development on imposing a global minimum tax rate and a digital tax to address base erosion and profit shifting, and maintain close communication with the Financial Services and the Treasury Bureau (FSTB) and the Inland Revenue Department on such matters to assist them in conducting studies and analyses. The BTPU will also carry out analyses and provide advice on various tax matters as appropriate, including proposals received during Budget consultation.

As always, the Government will review the prevailing tax regime and tax rates where necessary. The setting up of the TPU, or the future BTPU, helps enhance the work in this area. From time to time, the unit carries out analyses and studies on various tax issues as appropriate, including tax regime proposals received by the Financial Secretary's Office during Budget consultation or on other occasions. It also communicates and works closely with the FSTB, the policy bureau responsible for the co-ordination of overall tax matters.

In the face of the economic downturn and uncertainties surrounding the pandemic, we need to exercise fiscal prudence to meet known and unexpected needs. Given that around 70% of the total government revenue currently comes from profits tax, salaries tax, stamp

duties and land premium, and that Hong Kong is an open economy, government revenue is susceptible to economic fluctuations. To ensure our fiscal sustainability, we will control our expenditure carefully and adopt a prudent and focused approach in resource utilisation. In addition, we will strive to promote the growth and vibrancy of our economy and identify new areas of economic growth to increase our revenue. On taxation, not only will we examine the existing tax regime and tax rates, we will also explore different proposals for seeking new revenue sources with an open mind by making reference to the practices and experience of other places. When drawing up any proposals, we will give full consideration to all factors and listen carefully to the views of the LegCo and the community.