

Part 4

Observations of the Public Accounts Committee on the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2021

The Audit Commission examined and audited the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2021.

2. In considering the Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2021 (Cash-based), the Committee noted that the Audit Commission found no material misstatements, individually or in aggregate, of the Accounts. The Committee also noted in particular that:

General Revenue Account

- the revenue from "Head 3 - Internal Revenue" (\$330.8 billion), which mainly included profits tax, salaries tax and stamp duties, generated 60% of the total revenue in 2020-2021;
- the internal revenue from profits tax for the year recorded a decrease of 13% from \$155.9 billion in 2019-2020 to \$135.5 billion in 2020-2021, while the internal revenue from salaries tax increased by 49% from \$50.4 billion in 2019-2020 to \$75 billion in 2020-2021;¹
- the non-recurrent expenditure of \$251.9 billion represented the largest share of the total government expenditure (33%) in 2020-2021. It mainly included the injections into the Anti-epidemic Fund (\$132.3 billion), the Cash Payout Scheme (\$65 billion) and the 100% Personal Loan Guarantee Scheme (\$8 billion);
- during the financial year 2020-2021, the Administration continued to pursue the repayment of the outstanding advances of around \$1.2 billion from the United Nations High Commissioner for Refugees, but had not received any repayments so far. The Administration had taken note of and would carefully consider the Committee's suggestion of writing off the outstanding payment;

¹ The increase of \$24.6 billion (49%) in respect of salaries tax was mainly due to the deferral of tax collection from 2019-2020 to 2020-2021.

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Capital Works Reserve Fund

- the balance of the Capital Works Reserve Fund as at 31 March 2021 amounted to \$130.7 billion, representing a decline of \$46.1 billion, or 26%, against the preceding year, mainly due to a drop of \$53 billion in land premium;
- an increase of \$101.8 million in the refund of overpayment of land premium under the Capital Works Reserve Fund in 2020-2021 was mainly related to the refunds made under the Administration's relief measure for short-term waiver holders;² and

Land Fund

- in June 2020, \$27.3 billion of the Land Fund (via the Future Fund) was allocated to invest in Cathay Pacific Airways Limited. On 12 August 2020, \$19.5 billion was drawn from the assets of the Land Fund placed with the Exchange Fund for the investment in Cathay Pacific Airways Limited. The remaining \$7.8 billion had been earmarked for a bridge loan to Cathay Pacific Airways Limited for drawdown in accordance with a facility agreement.

² Fee concessions of 50% for eligible short-term waiver holders for community and business use (e.g. those in retail and catering industries) were implemented in October 2019. For waiver fees already paid by them in advance (mainly on a quarterly basis), the resultant overpayments were refunded to them. These relief measures were further enhanced in 2020-2021. With effect from April 2020, fee concessions were increased from 50% to 75% and extended to businesses not covered previously (e.g. depots for public transport operators). With effect from April 2020, 100% fee concessions were also given to waiver holders whose businesses were closed because of the mandatory closure orders relating to the prevention of Coronavirus Disease 2019.