

**Replies to supplementary questions raised by Finance Committee Members in examining the
Estimates of Expenditure 2012-13**

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 15

Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
<u>S-FSTB(Tsy)01</u>	SV034	LEE Wing-tat	147	(2) Revenue and Financial Control
<u>S-FSTB(Tsy)02</u>	S058	WONG Kwok-hing	147	(2) Revenue and Financial Control
<u>S-FSTB(Tsy)03</u>	S051	IP Wai-ming	59	(1) Procurement
<u>S-FSTB(Tsy)04</u>	S056	WONG Kwok-hing	76	(1) Assessing Functions
<u>S-FSTB(Tsy)05</u>	S057	WONG Kwok-hing	76	(1) Assessing Functions

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

S-FSTB(Tsy)01

Question Serial No.

SV034

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau
(The Treasury Branch) Subhead (No. & title):

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In relation to the "Save and Invest Account" (S&I Account) arrangement, the Administration is requested to provide the following information:

- (a) details of the S&I Account arrangement;
- (b) the number of Controlling Officers who have made use of the S&I Account arrangement in the past two financial years and obtained additional funding to meet the expenditure in the following financial year; and
- (c) in relation to (b) above, the percentage of savings which has been carried forward for use in the following year(s).

Asked by: Hon. LEE Wing-tat

Reply:

- (a) Since 1999, we have introduced the Save and Invest (S&I) arrangement to encourage savings and efficient use of resources by departments. Under the current arrangement, we determine the percentage of unspent provisions that can be carried forward as "S&I credits" having regard to the total amount of unspent provisions and the overall financial position of the Government. We then apply the percentage to the relevant unspent provisions of departments in arriving at the "S&I credits". The credits are allocated to the respective expenditure envelopes to which the departments belong for use in the new financial year.
- (b)&(c) In preparing the 2011-12 and 2012-13 budgets, the percentage figures adopted for determining the "S&I credits" were 20% or 25%, and the total "S&I credits" allocated to the expenditure envelopes were \$481 million and \$621 million respectively.

Once allocated to expenditure envelopes, the “S&I credits” are merged with other provisions in the envelopes. Envelope holders (mostly Directors of Bureaux) allocate resources within their respective envelopes according to the overall expenditure needs of their departments. We are therefore unable to provide the number of Controlling Officers who were allocated “S&I credits”.

Signature: _____

Name in block letters: Stanley YING

Post Title: Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date: 15.3.2012

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)02

Question Serial No.

S058

Head: 147 Government Secretariat: Financial Subhead (No. & title):
Services and the Treasury Bureau
(The Treasury Branch)

Programme: (2) Revenue and Financial Control

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With reference to Reply Serial No. FSTB(Tsy)035, did the Bureau conduct any study on buying back assets in the past three years? If so, please list the study items. If not, please state the department which is responsible for conducting study on buying back assets.

Asked by: Hon. WONG Kwok-hing

Reply:

Under Head 147, the Treasury Branch did not conduct any studies on matters relating to buying back assets in the past three years.

Signature: _____

Name in block letters: Stanley YING

Post Title: Permanent Secretary for Financial
Services and the Treasury (Treasury)

Date: 14.3.2012

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

S-FSTB(Tsy)03

Question Serial No.

S051

Head: 59 Government Logistics Department Subhead (No. & title):

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) According to the reply of Reply Serial No. FSTB(Tsy)064, the prevailing government measures and policy do not give priority to environment-friendly products and local recycled products. As a matter of fact, not any support is given to promote local environmental industry. Will the Government consider formulating targets to require various departments to procure a certain amount of environment-friendly products and local recycled products every year in order to promote local environmental industry?
- (b) Will the tender document of procurement require the tenderers to state whether the items they provided involve local recycling industry or recycled from local products? Will the Government give higher scores to these tenders during evaluation as a means to support the development of local recycling industry?

Asked by: Hon. IP Wai-ming

Reply:

- (a)&(b) The Government's procurement policy is to encourage open and fair competition to obtain the best value for money for its purchases. All suppliers that can provide products of the required specifications will be allowed to bid on an equal basis irrespective of the place of origin of the products. Tender specifications, which define the requirements of a contract, shall not be prepared, adopted or applied with a view to or with the effect of creating obstacles to international trade or to competition amongst the potential tenderers. The Government has been actively promoting the procurement of environment-friendly products in accordance with these principles. Bureaux / departments (b/ds), including the Government Logistics Department, follow well-established guidelines on the procurement of environment-friendly products when arranging their purchases. As the products procured by the Government have to meet the operational requirements of individual b/ds and the extent to which they may involve green specifications and the local recycling industry will depend on the type of product to be procured which vary from year to year, it would not be appropriate to set a specific target for any particular year.

Signature: _____

Name in block letters: _____ Howard Chan

Post Title: _____ Director of Government Logistics (Acting)

Date: _____ 19.3.2012

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

S-FSTB(Tsy)04

Question Serial No.

S056

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the reply of serial no. FSTB(Tsy) 104, the percentage to the total amount of profits tax assessed on companies with assessable profits of \$10,000,001 or above has kept on rising in the past 3 years, and the percentage has constantly remained over 80%. In view of the situation, has the Administration considered imposing profits tax by way of progressive tax rates, so that the assessment can become fairer on the one hand, and the revenue generated from profits tax can be increased on the other?

Asked by: Hon. WONG Kwok-hing

Reply:

The single profits tax rate currently in place has already reflected the fairness principle of "earning more, paying more; earning less, paying less". Adopting the progressive tax rates will narrow the source of profits tax revenue to a small number of companies with high profits. This would further narrow the tax base of Hong Kong and undermine Hong Kong's competitiveness. Besides, the implementation of progressive tax rates must be complemented by anti-avoidance provisions in order to prevent companies from avoiding the higher tax rates through various means, such as profit splitting. This would complicate Hong Kong's tax system and deviate from Hong Kong's principle of maintaining a simple tax regime.

Signature: _____

Name in block letters: CHU Yam-yuen

Post Title: Commissioner of Inland Revenue

Date: 16.3.2012

**CONTROLLING OFFICER'S REPLY TO
SUPPLEMENTARY QUESTION**

Reply Serial No.

S-FSTB(Tsy)05

Question Serial No.

S057

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the past 3 years, has the Administration conducted any review of the tax system (including the profits tax regime)? If yes, what was the scope of the review? If no, will any relevant research be conducted in future?

Asked by: Hon. WONG Kwok-hing

Reply:

To keep the tax system and tax base of Hong Kong up to date, the Administration conducts timely reviews on tax measures (including those relating to profits tax) in accordance with the well-established mechanism and framework. In the course of the review, the Administration will take into account and balance the views from various parties as far as possible. Where appropriate, the Administration will make adjustments to the tax system and tax base in response to the changing economic and social environment.

Signature: _____

Name in block letters: CHU Yam-yuen

Post Title: Commissioner of Inland Revenue

Date: 16.3.2012