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FINANCIAL SERVICES AND THE
TREASURY BUREAU

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

26 January 2017

Clerk to Panel
Panel on Financial Affairs
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

(Attn: Mr Hugo CHIU)

Dear Mr Chiu,

Panel on Financial Affairs
Follow-up to meeting on 3 January 2017

I refer to your letter of 4 January 2017 requesting the Administration to provide information in respect of “**Agenda Item IV—Briefing by the Financial Secretary on Hong Kong’s latest overall economic situation**” and “**Agenda Item V—2017-18 Budget Consultation**” being follow-up actions arising from the meeting of the Panel on Financial Affairs (“FA Panel”) held on 3 January 2017. The requested information is set out in the ensuing paragraphs for the FA Panel’s reference.

Agenda Item IV—Briefing by the Financial Secretary on Hong Kong’s latest overall economic situation

In response to the FA Panel’s request for information on the amount of various kinds of major loans in 2014 to 2016 (including mortgage loans, re-financed mortgage loans and credit card loans), and their respective proportions in Hong Kong’s Gross Domestic Product, statistics from the Hong Kong Monetary Authority (“HKMA”) revealed that the outstanding amounts of residential mortgage loans and credit card advances were HK\$1,141.5 billion (equivalent to 46% of GDP) and

HK\$111.5 billion (equivalent to 5% of GDP) respectively at end-September 2016 (figures for end-2016 are not yet available at the moment). Relevant statistics at the end of 2014 and 2015 are also set out in Table A of **Annex A** attached.

The HKMA does not have statistics on the proportion of mortgage loans which are related to refinancing. However, based on a monthly survey on mortgage activities of banks, statistics available up to November 2016 indicated that the amount of newly granted mortgage loans which are related to refinancing increased during the latter part of 2016. Relevant information is set out in Table B of **Annex A** attached. This appears to be a result of the downward adjustment of mortgage rates by banks during the period concerned.

Agenda item V—2017-18 Budget Consultation

In relation to FA Panel's request for information under this agenda item, details are provided below :

- (a) The top 1% taxpayers contributed to 33% of the salaries tax revenue in the year of assessment 2014-15; and
- (b) Details of the profits tax contribution by corporations in the past five years of assessment (i.e. 2010-11 to 2014-15) are set out in **Annex B** attached.

Yours sincerely,



(Derek Lai)
for Secretary for Financial Services and the Treasury

Encl.

c.c.: Administrative Assistant to the Financial Secretary

Table A: Residential mortgage loans and credit card advances in the past three years

	End-2014	End-2015	End-Sep 2016
	HK\$ billion (as a percentage of GDP)		
Total loans	7,276.3 (322%)	7,534.5 (314%)	7824.1 (318%)
of which:			
Residential mortgage loans	1,029.8 (46%)	1,119.3 (47%)	1,141.5 (46%)
Credit card advances	116.4 (5%)	117.8 (5%)	111.5 (5%)

Sources: HKMA and Census & Statistics Department

Table B: Monthly new residential mortgage loans approved in 2016

	New residential mortgage loans approved during the month (HK\$ billion)	
	Total	of which, related to refinancing
Jan 2016	15.6	4.1
Feb 2016	12.8	3.6
Mar 2016	15.4	4.2
Apr 2016	19.8	5.0
May 2016	23.0	5.6
Jun 2016	22.3	5.0
Jul 2016	22.9	5.0
Aug 2016	29.6	7.2
Sep 2016	32.1	7.5
Oct 2016	34.3	7.9
Nov 2016	38.5	9.9

Source: HKMA

Profits Tax Contribution by Corporations in Past Five Years of Assessments

Year of Assessment	2010/11			2011/12			2012/13			2013/14			2014/15		
	Corporations		% of total profits tax yield	Corporations		% of total profits tax yield	Corporations		% of total profits tax yield	Corporations		% of total profits tax yield	Corporations		% of total profits tax yield
	No.	% of total		No.	% of total		No.	% of total		No.	% of total		No.	% of total	
>100M	700	0.8%	61.0%	800	0.9%	64.4%	800	0.8%	63.6%	900	0.9%	65.6%	1000	1.0%	67.2%
>50M to 100M	700	0.8%	8.5%	700	0.7%	7.5%	800	0.8%	8.3%	800	0.8%	7.6%	800	0.8%	7.2%
>30M to 50M	800	0.9%	5.7%	900	1.0%	5.4%	900	0.9%	5.4%	900	0.9%	5.0%	1000	1.0%	5.2%
>20M to 30M	900	1.0%	3.9%	1000	1.1%	3.9%	1100	1.1%	3.9%	1200	1.2%	4.0%	1200	1.2%	3.8%
>10M to 20M	2600	2.9%	6.3%	2600	2.7%	5.8%	2800	2.9%	5.8%	2900	3.0%	5.6%	2900	2.9%	5.3%
>7.5M to 10M	1500	1.6%	2.2%	1600	1.7%	2.1%	1500	1.6%	2.0%	1600	1.6%	2.0%	1800	1.7%	2.0%
>5M to 7.5M	2600	2.9%	2.8%	2800	3.0%	2.6%	2800	2.9%	2.6%	2800	2.8%	2.4%	2900	2.9%	2.2%
>3M to 5M	4200	4.6%	2.8%	4500	4.7%	2.6%	4700	4.8%	2.7%	4700	4.8%	2.5%	4700	4.7%	2.3%
>2M to 3M	4200	4.6%	1.8%	4500	4.7%	1.7%	4500	4.6%	1.6%	4600	4.7%	1.5%	4800	4.7%	1.5%
>1M to 2M	9300	10.2%	2.3%	9600	10.1%	2.0%	9900	10.2%	2.0%	10100	10.2%	1.9%	10200	10.1%	1.7%
>0.5M to 1M	10900	11.9%	1.4%	11500	12.1%	1.2%	11900	12.2%	1.2%	11900	12.1%	1.1%	12300	12.2%	1.0%
1 to 0.5M	52600	57.8%	1.3%	54400	57.3%	0.8%	55600	57.2%	0.9%	56100	57.0%	0.8%	57300	56.8%	0.6%
Total	91000	100%	100%	94900	100%	100%	97300	100%	100%	98500	100%	100%	100900	100%	100%

Remarks: The above table reflects the position after netting out the one-off tax reduction as announced in the Budget.