

**Special Meetings of the Finance Committee of the Legislative Council
to Examine the Estimates of Expenditure 2018-19
Public Finance**

(3:25 pm - 4:05 pm on 17 April 2018)

Speaking Note of the Secretary for Financial Services and the Treasury

Chairman and Honourable Members,

This session of the special meetings of the Finance Committee will examine the expenditure estimates of the Treasury Branch and related departments. The Treasury Branch oversees several policy areas, which cover revenue and financial control, provision of central support services within the Government and maintenance of government properties. Before the question session begins, I would like to brief Members on a few points.

Estimates of Expenditure

2. The estimated total recurrent expenditure of the Treasury Branch and departments under its purview for 2018-19 is \$8.163 billion. The amount represents an increase of \$544 million (around 6.7%) over the original estimate of last year.

Key Areas of Work in the Coming Year

3. As regards our work in the coming year, I would like to highlight the following areas:

- (a) **Public Finances:** We will continue to uphold the principles of fiscal prudence in managing resource allocation to support the implementation of government policies.
- (b) **Tax Policy Unit:** The Tax Policy Unit was set up in late April last year, with its present priority being to capitalise on the tax policy to facilitate the development of Hong Kong's industries and economy. Over the recent past, the Unit has focused on developing the two-tiered profits tax rates system, working out the details of providing additional tax deduction for research and development expenditure, and making

consequential amendments to the Inland Revenue Ordinance. In the coming year, the Unit will work with related bureaux/departments to study other tax measures that are conducive to the economic development of Hong Kong. As regards the problem of Hong Kong's narrow tax base, in view of the healthy fiscal reserve held currently by the Government and the controversy over broadening tax base, we consider that there is no pressing need to commence consideration and discussion on this matter at this juncture.

- (c) **International Tax Co-operation:** To deliver our obligations on international tax co-operation, we will implement the minimum standards of the **package to counter base erosion and profit shifting** by enterprises. In this connection, we introduced an amendment bill into the Legislative Council (LegCo) in January this year. The Government is working closely with the LegCo to facilitate its scrutiny in the hope that Members will support the early passage of the amendment bill. On implementing the **Automatic Exchange of Financial Account Information in Tax Matters**, we will commence the first exchanges with the jurisdictions concerned this September. Besides, we will continue to expand Hong Kong's network of **Comprehensive Avoidance of Double Taxation Agreements (CDTAs)**. So far, Hong Kong has concluded 39 CDTAs, including one signed with India in mid-March this year. We will continue to identify potential negotiation partners, especially countries along the Belt and Road, with a view to further expanding our CDTA network and bringing the total number of CDTAs to 50 over the next few years.
- (d) **Government Offices:** It is government policy to relocate government offices with no location requirements out of high value areas as circumstances permit to optimise the use of land resources. The Government has decided that the Wan Chai Government Offices Compound (WCGOC) site will be used for the development of convention and exhibition venues, hotel facilities and Grade A office space. Relevant government departments are actively taking forward nine new government building projects to accommodate the departments and the Judiciary to be relocated from the WCGOC. We expect the first phase of the relocation to start after the West Kowloon Government

Offices is ready for occupation in 2019. Meanwhile, the Government plans to seek funding approval from the Finance Committee (FC) of the LegCo for another three replacement building projects (including the Inland Revenue Tower, the Treasury Building and the Government Data Centre Complex) in the first half of 2018. Relevant bureaux/departments are also preparing for the remaining five replacement building projects with a view to seeking funding approval from the FC in due course. We will closely monitor the progress of the replacement building projects and endeavor to complete the relocation exercise as scheduled. We look forward to the support of the LegCo.

4. Chairman, my colleagues and I will be happy to answer any questions from Members.

Financial Services and the Treasury Bureau

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