

立法會

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Panel on Housing

Meeting on 4 March 2019

Updated background brief prepared by the Legislative Council Secretariat on income and asset limits for public rental housing

Purpose

This paper provides updated background information on the income and asset limits for public rental housing ("PRH"), and gives a summary of the views and concerns expressed by members of the Panel on Housing ("the Panel") on the subject.

Background

2. It is the Hong Kong Housing Authority ("HA")'s objective to provide PRH to low-income families who cannot afford to rent private accommodation. The eligibility of PRH applicants is determined by way of the PRH income and asset limits, which measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. Households with income and assets below the prescribed limits are deemed to be unable to afford renting private accommodation, and hence are eligible for PRH. The limits are reviewed annually to keep them in line with the prevailing socio-economic circumstances.

Review of income limits

3. Under the established mechanism, the PRH income limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision. Housing costs measure the cost of renting a private flat comparable to PRH. This depends on the differential unit rents of private accommodation and reference flat sizes. The non-housing cost is determined with reference to the latest Household Expenditure Survey ("HES") conducted by the Census and Statistics Department ("C&SD")¹, with adjustments made according to (a) the latest movement in the Consumer Price Index (A) ("CPI(A)") (excluding housing costs), or (b) the change in the nominal wage index obtained through the Labour Earnings Survey conducted by C&SD as the income factor², whichever is higher. The PRH income limits for different household sizes are the respective sums of the two major cost items, plus a 5% contingency provision. A diagram showing the calculation mechanism is at **Appendix I**.

Review of asset limits

4. Under the established mechanism, the PRH asset limits are adjusted annually with reference to the movements in CPI(A) over the year under review.

¹ C&SD conducts HES at five yearly intervals to collect information on the expenditure patterns of households in Hong Kong for updating the expenditure weights used for compiling the Consumer Price Indices. The latest round was conducted in 2014/2015.

² The Subsidised Housing Committee of HA approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing the PRH income limits, whereby the change in nominal wage index was introduced as the income factor to reflect changes in income (including implementation and changes of the statutory minimum wage ("SMW")) before the HES results were updated. According to the Administration, the change in nominal wage index was considered to be a suitable yardstick to gauge changes in income of the PRH target group and to reflect the impact of SMW on income, because it covered occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who were most likely to be the potential applicants for PRH.

5. In 2005, the Subsidised Housing Committee ("SHC") of HA agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. SHC further decided in 2006 that the asset limits for 2005-2006 should be adopted as the basis for future annual adjustments, taking into account the respective movements in CPI(A).

Adjustment of PRH income and asset limits

6. The PRH income and asset limits for 2018-2019 have increased by an average of 2.6% and 1.6% respectively over those for 2017-2018.³ The PRH income and asset limits of various household sizes for 2018-2019 are in **Appendix II**.

Members' views and concerns

7. The Panel monitors the review of the PRH income and asset limits by discussing the outcomes of the latest review each year. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Increase in public rental housing applicants and lengthening of waiting time

8. In view that the proposed increase of the income and asset limits would result an increase in the number of eligible PRH applicants, some members expressed concern that the average waiting time for PRH would further lengthen amidst the shortage of PRH supply, and suggested that the Administration should provide assistance, such as rent subsidy, to PRH applicants who had been waiting for three years or above and had not been provided the first flat offer, in order to help them cope with the high flat rentals.

9. The Administration explained that the proposed adjustments of income and asset limits would not affect the waiting time of those general applicants who were already waiting for PRH allocation, given that new applications received after the implementation of the new PRH income and asset limits would be placed at the end of the queue. To address the housing difficulties of grassroots households, increasing the supply of PRH units was the fundamental solution.

³ Hong Kong Housing Authority's [press release](#)

Statutory minimum wage as a factor for determining the income limits

10. When discussing the proposed PRH income and asset limits for 2018-2019, members expressed concern that a two-person household with two working members each working with a pay at the statutory minimum wage ("SMW") rate of \$34.5 per hour for 10 hours a day and 26 days a month would earn a monthly income of not lower than \$17,940, which exceeded the proposed income limit, i.e. \$17,600, and was hence ineligible for PRH. Some members opined that the mechanism for adjusting the income limits should take into account the PRH demand of those households with working members earning SMW, and enquired whether HA would consider providing bigger buffers in the income limits concerned to cope with possible changes arising from the implementation of a new SMW rate in future.

11. The Administration advised that SMW only stipulated the minimum wage per hour earned by an individual. However, the actual income earned by individual households depended on various factors, such as the number of working members, as well as the number of working hours and working days of each member; and hence could not be generalized. On the other hand, the PRH income limits were derived using a household expenditure-based approach. Household expenditure was assessed on a household basis rather than an individual basis, and was calculated based on objective data covering housing costs and non-housing costs of households with different sizes. Its annual adjustment took into account factors such as changes in income and inflation in the previous year. Therefore, it was not necessary to compare the PRH income limits with any estimated household income based on SMW.

Review of the mechanism for adjusting the income and asset limits

12. Members were concerned whether the existing factors used for deriving the income and asset limits were still appropriate. Some members enquired whether HA had not conducted a review on the existing mechanism for adjusting the limits for a long time.

13. The Administration advised that the existing annual review of the PRH income and asset limits had been an effective mechanism for updating the limits in light of the latest situations. When SHC reviewed the limits annually, apart from considering the household expenditure and other latest relevant data, it would also take into account views from various sectors of the community, and make adjustments where appropriate in view of actual circumstances. In fact, SHC had refined the mechanism for adjusting the income limits in 2013 to cope with the possible changes arising from the implementation of SMW.

Impact on the number of public rental housing applications

14. Members opined that the PRH income limits derived according to the existing mechanism were too low. Many people including those belonging to the lower stratum of middle-class families who could not afford high flat prices or private rentals were not eligible for PRH. Setting the income limits at low levels might also discourage some PRH applicants from joining the workforce to improve their financial position, and young PRH applicants might give up opportunities for job promotion or pay rise in order to be able to remain eligible for PRH. Some members queried whether the Administration/HA suppressed the income limits deliberately to reduce the number of families eligible for PRH applications because PRH units were short in supply.

15. The Administration advised that the existing annual review of the PRH income and asset limits based on objective data was a long-established mechanism adopted by HA. The inadequacy of PRH supply was not a factor for determining the proposed limits, and the mechanism was not affected by the number of households eligible for PRH applications. In fact, the Administration/HA were unable to estimate the actual impact of adjusting the income and asset limits on the number of PRH applications.

Calculation of income of public rental housing applicants

16. In view that some PRH applicants' family incomes, as calculated with the Working Family Allowance ("WFA") included, had exceeded the relevant income limits, rendering them ineligible to apply for PRH, members enquired whether the Administration/HA would consider excluding WFA from the calculation of family incomes of PRH applicants, so that low-income families would not fall outside the eligibility net of PRH as a result of applying for WFA.

17. The Administration advised that income that must be declared by PRH applicants and all family members included income from employment, income from self-employment, rental income and other income, etc. Other income referred to income received by means other than employment/self-employment, such as pensions, interest/bonus/dividends from deposits and various kinds of investment, and Comprehensive Social Security Assistance ("CSSA"), etc. Since the Government's implementation of the Low-income Working Family Allowance Scheme (subsequently renamed as the WFA Scheme) in 2016, WFA had been regarded by HA as other income of PRH applicants and their family members in assessing their total household income. The key consideration was that the nature of WFA was similar to that of CSSA and other income, all of which formed part of the household income. HA thus took into account WFA when assessing the income level of PRH applicants.

Criteria for determining the eligibility of public rental housing applicants

18. When discussing the proposed PRH income and asset limits for 2016-2017, members opined that as rentals for private flats were high, screening the PRH applicants by their income and assets might not reflect the quality of life of the ineligible applicants because they were paying a big portion of their income on rentals. There was a suggestion that the Administration should instead examine the proportion of household income that applicants would have paid for private rentals and the effect on their living standard in determining their eligibility for PRHs. The Administration responded that the eligibility of applicants could be assessed more objectively under the existing review mechanism of PRH income and asset limits than using the suggested criteria.

Latest development

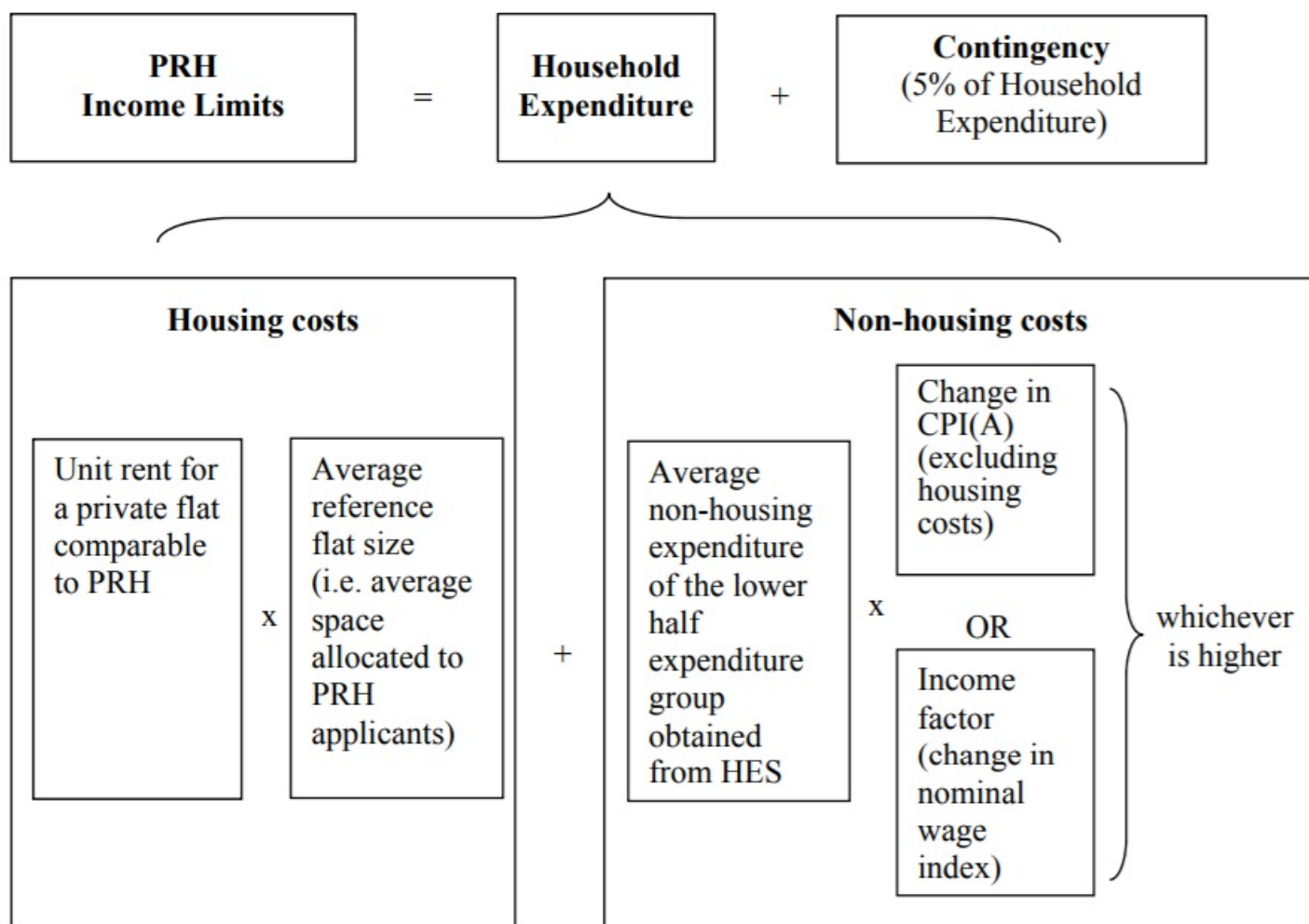
19. The Administration will brief the Panel on the review of the PRH income and asset limits for 2019-2020 at the meeting on 4 March 2019.

Relevant papers

20. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
27 February 2019

Mechanism for determining the Public Rental Housing Income Limits



Source: [LC Paper No. CB\(1\)627/17-18\(03\)](#)

**Income and Asset Limits for Public Rental Housing for 2018-2019
(Effective from 1 April 2018)**

Household Size	PRH Income Limits for 2018-2019^{Note 1}	PRH Asset Limits for 2018-2019^{Note 2}
1-Person	\$11,540 (\$12,147)	\$249,000
2-Person	\$17,600 (\$18,526)	\$338,000
3-Person	\$22,390 (\$23,568)	\$440,000
4-Person	\$27,920 (\$29,389)	\$514,000
5-Person	\$33,920 (\$35,705)	\$571,000
6-Person	\$37,330 (\$39,295)	\$618,000
7-Person	\$42,700 (\$44,947)	\$660,000
8-Person	\$47,740 (\$50,253)	\$692,000
9-Person	\$52,650 (\$55,421)	\$764,000
10-Person and	\$57,450 (\$60,474)	\$823,000

Note ¹ Figures in brackets denote the effective income limits inclusive of the statutory Mandatory Provident Fund ("MPF") contribution for households contributing 5% of their income under MPF.

Note ² Asset limits for elderly households (i.e. households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

Source: Hong Kong Housing Authority's [press release](#)

Income and Asset Limits for Public Rental Housing

List of relevant papers

Committee	Date of meeting	Paper
Panel on Housing	4 March 2013	Administration's paper on "Review of Waiting List Income and Asset Limits for 2013/14" (LC Paper No. CB(1)619/12-13(04)) Minutes of meeting (LC Paper No. CB(1)1390/12-13)
Panel on Housing	3 March 2014	Administration's paper on "Review of Waiting List Income and Asset Limits for 2014/15" (LC Paper No. CB(1)984/13-14(04)) Minutes of meeting (LC Paper No. CB(1)1505/13-14)
Panel on Housing	2 March 2015	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2015/16" (LC Paper No. CB(1)575/14-15(05)) Minutes of meeting (LC Paper No. CB(1)786/14-15)
Panel on Housing	7 March 2016	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2016/17" (LC Paper No. CB(1)605/15-16(04)) Minutes of meeting (LC Paper No. CB(1)834/15-16)
Panel on Housing	6 March 2017	Administration's paper on "Review of Income and Asset Limits for Public Rental Housing for 2017/18" (LC Paper No. CB(1)617/16-17(03)) Minutes of meeting (LC Paper No. CB(1)900/16-17) Administration's supplementary paper (LC Paper No. CB(1)709/16-17(01))

Committee	Date of meeting	Paper
Panel on Housing	5 March 2018	<p>Administration's paper on "Review of income and asset limits for public rental housing for 2018-19" (LC Paper No. CB(1)627/17-18(03))</p> <p>Minutes of meeting (LC Paper No. CB(1)1214/17-18)</p> <p>Administration's supplementary paper (LC Paper No. CB(1)731/17-18(01))</p>