立法會
Legislative Council

LC Paper No. FC176/20-21
(These minutes have been
seen by the Administration)

Ref : FC/4/1

Finance Committee of the Legislative Council

Minutes of the 17th meeting
held at Conference Room 1 of the Legislative Council Complex
on Thursday, 25 February 2021, from 11:00 am to 1:00 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon CHAN Han-pan, BBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP

Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS, JP

Members absent:

Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP

Public officers attending:

Mr Paul CHAN, GBM, GBS, MH, JP	Financial Secretary
Mr Christopher HUI, JP	Secretary for Financial Services and the Treasury
Ms Alice LAU, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Andrew AU, JP	Government Economist
Ms Jessie WONG, JP	Head, Budget and Tax Policy Unit
Mr Raistlin LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Maurice LOO, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)2
Mr Howard LEE	Deputy Secretary for Financial Services and the Treasury (Treasury)3
Mr Ronald FAN	Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (H)

Mr Willy TSOI	Administrative Assistant to Financial Secretary
Miss Crystal YIP	Administrative Assistant to Secretary for Financial Services and the Treasury

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1

Staff in attendance:

Miss Bowie LAM	Council Secretary (1)1
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Yannes HO	Legislative Assistant (1)7

Action

Item I — Briefing by the Financial Secretary and the Secretary for Financial Services and the Treasury on the 2021-2022 Budget

At the invitation of the Chairman, the Financial Secretary ("FS") briefed members on the 2021-2022 Budget ("the Budget").

2. FS said that last year, the Coronavirus Disease 2019 pandemic ravaged the world, causing unprecedented repercussions on the global economy. This had led to a sharp fall in external demand, which affected Hong Kong's total exports of goods. In addition, inbound tourism was brought to a frozen state for most of the time last year amid extensive travel restrictions worldwide. The volatile epidemic situation, coupled with the weak job and income conditions, had dampened local consumer sentiments. As a result, Hong Kong's economy contracted substantially by 6.1% last year, the largest annual decline on record. In the face of the tough economic environment, counter-cyclical measures costing over $120 billion were introduced in the Budget to support enterprises, employment and relieve people's burden.

3. FS highlighted the salient points of the Budget and the relevant initiatives as follows:

(a) the Budget proposed to introduce a number of one-off relief measures, including reducing salaries tax and tax under personal assessment, providing rates concessions for domestic properties, providing an extra half-month allowance to eligible social security recipients, granting each eligible residential electricity account an electricity charge subsidy of $1,000, so as to relieve people's financial burden;

(b) with regard to supporting enterprises, the Budget proposed such measures as reducing profits tax, providing rates concessions for non-domestic properties, reducing water and sewage charges, etc. The Budget also proposed to enhance the Special 100% Guarantee Product under the SME Financing Guarantee Scheme with a view to relieving the cash flow pressure on small and medium enterprises ("SMEs");

(c) on supporting employment, the Budget proposed to further allocate $6.6 billion to create around 30 000 time-limited jobs for a period up to 12 months;

(d) a Special 100% Loan Guarantee for Individuals Scheme ("the unemployment loan scheme") with a total guarantee commitment of $15 billion would be established to provide an extra financing option of a supplementary nature for the unemployed;

(e) it was proposed to issue electronic consumption vouchers ("e-vouchers") in instalments with a total value of $5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above, so as to encourage consumption and stimulate local economy. This measure was expected to benefit around 7.2 million people;

(f) as regards reviving the economy after the epidemic, the Budget proposed to inject $1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales ("the BUD Fund") and extend its geographical coverage in phases; and to earmark $934 million to continue to take forward local cultural, heritage and creative tourism projects and support the Hong Kong Tourism Board ("HKTB") in reviving the tourism industry; and

(g) resources would be allocated for the introduction of a series of measures to build a green and liveable city, including setting aside $500 million to carry out enhancement works on facilities in country parks, about $300 million to implement a five-year plan for upgrading football pitches, and $150 million to conduct energy audits and install energy-saving appliances, free of charge, for non-governmental organizations subvented by the Social Welfare Department, so as to improve people's quality of life.

4. FS highlighted that two measures announced in the Budget would have a bearing on the new financial year and the Medium Range Forecast: the first was issuing green bonds, and the second was having the investment return of the Future Fund brought to credit. The above two measures would maintain Hong Kong's fiscal reserves at a relatively robust level despite deficit budgets in the next few years. They would enhance confidence in Hong Kong's fiscal strength and were conducive to maintaining our financial stability. They would also leave greater fiscal space for the Special Administrative Region ("SAR") Government to meet contingency needs.

5. FS said that given the narrow tax base of Hong Kong, government revenue was susceptible to changes in the economic situation. As the SAR Government had seen larger increases in recurrent expenditure in recent years and the ageing population also posed pressure on public expenditure, the Government must exercise prudence in managing public finance. Apart from maintaining zero growth in the civil service establishment in 2021-2022, the Government would also implement an expenditure reduction programme by requiring all policy bureaux and departments to reduce expenditure without affecting livelihood-related spending. The objective was to trim recurrent expenditure by 1% in 2022-2023. The estimated savings would be about $3.9 billion.

[*Post-meeting note:* The PowerPoint presentation materials prepared by the Administration for the briefing on the Budget (LC Paper No. FC118/20-21) were distributed to members at the meeting and was separately circulated to members vide email on 26 February 2021.]

Electronic consumption vouchers

6. Mr POON Siu-ping, Mr LAU Kwok-fan, Mr YIU Si-wing, Ms Starry LEE, Mr SHIU Ka-fai, Mr Michael TIEN and Ir Dr LO Wai-kwok welcomed the proposal in the Budget to issue e-vouchers to eligible Hong Kong permanent residents and new arrivals aged 18 or above, considering it conducive to boosting the economy and relieving people's hardship, and urged the Government to implement the said scheme as soon as possible.

7. Mr WONG Ting-kwong cited newspaper reports that the administrative expenses for disbursing e-vouchers were a staggering $600 million. Mr WONG and Mr LAU Kwok-fan enquired about the specific arrangements for and the details of the administrative expenses on the disbursement of e-vouchers. Mr SHIU Ka-fai opined that, in addition to Octopus Cards Limited, the Government should invite other stored value facility operators to participate in the scheme.

8. FS indicated his support for the expeditious disbursement of e-vouchers and that the Government would make known the specific arrangements later. Given the widespread use of Octopus cards by people, the Government would, therefore, definitely include it in the list of stored value facility operators assisting in the implementation of the scheme. He stressed that the Government would strive to reduce the administrative expenses as far as possible and cited the example of the Cash Payout Scheme (i.e. a cash payout of $10,000 to each Hong Kong permanent resident aged 18 or above) launched by the Government last year of which the administrative expenses initially estimated at approximately $1 billion were revised to about $306 million in the latest estimate.

9. Head, Budget and Tax Policy Unit added that the Government would arrange disbursement of e-vouchers on the principles of simplicity, convenience and prudence. The initial idea was to collaborate with stored value facility operators to disburse the e-vouchers in five monthly instalments of $1,000 each and each instalment would be valid for one month. This would hopefully cover as many sectors as possible, including businesses in the local catering, retail and services sectors, so as to boost consumption. She advised that the administrative expenses of $600 million was a provisional estimate, which included increasing staff in different departments to assist in implementing the scheme, upgrading computers or devices of the relevant departments, paying service fees to service operators and conducting publicity and promotion.

10. Mr WONG Ting-kwong requested the Administration to provide supplementary information on the breakdown of the administrative expenses on the disbursement of e-vouchers. FS undertook to provide the relevant information.

> [*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC122/20-21(01) on 3 March 2021.]

11. Mr LUK Chung-hung asked whether the Government had evaluated the difference between the benefits (e.g. boosting the economy and employment) of disbursing e-vouchers and direct cash payouts. FS advised that, according to the estimate of the Government Economist, various budget measures would boost the economy by about 2%, of which about 0.7% would come from the disbursement of consumption vouchers.

12. Ms Starry LEE saw merits in the Government's plan to disburse e-vouchers in instalments but she had reservations about setting a 30-day validity period for e-vouchers in each instalment. She also pointed out that people might wish to use e-vouchers on relatively high value items (such as replacement of computers or large electrical appliances). Mr LUK Chung-hung expressed similar concerns and asked the Government if it would be possible to disburse the consumption vouchers in one go instead of in instalments, or allow people to accumulate the e-vouchers for use. Mr Michael TIEN and Ms YUNG Hoi-yan were also in favour of one-off disbursement of e-vouchers. Mr TIEN suggested setting a three-month validity period for e-vouchers with no restriction of use.

13. FS responded that at the start, the Government's intention of disbursing e-vouchers was to assist SMEs by allowing funds to flow into the consumption market over a certain period of time. It was not the original intention of the Government to disburse consumption vouchers in one go. Drawing reference from overseas experience in disbursing consumption vouchers, the Government considered disbursement in instalments within a certain period of time and setting a validity period for each instalment of consumption vouchers the most effective in boosting consumption.

14. Mr YIU Si-wing, Ms Starry LEE, Ms YUNG Hoi-yan and Ir Dr LO Wai-kwok all urged the Government to widen as much as possible the scope of use of e-vouchers so that they would be eligible for use for health care services, purchase of tickets, booking of transport and hotel accommodation, etc. Ms YUNG was particularly concerned about whether the education, beauty, fitness and tourism sectors could benefit and considered the restriction that the consumption vouchers could not be used for paying electricity or water bills, etc. unreasonable.

15. Ms Starry LEE expressed concerns about the difficulties elderly persons might encounter when using e-vouchers. Ms YUNG Hoi-yan opined that the Government should allocate additional resources to district organizations so that they could assist the Government in stepping up promotion and help elderly persons register for e-vouchers. Ms Elizabeth QUAT was concerned about how elderly persons living on the Mainland

under the Guangdong Scheme and Fujian Scheme could benefit from the scheme. Dr CHENG Chung-tai enquired about how persons in custody, elderly persons living in residential care homes, chronically ill patients and Hong Kong residents living on the Mainland on a long-term basis could register for and use e-vouchers.

16. FS said that the Government would listen to the views of various sectors in society in working out the details of the scheme, including the scope of use of e-vouchers, and hoped to maximize the coverage to assist a wider range of local trades and industries.

17. Mr MA Fung-kwok was concerned that if there was no specified use or restriction, the public might be inclined to use e-vouchers for dining or shopping. Since his sector was mainly engaged in the provision of services (such as different types of training courses, recreational activities or shows, etc.), he asked whether the Government could specify that a certain portion of the consumption vouchers must be used for the above personal services in order to benefit the sector. Mr LUK Chung-hung asked whether the Government would require major supermarket chains to offer extra discount to consumers so as to share their profits with them.

18. FS noted Mr MA Fung-kwok's views, but he said that since the public had different consumption needs and interests, it might not be appropriate to specify the use of e-vouchers.

19. Mr Vincent CHENG opined that the key to the successful disbursement of e-vouchers hinged on the number of shops which would install electronic payment ("e-payment") systems. He mentioned the subsidy provided to stall tenants by the Food and Environmental Hygiene Department some time ago to facilitate the installation of e-payment devices. He asked whether the Government could re-launch/enhance the relevant scheme to facilitate the installation of e-payment devices by market tenants, tenants of cooked food stalls and small restaurants, etc. Mr CHENG suggested that the Government discuss with operators of stored value facilities about the provision of incentives by the latter so as to encourage shop tenants to install e-payment devices.

20. FS said that the Government would follow up on ways to facilitate the installation of e-payment devices by shop tenants as this would help promote the popularization of e-payment and enable Hong Kong to move further towards a digital city.

Special 100% Loan Guarantee for Individuals Scheme and other unemployment support

21. While some Members expressed understanding for the unemployment loan scheme proposed by the Government, Mr POON Siu-ping, Mr CHEUNG Kwok-kwan, Ms Alice MAK, Mr LUK Chung-hung, Ms Starry LEE, Ms Elizabeth QUAT and Mr Vincent CHENG expressed disappointment that the Budget had not proposed the setting up of a temporary unemployment assistance. Mr CHEUNG, Ms MAK, Mr LUK, Ms QUAT and Mr CHENG criticized the Secretary for Labour and Welfare ("SLW") by name for refusing to accept members' views on the setting up of an unemployment assistance. Mr LUK urged FS to assist in lobbying and allocate $1.5 billion for setting up an unemployment assistance.

22. FS reiterated that SLW had repeatedly explained the reasons why the Government considered it inappropriate to set up an unemployment assistance and the position of the Government was clear.

23. Ir Dr LO Wai-kwok and Mr SHIU Ka-fai welcomed the introduction of the unemployment loan scheme as proposed in the Budget. Ir Dr LO urged the Government to implement the scheme as soon as possible and adopt a relaxed approach when processing the applications. Mr CHEUNG Kwok-kwan asked the Government about the details of the unemployment loan scheme, particularly how it would help the most disadvantaged, including those who were underemployed or received wage payment in cash and could hardly provide proof of employment or income.

24. Ms Alice MAK considered that the unemployment loan scheme could not replace the unemployment assistance. She also pointed out the many restrictions of the scheme; for example, the applicants would be eligible only if they had been unemployed for no less than two months when they submitted the loan application. Such restrictions had prevented the underemployed or those receiving pay cuts from applying for loans. Ms Elizabeth QUAT asked whether people whose income had been significantly reduced as they were on no pay leave or engaging in gig jobs would be eligible to apply for the unemployment loan. Mr YIU Si-wing asked whether the many tourist guides and tourist escorts who were self-employed and had ceased working for a long time due to the epidemic would be eligible to apply for the unemployment loan. Ms MAK and Mr POON Siu-ping urged the Government to relax the eligibility criteria to include those who were in financial difficulty as they were underemployed or had their income reduced substantially due to mandatory no pay leave or unavailability of overtime allowance.

25. Mr MA Fung-kwok said that there were many self-employed persons in the sector he represented who would like the Government to provide them with direct subsidy. The sector was concerned that freelancers and self-employed persons might not be able to provide salary proof or business registration and hence could not apply for the unemployment loan. He asked whether the Government would relax the eligibility criteria for loan application, such as accepting a declaration under oath made by the persons concerned or a proof provided by the trade associations to which they belonged. Mr Frankie YICK also asked whether the Government would allow those in need to provide relevant documents (e.g. employers' letter/payroll document) to prove that their income had been reduced by a certain percentage so that they would be eligible for loan application.

26. Mr Kenneth LAU asked how the Government would perform its gate-keeping role in implementing the unemployment loan scheme, such as preventing freelancers or self-employed persons from covering up their employment status, and whether applicants making false statement would be liable to heavy penalty. He also asked whether fresh graduates failing to find a job would be eligible for loan application after they had been unemployed for two months. Ms Elizabeth QUAT also asked how the Government would prevent abuse of the scheme.

27. FS and the Secretary for Financial Services and the Treasury ("SFST") said that the Financial Services and the Treasury Bureau and the HKMC Insurance Limited would announce the details of the unemployment loan scheme in due course and would submit the relevant papers to the Legislative Council ("LegCo") shortly. The scheme aimed to provide one more financing option for the unemployed to tide them over their temporary hardship. Individuals, be they freelancers, gig or temporary workers, who could demonstrate a loss of main recurrent incomes would meet the eligibility criteria. Yet, FS pointed out that relaxation of the eligibility criteria for loan application to include individuals with reduced income would involve complicated issues. The Labour and Welfare Bureau had proposed lowering the working hour requirement of non-single-parent households under the Working Family Allowance Scheme for a limited period of time to enhance the support for individuals and families in financial difficulties. He added that university students who had just graduated and were seeking employment did not meet the eligibility criteria of the scheme.

28. FS stressed that in implementing the unemployment loan scheme, the Government had to ensure that the applications would be vetted and approved expeditiously on the one hand and proper gate-keeping in

preventing abuse of the scheme on the other. The Government was willing to communicate with various sectors and study the views they proposed so as to provide more targeted support for various trades and industries.

29. Mr POON Siu-ping considered the six-month application period for the unemployment loan scheme too short and asked whether the Government could regularize the scheme and raise the proposed loan ceiling of $80,000.

30. In response, FS said that the various anti-epidemic measures being implemented were gradually delivering results. As Hong Kong, European countries and the United States had spared no effort in taking forward universal vaccination schemes, the Government expected that the momentum for economic recovery in Hong Kong would start to pick up gradually in the middle of this year and continue until 2022. As the Government believed this would help alleviate the pressure on unemployment, it had decided to set the application period for the unemployment loan scheme at six months. It was too early to say whether the application period for the scheme would be suitably extended as this would depend on the specific economic condition at that time.

31. Mr Michael TIEN was concerned that with a repayment period of only six years for the unemployment loan scheme, the applicants might not be able to repay the loan in full as scheduled and might have to file for bankruptcy. Then the banks would have to recover the outstanding amount from the Government. He asked whether the Government could extend the repayment period to 10 years and waive the interests.

32. FS said that the repayment terms of the unemployment loan scheme were already quite favourable, and the Hong Kong Monetary Authority would re-examine whether there was room for improvement when communicating with various sectors on the scheme.

33. Mr LUK Chung-hung enquired why it was proposed in the Budget that the Government would provide guarantee for the unemployed in need to borrow loans from banks instead of having the loans directly provided by the Government. He was concerned about the amount of handling fees to be charged by the banks, and whether the banks would charge for the interest rate differential, given that the annual interest rate under the unemployment loan scheme would differ from the interest rate of ordinary loans. This would result in the Government having to pay additional expenses. Mr CHEUNG Kwok-kwan was also concerned about whether the gate-keeping by the banks would make it more difficult for the

unemployed to apply for loans, and he enquired about issues relating to the repayment of debt by the applicants in the future.

34. FS explained that the relevant arrangements were made having regard to the fact that the banks were familiar with lending business. Besides, it would not be necessary for the Government to recruit additional manpower to handle issues relating to the loan scheme if such work was taken up by the banks. The Government would pay handling fees to the banks, but the banks could not charge for any interest rate differential, and the debtors would not be required to pay any other additional fees when borrowing.

35. Mr LAU Kwok-fan enquired why the Government still insisted on refusing to allow members of the public in need (including the unemployed) to withdraw their Mandatory Provident Fund ("MPF") benefits at an earlier time, or to borrow from banks by using their MPF benefits as a guarantee in order to meet their urgent financial needs. Ms Alice MAK believed that MPF should serve as a retirement protection for the public, and she hence did not agree that MPF should be used as a guarantee/collateral to solve the unemployment problem.

36. FS emphasized that MPF was a retirement protection for the public, and it thus could not be used for other purposes (including as collateral). He specifically pointed out that even if individuals went bankrupt due to financial hardship, the relevant creditors could not make use of the MPF benefits of these individuals for repayment of loans. Having regard to the views of various political parties, the Government considered that it would be more convenient to launch the unemployment loan scheme with guarantee provided by the Government, and the vetting and approval process would be faster as well. It could offer an additional financing option for the unemployed to meet their urgent financial needs.

37. Mr Michael TIEN noted that the Government had invited the Employees Retraining Board to launch the fourth tranche of the Love Upgrading Special Scheme, but the number of training places would remain at 20 000 only. He opined that the number of training places should be increased to 50 000 with a view to benefiting more people in need. He also urged the Government to devote more resources to retraining courses, so as to assist the unemployed to switch occupation.

38. FS responded that apart from the Love Upgrading Special Scheme, the Budget also proposed to allocate $6.6 billion to create around 30 000 time-limited posts to support employment.

39. Mr Tony TSE was keen to see that the aforesaid some 30 000 time-limited posts could benefit graduates of this year. Ir Dr LO Wai-kwok remarked that the Government should consider establishing a youth professional development fund. FS indicated that the recruitment targets for the above posts included fresh graduates of universities.

40. Mr Frankie YICK opined that the Government should roll out the third tranche of the Employment Support Scheme ("ESS") to support enterprises and prevent their closure. FS advised that after thorough study, the Government had no plan to launch ESS again at this stage.

Raising the rate of Stamp Duty on Stock Transfers

41. Dr Junius HO expressed support for raising the rate of Stamp Duty on Stock Transfers from 0.1% to 0.13% as proposed in the Budget. While the rate of increase was aggressive, the market could still attract investors as long as there were opportunities.

42. Mr LAU Kwok-fan, Dr CHENG Chung-tai, Ms Elizabeth QUAT, Mr Christopher CHEUNG and Mr Kenneth LAU were concerned that raising the rate of Stamp Duty on Stock Transfers would increase the cost of investing in stock, which might erode the confidence of investors and undermine Hong Kong's status as an international financial centre. Dr CHENG, Mr CHEUNG and Mr Kenneth LAU pointed out in particular that the Hang Seng Index plunged more than 1 000 points immediately after the proposal to raise the rate of Stamp Duty on Stock Transfers in the Budget was announced, reflecting the market's dissatisfaction with the relevant policy. Mr CHEUNG and Mr Kenneth LAU enquired whether the Government would consider afresh the decision of raising the rate of Stamp Duty on Stock Transfers or reducing the rate of such increase with a view to creating a favourable business environment to attract different enterprises (including Mainland technology enterprises) to seek listing in Hong Kong, so as to maintain the healthy development of the financial market in Hong Kong as well as its competitiveness in the international arena.

43. Mr CHAN Chun-ying said that the sector was concerned that the trend in major financial markets of the world was tax reduction to increase trading volume, but Hong Kong instead sought to raise the rate of Stamp Duty on Stock Transfers. He enquired whether the Government would examine the market reaction following the announcement of the measure and adjust the commencement date of the legislation, or review afresh the duty rate in a timely manner following the passage of the legislation.

44. In response, FS pointed out that before proposing to raise the rate of Stamp Duty on Stock Transfers, the Government had fully considered various factors such as the competitiveness, the room for future development, the appeal of the financial market of Hong Kong to overseas investors and transaction costs. He believed that investors attached a great deal of importance to the profitability of their investments, and stamp duty only accounted for a small percentage of stock transaction costs. Take a $100,000 transaction as an example, the investor only needed to pay an additional $30 in stamp duty after the increase in the rate of stamp duty.

45. FS stressed that certainty of a policy measure was of the utmost importance to the financial market, and the Government had decided to present a bill to LegCo to raise the rate of Stamp Duty on Stock Transfers from 0.1% to 0.13% after thorough consideration. As the measure would be implemented as planned, he did not wish to be misunderstood by market participants or give them an impression that the Government would likely reconsider, postpone or even not implement the measure, which would virtually become a speculative factor.

46. FS further pointed out that the status of Hong Kong as an international financial centre could not be reinforced by the single factor of Stamp Duty on Stock Transfers alone, but by continuing to promote the development of the financial market and enhance the competitiveness of the local market. He gave an example. The daily turnover of the Hong Kong stock market was tens of billions of dollars before the launch of the Shanghai-Hong Kong Stock Connect in 2014, but the turnover increased substantially immediately after the launch of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. In addition, the Stock Exchange of Hong Kong Limited implemented a new listing regime in 2018 to permit the listing in Hong Kong of biotech companies that did not have any prior record of revenue or profit and new economy enterprises with weighted voting right structures; and make it convenient for Greater China companies to seek secondary listing in Hong Kong by establishing a new secondary listing route. The companies concerned now accounted for a quarter of the Hong Kong stock market in terms of market capitalization, and the daily turnover of the entire local market had increased to nearly $200 billion.

47. FS further pointed out that although the rates of stamp duty on stock transfers on the Mainland and in some other markets were lower, they had put in place other types of levies at the same time, and the Mainland even imposed foreign exchange control. On the other hand, Hong Kong had a large liquidity pool, allowed the free flow of capital, and there were no

other taxes such as dividends tax and capital gains tax. Therefore, even if the Government would raise the rate of Stamp Duty on Stock Transfers, the overall competitiveness of the Hong Kong securities market would not be eroded. He added that the Budget had proposed the development of green and sustainable finance, bond market, asset management, wealth management and insurance risk management, and the Government would continue to press ahead with its efforts in developing the financial market.

48. SFST added that the key to the competitiveness of a financial market was quality, which involved product diversification, institutional arrangements and market liquidity. He hoped that members would weigh the strengths of the financial market of Hong Kong in a holistic approach.

Rates and other taxes and fees

49. Mr SHIU Ka-fai and Mr Frankie YICK were concerned that the increases in the first registration tax rate and the vehicle licence fee for private cars as proposed in the Budget would deal a blow to the automotive sector. Mr YICK said that the sector hoped that the Government would allow increase in only one of the two items, so as to minimize the impacts on the sector. Mr SHIU urged the Government to meet with the sector to understand their aspirations.

50. FS said that the first registration tax rate and the vehicle licence fee for private cars must be increased in tandem, so as to slow down the increase in the number of vehicles and improve traffic conditions. He further said that the Government had not adjusted the vehicle licence fee for private cars for 30 years, and, in comparison with the cumulative inflation rate for the same period, a 30% increase in the vehicle license fee as proposed in the Budget was reasonable.

51. Mr Tony TSE supported the Government to review the rating system, so as to follow the ability-to-pay principle. He opined that the Government could provide rates concession to owner-occupied properties on a regular basis. Mr CHAN Chun-ying was concerned that as the Budget proposed to consider shifting the primary liability for rates payment from the occupier to the owner of a property, the owner might transfer the increased cost to the tenant by raising rent, thus triggering increases in the nominal rental value. This might give rise to public queries that the Government was doing so to increase rates revenue. He opined that the Government must take note of the aforesaid issues when reviewing the rating system.

52. FS said that given the different requirements on whether the owner or the tenant should be responsible to pay rates under different tenancy agreements, the beneficiaries of rates concession provided by the Government were different. The review of the rating system by the Government this time around would help address the problem. The possible impacts of any proposals on rateable value would be considered together by the Government in the context of the review.

53. Mr Tony TSE pointed out that property prices had gone up considerably over the past decade or so. He suggested that the Government introduce progressive rates of stamp duty on luxurious property transactions and provide remission of stamp duty on properties valued at less than $20 million, starter homes or owner-occupied second stepper homes, etc. FS noted Mr TSE's suggestion and pointed out that the impacts of stamp duty adjustment on the market must be considered from various perspectives.

Providing support to various sectors

Small and medium enterprises and manufacturers

54. Mr Jimmy NG pointed out that no targeted measures were proposed in the Budget to support manufacturers or the import and export sector. He hoped that the Government could fill these gaps. Mr SHIU Ka-fai and Mr NG welcomed the proposal made in the Budget to enhance the Special 100% Guarantee Product under the "SME Financing Guarantee Scheme" by, among others, increasing the maximum loan ceiling to $6 million and extending the maximum repayment period to eight years. Mr NG asked whether the Government could further enhance the scheme by, for instance, drawing reference from the unemployment loan scheme, fixing the interest rate at 1% per annum and offering full reimbursement for the interest paid if applicants had repaid loans in full as scheduled.

55. FS said that the measures proposed in the Budget were multi-faceted and included measures to support manufacturers. He stressed that the Special 100% Guarantee Product under the "SME Financing Guarantee Scheme" already carried a fairly low interest rate and the Government also provided an interest subsidy for the 80% and 90% Guarantee Products for a one-year period. As regards the arrangement that applicants who had repaid loans in full as scheduled would be offered full reimbursement for the interest paid under the unemployment loan scheme, it was made by the Government in the hope of providing support to the unemployed more vigorously.

56. Mr Jimmy NG supported the proposal made in the Budget to extend the geographical coverage of the "BUD Fund" to 37 economies in phases. He enquired whether the Government would consider removing the geographical restriction and increasing the percentage of funding from 50% to 75%. Mr Jimmy NG pointed out that despite an increase in the funding amount, the capital required to be injected by the manufacturers would in effect increase when the funding percentage remained unchanged.

57. FS said that the Government planned to progressively extend the geographical coverage of the "BUD Fund" to cover all economies with which Hong Kong had signed Free Trade Agreements and/or Investment Promotion and Protection Agreements. He considered it more appropriate for the geographical coverage to be determined according to this criterion. Hong Kong had set up Economic and Trade Offices in some of these economies to provide local support. The Government would later review whether the geographical coverage of funding could be further extended. Moreover, even though the funding percentage of the "BUD Fund" was kept at 50%, the funding amount would be increased and this was believed to be helpful to the manufacturers in opening up new markets.

Tourism sector

58. Mr YIU Si-wing asked whether the about $930 million earmarked in the Budget for enhancing tourism resources could be used to subsidize the sector direct in the event of a continued downturn in the local tourism sector in the second half of 2021. He opined that when the tourism sector had been frozen, it would be difficult for HKTB to promote Hong Kong with the aforesaid funds and the money would be virtually wasted. He further enquired whether the Government could ask HKTB to collaborate with the sector in launching different products (such as the "Free Tour" programme) when tours could resume in order to provide assistance to the sector.

59. FS said that the Government had been sparing no effort to support the tourism sector, including the introduction of various rounds of measures through the Anti-epidemic Fund, and financial support was also provided to the tourism sector in the Chief Executive's 2020 Policy Address. He pointed out that there was room for collaboration between HKTB and the sector in launching short-term programmes but it might not be appropriate for the funds earmarked for HKTB to revive the tourism sector to be used to subsidize the sector direct because HKTB would really need to take forward some specific programmes. In the event that the operating environment of the tourism sector continued to worsen, the Government

would consider other options when necessary, such as using the Anti-epidemic Fund to provide other support for the sector.

Agriculture and fisheries sector

60. Ms Starry LEE and Mr Steven HO criticized that the Budget had not proposed any measure for the benefit of the agriculture and fisheries sector. They asked the Government what measures were in place to help the sector ride out the difficulties. Mr HO enquired whether FS had communicated with the Secretary for Food and Health to find out about the needs of the sector.

61. In response, FS said that the Budget had introduced various measures for the assistance of SMEs which, he believed, could extensively benefit various sectors. The Chief Executive's 2020 Policy Address also mentioned measures for supporting the agriculture and fisheries sector. Members who still considered these measures inadequate could further convey their views to the Food and Health Bureau. The Government would be glad to consider members' views as well as those of the agriculture and fisheries sector.

Cross-boundary passenger service sector

62. Mr Frankie YICK suggested that the Government provide the cross-boundary passenger service sector with a business resumption allowance. He pointed out that the sector had suspended operation due to the closure of the boundary control points and had no income at all during the past year. Despite the fact that the Government had provided subsidies to the sector, the amount was insignificant. He said that the sector hoped to resume operation after vaccines were made available but lacked the funds for repairing vehicles and vessels. He hoped that the Government would seriously review the needs of the sector and provide subsidies accordingly.

63. FS said that the Budget had introduced counter-cyclical measures totalling about $120 billion. The Government had already attended to the needs of various parties as far as practicable within its financial capability.

Upgrading recreational and sports facilities

64. Mr Vincent CHENG expressed support for the proposal in the Budget to improve country park facilities. Given the large number of visitors to country parks in the past year, some facilities had been damaged.

He suggested that the Government first repair the places/facilities that might pose a danger and assess the carrying capacity of country parks.

65. FS took note of Mr Vincent CHENG's view and stated that the Government would engage professionals and organize design competitions, etc., so that the improved country park facilities could better meet the needs of the public.

66. Mr CHEUNG Kwok-kwan welcomed the proposal in the Budget to allocate some $300 million to implement a five-year plan for upgrading football pitches. However, he had reservations about the Government's proposal to substantially increase the number of 5-a-side football pitches meeting international standards. He pointed out that, as 5-a-side football was not the most popular sport among football fans, increasing the number of 5-a-side football pitches might not be necessary. Besides, hardware upgrades alone could hardly promote 5-a-side football into semi-professional/professional matches. He hoped that the Government could adjust the relevant policy and make the best use of the above-mentioned funding. FS replied that he would discuss Mr CHEUNG's views on football development with the Home Affairs Bureau.

Expenditure of government departments

67. Ms Elizabeth QUAT noted that an expenditure reduction programme was proposed in the Budget, requiring all policy bureaux and departments to trim their recurrent expenditures by 1% in 2022-2023. She was concerned that the Government would cut back on information technology ("IT") projects and require IT service providers to lower maintenance costs as a result, thereby affecting Hong Kong's development into a Smart City.

68. Permanent Secretary for Financial Services and the Treasury (Treasury) ("PS(Tsy)") stated that one of the key points of the expenditure reduction programme was to strive to maintain the various existing public services. Hence, various policy bureaux and departments had to make efforts to reduce their expenditure by, for example, enhancing efficiency through workflow improvements, in order to meet the target. The Government noted that effective application of IT could help enhance work efficiency. When taking forward the expenditure reduction programme, Ms Elizabeth QUAT's concern would be conveyed to the relevant departments as a reminder.

69. Dr Junius HO enquired about the Government's position if he moved that the expenditure of Radio Television Hong Kong be reduced during the scrutiny of the Appropriation Bill 2021 by LegCo.

70. PS(Tsy) responded that the Government prepared the Estimates of Expenditure for submission to LegCo every year for scrutiny after thorough and comprehensive consideration. She understood that individual Members might have different views on certain heads or items. It was hoped that Members' concerns could be addressed through daily communication. Nevertheless, when the Government formally introduced the Appropriation Bill to LegCo, the estimated expenditure of each head would form part of the Bill. In order to maintain the integrity of the Bill, the Government's stance was that the original Budget could be passed in its entirety.

Other concerns

71. Mr Tony TSE and Mr Vincent CHENG welcomed the proposal in the Budget to earmark $1 billion for drainage repair or enhancement works in old buildings. Mr CHENG advised the Government to draw reference from the "Operation Building Bright" implemented by the Urban Renewal Authority when taking forward the scheme and be aware that in the past, the views of owners of old buildings and contractors might not be unanimous when the fire safety improvement works were being carried out. He suggested holding group discussions prior to the commencement of works in order to facilitate a consensus between the parties.

72. Ir Dr LO Wai-kwok said that the engineering industry supported the Government's continuous investment in infrastructure and introduction of various measures to improve the efficiency of the construction industry. He hoped that the annual expenditure on public works could be maintained at over $100 billion to benefit the industry and improve people's livelihood.

73. FS advised that the Budget proposed to issue green bonds totalling $175.5 billion within the next five years with a view to, among others, continuing to take forward infrastructure investments conducive to the long-term development of Hong Kong even when the financial capability of the Government was under pressure.

74. Mr Tony TSE expressed concern about the serious ageing population problem in Hong Kong. He considered the provision of about 8 800 residential care places and about 2 800 subsidized day care service places for the elderly in the coming few years proposed in the Budget

insufficient. The Administration also had not drawn up a clear timetable for providing such places.

75. Mr CHAN Chun-ying pointed out that the Budget proposed to lower the eligible age for subscribing Silver Bond from 65 to 60, meaning that the number of applicants would increase. He asked whether the Government could improve the subscription arrangement. Rather than allocating more units to applications for more units, it should ensure that all subscribers could be allocated a certain amount of bonds and the remaining units, if any, would be allocated by ballot, so that more elderly people could earn an interest income through subscribing Silver Bond.

76. FS replied that currently, the Government's Silver Bond and iBond were not allocated on the basis of subscription ratio. Instead, every applicant would be guaranteed bond allocation and the remaining units, if any, would be allocated by ballot.

77. In regard to rezoning five commercial sites in Kowloon East for residential use, Mr Tony TSE expressed concerns about the many restrictions on rezoning were often resource- and time-consuming. He asked whether there was any room for improvement in the rezoning process.

78. FS said that rezoning contemplated by the Government must be deliberated by the Town Planning Board. The objective requirements for commercial and residential sites (such as transport and the impacts on air quality, etc.) were different. Mitigation measures had to be adopted when rezoning commercial sites for residential use. The Government would keep in view ways to streamline the relevant process.

79. The meeting ended at 1:00 pm.

Legislative Council Secretariat
15 June 2021