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Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2021-22

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 5

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)001

(Question Serial No. 2665)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Hermes TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise this Committee of the following:

1. The numbers of cases involving duty-not-paid cigarettes and the quantities of illicit cigarettes detected by the Customs and Excise Department (C&ED) in the past 3 years;
2. The numbers of cases involving smuggled emerging tobacco products, including e-cigarettes containing nicotine, e-cigarettes not containing nicotine and heat-not-burn (HNB) cigarettes, and the quantities of smuggled products detected by C&ED in the past 3 years (set out respectively in table form);
3. Some members of the tobacco industry consider that the increase in the proportion of health warnings on cigarette packets after the passage of the Smoking (Public Health) (Notices) (Amendment) Order 2017 (Amendment Order) will aggravate the illicit cigarette problem because it will be more difficult to include labels with anti-forgery feature on cigarette packets. In this regard, has C&ED compared the situation of the illicit cigarette problem in Hong Kong since the passage of the Amendment Order with that in the same periods in the past 3 years? What are the changes?

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 30)

Reply:

1. The relevant information on duty-not-paid cigarettes (including heat-not-burn (HNB) tobacco products) seized locally by the Customs and Excise Department (C&ED) between 2018 and 2020 is as follows:

	2018	2019	2020
Number of cases	13 573	17 351	3 112
Quantity (million sticks)	53	54	193

2. The relevant information on HNB tobacco products seized by C&ED between 2018 and 2020 is as follows:

	2018	2019	2020
Number of cases	971	638	687
Quantity (million sticks)	8	6	6.3

E-cigarettes not containing tobacco are not dutiable commodities and no dutiable value is involved. For e-cigarette products containing over 0.1% of nicotine, they are categorised as Part 1 poisons and regarded as pharmaceutical products, which are governed by the Pharmacy and Poisons Ordinance (Cap. 138). The relevant figures on the law enforcement actions are as follows:

	2018	2019	2020
Number of cases	25	53	51
Total value (\$ million) (Note)	1.3	21	4

Note: Since the e-cigarette products containing nicotine seized are of different types and in different units of measurement, only the total values instead of the quantities of seizures can be provided.

E-cigarettes not containing nicotine are not controlled articles. Therefore, C&ED has no relevant figures on the law enforcement actions.

3. C&ED has been rigorously combating illicit cigarette activities. Since the implementation of the Smoking (Public Health) (Notices) (Amendment) Order 2017 in December 2017, no noticeable impact on illicit cigarette activities has been observed. C&ED will continue to closely monitor the market conditions and take resolute law enforcement actions against illicit cigarette activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)002

(Question Serial No. 3161)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Hermes TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Illicit cigarette smuggling activities in Hong Kong have been rampant. Recently, the Police seized a 5.5-tonne box truck containing 3.6 million heat-not-burn (HNB) cartridges and duty-not-paid cigarettes with a total value of about \$10 million. It is the largest case of HNB cigarettes detected in the past 4 years. Although a fairly large number of smokers have switched to HNB cigarettes in recent years, illicit cigarette activities continue to grow. The Estimates revealed that the number of illicit cigarettes seized last year had increased multiple times and reached 200 million sticks, causing an enormous loss in duty revenue to the Hong Kong Government. In order to improve air quality and safeguard public health, will the Government advise this Committee of the following:

1. Have the relevant departments assessed the share of illicit cigarettes in the cigarette market of Hong Kong?
2. What specific measures will the relevant departments take to prevent the rampant illicit cigarette activities from undermining the Government's anti-smoking efforts?
3. Quite a large number of illicit cigarette syndicates are controlled by triads. From the point of view of crime fighting, taking stringent measures to combat illicit cigarette activities is the only effective way to cut off the source of funding for triads and to reduce crime rate in Hong Kong. Will the Government step up actions to combat illicit cigarette activities, such as increasing the imprisonment term and penalty, and recovering punitive duty on cigarettes so as to strengthen the deterrent effect of the legislation?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 11)

Reply:

1. The Customs and Excise Department (C&ED) has all along been adopting a holistic enforcement strategy in combating illicit cigarette activities, i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling sales at the lower end. In 2020, the total quantity of duty-not-paid cigarettes seized by C&ED in local illegal activities and export or transshipment reached 205 million sticks. The number of illicit cigarettes involved in local illegal activities was approximately 193 million sticks, representing an increase of approximately 2.6 times as compared with 2019.
2. Apart from taking stringent law enforcement actions, C&ED continues to step up publicity and public education, and strengthen co-operation with community partners, estate management companies, front-line staff, etc. with a view to combating illicit cigarette activities.
3. Illicit cigarette smuggling is a serious crime. Pursuant to the Import and Export Ordinance (Cap. 60), any person who imports any unmanifested cargo (including illicit cigarettes) shall be guilty of an offence and liable to a maximum penalty of a fine of \$2 million and imprisonment for seven years. Besides, pursuant to the Dutiable Commodities Ordinance (Cap. 109), any person who has in his possession, sells, buys or in any way deals with dutiable commodities shall be guilty of an offence and liable to a maximum penalty of a fine of \$1 million and imprisonment for two years. C&ED can also invoke the Organised and Serious Crimes Ordinance (Cap. 455) to take prosecution actions as appropriate, and freeze or confiscate the proceeds of crime involving illicit cigarette activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)003

(Question Serial No. 1589)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Hermes TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding anti-illicit-cigarette enforcement, will the Customs and Excise Department (C&ED) inform this Committee of the following:

1. The quantity of illicit cigarettes seized has increased significantly from some 50 million sticks in 2019 to over 200 million sticks in 2020. What were the market value and duty potential of the seizure? Has the Department looked into the reasons for such a significant increase in this figure?
2. What were the quantities and values of illicit cigarettes, cheap whites and heat-not-burn (HNB) tobacco products seized by C&ED in each of the past 3 years (please set out the information in table form)?
3. What were the staff establishment and expenditures for carrying out the relevant work in the past 3 years?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 30)

Reply:

1. The quantities, values and duty potential of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in 2019 and 2020 are tabulated below:

	2019	2020
Quantity of seizure (million sticks)	54	193
Total value (\$ million)	147	530
Total amount of duty potential (\$ million)	103	368

If the duty-not-paid cigarettes in export or transshipment cases were included, the total quantity of duty-not-paid cigarettes seized in 2020 would become 205 million sticks, the total value of which was \$563 million and the total amount of duty potential was \$391 million.

There was an increase in the quantity of duty-not-paid cigarettes seized locally by C&ED in 2020, mainly because the strategy of enforcement at source has been effective. With the outbreak of the pandemic, there has been a change in the mode of cigarette smuggling where cigarettes are smuggled into Hong Kong by sea in large quantities instead of using the “ants moving home” tactic through land boundary control points. At the same time, through strengthened international cooperation and intelligence exchange, coupled with rigorous raids on illicit cigarette storehouses in the city, C&ED has successfully interdicted the flow of illicit cigarettes into the local market. During the year, C&ED detected 17 major cases of inbound cigarette smuggling and 14 major cases of illicit cigarette storage and distribution (i.e. cases involving more than 500 000 sticks), resulting in the seizure of some 83 million sticks and 97.6 million sticks of illicit cigarettes respectively. The quantity of seizures increased by around 1.8 times and 24.6 times respectively when compared with 2019 (30 million sticks and 3.8 million sticks).

2. The respective quantities and values of duty-not-paid conventional cigarettes and heat-not-burn (HNB) tobacco products seized locally by C&ED in the past three years are tabulated below:

		2018	2019	2020
Duty-not-paid conventional cigarettes	Quantity of seizure (million sticks)	45	48	187
	Total value (\$ million)	120	130	513
Duty-not-paid HNB tobacco products	Quantity of seizure (million sticks)	8	6	6.3
	Total value (\$ million)	22	17	18
Total (Note)	Quantity of seizure (million sticks)	53	54	193
	Total value (\$ million)	142	147	530

Note: Figures may not add up to the total due to rounding.

C&ED does not have a breakdown of the figures by brand in relation to cigarettes or cheap whites seized.

3. Since the front-line officers stationed at various control points are tasked with other clearance duties in addition to combating illicit cigarette activities, C&ED cannot separately quantify the number of officers and the actual expenditures involved in combating illicit cigarette activities. Apart from intercepting illicit cigarettes at various control points, C&ED is also committed to combating the storage, distribution and peddling (including telephone ordering) of illicit cigarettes. In the past three financial years, C&ED deployed a total of 61 officers each year to specifically combat illicit cigarette activities. The annual expenditure on emoluments is tabulated below:

Financial year	Expenditure on emoluments (\$ million)
2018-19	24.98
2019-20	26.27
2020-21	26.27

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)004

(Question Serial No. 1587)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Hermes TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of “persons compounded for offences relating to illicit cigarettes” by the Customs and Excise Department (C&ED) has reduced from 15 430 in 2019 to 1 796 in 2020. Please advise this Committee of:

1. the circumstances under which the offences relating to illicit cigarettes will be compounded; and
2. the reasons for the reduction of the relevant figure; and whether the workload and staff establishment of the Department as well as the Government expenditure are affected. If yes, what are the details?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 28)

Reply:

1. Under the Dutiable Commodities Ordinance (Cap. 109) (the Ordinance), incoming passengers who fail to declare to an officer of the Custom and Excise Department (C&ED) the quantity of dutiable goods in their possession which exceeds the exempted quantity commit an offence and are liable to criminal prosecution. C&ED may also impose compound penalty under the Ordinance. When determining whether the case should be handled by means of compound penalty, C&ED officers will assess the facts of an individual case, and consider factors such as the amount of duty involved and whether the person concerned has violated the Ordinance before, etc.

2. With the outbreak of the COVID-19 epidemic, a major drop was observed in the number of cigarette smuggling cases (including illicit cigarette cases involving compoundable offences) detected at the passenger channels due to the suspension of passenger clearance services at most of the control points. C&ED has flexibly deployed manpower to reinforce cargo clearance at different channels and step up enforcement actions against smugglers who have shifted to cargo channels for smuggling. Suspension of passenger clearance services at certain control points is a temporary measure. C&ED currently has no plan to adjust the number of staff for this aspect of work but will review operational needs from time to time to ensure enforcement effectiveness.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)005

(Question Serial No. 0636)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Hermes TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the First Registration Tax, please advise this Committee of:

1. the respective numbers of new and second-hand vehicles among different vehicle types involved in the assessment of provisional taxable value on imported vehicles conducted by the Customs and Excise Department (C&ED) in 2019 and 2020;
2. the respective numbers of new and second-hand vehicles among different vehicle types involved in the re-assessment of provisional taxable value on imported vehicles conducted by C&ED in 2019 and 2020; and
3. the manpower and estimated expenditure to be involved in the assessment of provisional taxable value on vehicles in 2021-22.

Asked by: Hon YICK Chi-ming, Frankie (LegCo internal reference no.: 43)

Reply:

1 and 2. The respective numbers of assessments and re-assessments of provisional taxable value on imported vehicles conducted by C&ED in 2019 and 2020 are as follows (no breakdown of the statistics on new and second-hand vehicles is available):

Year	Number of assessment of provisional taxable value	Number of re-assessment of provisional taxable value
2019	57 866	20 399
2020	56 117	15 284

3. The valuation of the First Registration Tax is part of the duties carried out by the Motor Vehicles Valuation Group of C&ED. In 2021-22, its estimated number of staff is 32 and the expenditure involved is about \$18.46 million.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)006****(Question Serial No. 0269)**Head: (51) Government Property AgencySubhead (No. & title): ()Programme: (3) Estate UtilisationControlling Officer: Government Property Administrator (Miss Leonia Tai)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding the Hong Kong-Zhuhai-Macao Bridge (HZMB) boundary crossing facilities, please provide the following information:

1. Please set out in table form the number of parking spaces offered and their utilisation rates since the boundary crossing facilities came into use.
2. Parking space booking service is currently available at the HZMB. Please provide the usage of this service since its launch with a breakdown by month.

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 9)Reply:

1. The public car parks at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port (HZMB HKP) operated since 24 October 2018 and provide a total of 733 parking spaces, comprising 673 for private cars (including 12 for the disabled), 25 for motorcycles, 14 for light goods vehicles and 21 for out-of-service taxis. The monthly utilisation rates of the public car parks since their operations are tabulated below:

Utilisation Rates of the Public Car Parks at the HZMB HKP					
Year	Month	Private car parking spaces	Motorcycle parking spaces	Light goods vehicle parking spaces	Out-of-service taxi parking spaces
2018	Oct*	4.7%	8.4%	6.3%	3.3%
	Nov	6.6%	5.6%	11.2%	1.6%
	Dec	8.7%	4.4%	19.2%	1.9%

Year	Month	Private car parking spaces	Motorcycle parking spaces	Light goods vehicle parking spaces	Out-of-service taxi parking spaces
2019	Jan	7.2%	4.8%	12.7%	2.6%
	Feb	10.8%	6.7%	22.0%	4.7%
	Mar	9.2%	7.1%	20.0%	4.9%
	Apr	12.8%	6.5%	27.4%	5.8%
	May	11.2%	5.9%	25.9%	5.3%
	Jun	14.0%	7.2%	35.3%	6.6%
	Jul	15.2%	7.5%	31.4%	8.4%
	Aug	18.9%	8.3%	38.2%	8.9%
	Sep	15.5%	12.2%	32.9%	8.9%
	Oct	16.5%	15.2%	31.3%	7.3%
	Nov	19.6%	19.0%	36.7%	9.2%
	Dec	20.7%	17.2%	37.4%	8.8%
2020	Jan	16.0%	15.3%	34.4%	7.7%
	Feb	5.7%	6.6%	13.6%	4.3%
	Mar	11.2%	14.4%	30.7%	14.3%
	Apr	2.1%	0.8%	0.1%	0.0%
	May	2.0%	1.0%	0.3%	0.0%
	Jun	1.8%	0.5%	0.6%	0.0%
	Jul	1.9%	0.3%	0.5%	0.0%
	Aug	1.8%	0.5%	0.5%	0.0%
	Sep	1.6%	0.2%	0.4%	0.0%
	Oct	1.7%	0.5%	0.3%	0.1%
	Nov	1.8%	0.4%	2.7%	0.0%
	Dec	1.9%	0.5%	1.0%	0.0%
2021	Jan	2.1%	0.4%	0.4%	0.0%
	Feb	2.0%	0.9%	0.2%	0.1%

* The car parks only operated for eight days in October 2018 (i.e. 24 to 31 October).

- Of the 733 parking spaces mentioned above, about half of them are available for on-line pre-booking by motorists for hourly or daily parking. According to the information provided by the operator of the public car parks, the monthly usage rates of the pre-booking service since the commissioning of the HZMB HKP are set out below:

Year	Month	Percentage of car park users who have used pre-booking service
2018	Oct*	25.0%
	Nov	18.6%
	Dec	19.3%

Year	Month	Percentage of car park users who have used pre-booking service
2019	Jan	17.6%
	Feb	16.1%
	Mar	20.8%
	Apr	26.1%
	May	30.2%
	Jun	31.7%
	Jul	34.3%
	Aug	38.2%
	Sep	37.2%
	Oct	35.6%
	Nov	37.3%
	Dec	37.9%
2020	Jan	25.1%
	Feb	18.4%
	Mar	23.4%
	Apr	4.2%
	May	3.3%
	Jun	3.7%
	Jul	2.3%
	Aug	2.6%
	Sep	1.9%
	Oct	1.6%
	Nov	6.3%
	Dec	4.2%
2021	Jan	2.9%
	Feb	1.8%

* The car parks only operated for eight days in October 2018 (i.e. 24 to 31 October).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)007

(Question Serial No. 0914)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (2) Property Management

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Stones and petrol bombs were hurled into a number of Police Quarters when black-clad rioters remained rampant in 2019. Will the Government allocate additional expenditure to strengthen the security of these Quarters? If yes, what are the details, timetable and expenditure? Will the Government consider allowing Police Quarters in private housing estates to hire security companies on their own to protect the security and privacy of family members of police officers?

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 38)

Reply:

In response to the social events happened in 2019, Government Property Agency (GPA) has appropriately strengthened the security of the government quarters under its purview after consultation with the relevant departments. The measures include enhancement of access control systems, reinforcement of door locks at the entrances/exits, addition of barriers and fencings at external walls and carpark entrances, installation of metal gates at carpark entrances, installation of additional closed-circuit television systems, installation of metal grilles and protective security membranes for windows of individual units, provision of additional guard booths and security manpower, improvement on overall security plans, reinforcement to the utilities protection on external walls and provision of additional fire extinguishers, etc. Such measures had already been implemented in 2019-20 and 2020-21, with the involved expenditures subsumed in the various sub-heads of recurrent expenditures of relevant departments. GPA does not have specific information on the relevant expenditures.

As regards the government quarters in private developments, daily property management and security services are under the purview of property management companies employed by the respective Incorporated Owners (IOs). GPA will continue to keep close liaison with relevant user departments and take appropriate follow-up actions on the matters. GPA will request the IOs/property management companies to strengthen the security of the developments to ensure the safety of occupants when required.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)008

(Question Serial No. 2987)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- I) Please provide information on new government office building projects under planning and construction, the floor area of the buildings, project expenditure, estimated completion date, and the government departments to be accommodated in such buildings.
- II) Please provide information on the properties purchased for use as government offices and quarters in the past 3 years, including the date of purchase, address, floor area, purchase price and the current user government departments. What were the measures taken to ensure that the prices were comparable to the prevailing market level at the time of purchase?
- III) Please provide information on the properties leased for use as government offices in the past 3 years, including the address, floor area, monthly rent, tenancy period (including fixed term tenancy and non-fixed term tenancy) and the current user departments. The media reported that the per-square-foot rent of certain leased government office accommodation was higher than the market level. What measures does the Government take to ensure that the rent is in line with market level, and to reduce the vacancy period and additional administrative work caused by office relocation?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 40)

Reply:

- (I) There is no new joint-user government office building project under planning which is under the purview of the Government Property Agency ("GPA") while 2 new projects are under construction. The relevant information is listed in Annex 1.

- (II) GPA did not purchase any properties for use as government offices or quarters in the past 3 years.
- (III) Information on the properties leased for use as government offices in the past 3 years is listed in Annex 2.

In leasing properties, in order to assess whether the asking rent of the premises offered to the Government is reasonable, GPA would conduct its professional valuation internally for the premises concerned by taking into account the characteristics of the premises such as location, building quality, size, accessibility, environment, etc., and making reference to the rental transactions of similar premises within the same building/locality. Depending on the user department's requirements on location, timing and accommodation, GPA would seek for the most cost-effective option and leasing terms. The user bureau/department is also required to confirm with GPA on the period of usage to ensure gainful use of the leased premises.

New Joint-user Government Office Building Projects under Construction
under the Purview of the Government Property Agency

	Estimated Net Operational Floor Area (m²)	Approved Project Cost (in money-of-the-day prices)	Target Completion Date	Bureaux/ Departments to be Accommodated
Treasury Building	26 500	<p>\$103.2 million (approved estimates for pre-construction consultancy service and site investigation works)</p> <p>\$2,281 million (approved estimates for construction works)</p>	Mid 2022	<p>Efficiency Office</p> <p>Food and Health Bureau (FHB)/ Hospital Authority (HA)</p> <p>Office of the Government Chief Information Officer</p> <p>Security Bureau</p> <p>Hong Kong Police Force</p> <p>Hongkong Post (HK Post)</p> <p>Labour Department (LD)</p> <p>Office of the Communications Authority</p> <p>Registration and Electoral Office</p> <p>Social Welfare Department (SWD)</p> <p>Treasury</p>
Tseung Kwan O Government Offices	44 000	\$5,228.4 million (approved estimates for design-and-build contract)	First quarter of 2025	<p>Education Bureau</p> <p>FHB / HA</p> <p>Innovation and Technology Commission</p> <p>Census and Statistics Department</p> <p>Department of Health</p> <p>Department of Justice</p> <p>Environmental Protection Department</p> <p>HK Post</p> <p>Independent Commission Against Corruption</p> <p>LD</p> <p>Rating and Valuation Department</p> <p>SWD</p>

Premises Leased for Use as Government Offices in 2018-2020

District in which the Premises are located	Internal Floor Area (m²)(Approx.)	Monthly Rent (\$million)(Approx.)	No. of User Bureaux/ Departments
<u>2018</u>			
Central & Western	3 400	2	5
Eastern	23 700	8	19
Southern	14 300	4	17
Wan Chai	22 500	17	23
Kowloon City	5 500	1	4
Kwun Tong	72 900	28	30
Sham Shui Po	16 600	5	16
Wong Tai Sin	13 300	2	6
Yau Tsim Mong	31 300	15	14
Islands	30 000	2	17
Kwai Tsing	17 300	5	14
North	8 400	3	7
Sai Kung	8 100	1	7
Sha Tin	16 700	4	13
Tai Po	4 000	2	8
Tsuen Wan	20 500	5	13
Tuen Mun	21 000	3	13
Yuen Long	11 800	3	9
<u>2019</u>			
Central & Western	3 600	2	5
Eastern	25 600	9	20
Southern	18 900	6	20
Wan Chai	23 600	21	22
Kowloon City	7 100	2	5
Kwun Tong	81 900	33	32
Sham Shui Po	12 500	4	16
Wong Tai Sin	14 100	3	7
Yau Tsim Mong	26 300	12	19
Islands	31 700	2	17
Kwai Tsing	26 200	7	15
North	8 400	3	7
Sai Kung	8 100	1	7
Sha Tin	16 800	5	13
Tai Po	4 000	2	8
Tsuen Wan	20 100	6	14
Tuen Mun	20 300	3	15
Yuen Long	11 800	3	9

District in which the Premises are located	Internal Floor Area (m²)(Approx.)	Monthly Rent (\$million)(Approx.)	No. of User Bureaux/ Departments
<u>2020</u>			
Central & Western	3 600	2	7
Eastern	32 700	10	23
Southern	21 300	7	20
Wan Chai	24 600	20	22
Kowloon City	7 100	2	5
Kwun Tong	88 800	35	35
Sham Shui Po	15 100	5	18
Wong Tai Sin	12 900	3	8
Yau Tsim Mong	24 400	12	23
Islands	35 300	2	17
Kwai Tsing	26 900	6	17
North	8 700	3	8
Sai Kung	8 100	1	8
Sha Tin	16 900	5	12
Tai Po	4 000	2	9
Tsuen Wan	22 300	6	16
Tuen Mun	20 400	3	15
Yuen Long	10 700	2	9

Note: The information in the above table reflects the position as at December of the respective years. Tenancies for government leased premises generally last for a period of 3 years. Around 60% of the tenancies do not contain any early termination clause (commonly known as “fixed-term” tenancy), while the remaining 40% do (commonly known as “non-fixed-term” tenancy).

The above monthly rental expenses, inclusive of management fees and air-conditioning charges, were borne by GPA and other relevant bureaux/departments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)009

(Question Serial No. 2988)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) Please provide a list of existing government quarters, including information on user departments, usage, number of units, area, government-owned or leased, monthly rent or management cost.
- B) What are the reasons for the gradual decrease in the number of non-departmental quarters from 449 in 2019 to 350 in 2021?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 42)

Reply:

- A) As at 28 February 2021, the types of government quarters and the corresponding number of units, area and user departments are tabulated as follows:

Type of quarters	Number of units	Area of units	User Departments
Non-departmental quarters (NDQ)	383	Between 134 m ² and 341 m ²	Civil servants who are eligible for NDQ are under various bureaux and departments
Departmental quarters	23 376	Between 12 m ² and 350 m ²	Mainly disciplined services departments, accounting for about 99.8% of this type of quarters units
Post-tied quarters	162	Between 33 m ² and 505 m ²	Mainly disciplined services departments, accounting for about 88.3% of this type of quarters units
Total	23 921		

The vast majority of the above-mentioned government quarters are government-owned premises (about 99.9% of the total), while there are 16 leased premises only. The monthly rents (including management fees) of these 16 leased quarters are about \$570,000 in total. The average monthly management cost of wholly-owned government quarters is estimated at \$15.9 per square metre.

- B) According to the Agency's understanding from the Civil Service Bureau, civil servants offered appointment before 1 October 1990 on local terms and receiving a substantive salary equivalent to Master Pay Scale Point 45 or above, and those offered appointment before the same date on overseas terms may apply for NDQ. As the number of eligible officers has continued to decline due to retirement, the Government has correspondingly reduced the number of NDQ required.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)010

(Question Serial No. 2989)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (2) Property Management

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) What are the reasons for the substantial increase of the management cost of buildings/facilities at boundary control points managed by the Government from 59.4 to 75.2? If additional expenditure to meet anti-epidemic needs is involved, what are the details? Will resources such as sterile supplies and protective items be provided by management companies on a reimbursement basis or the Government? How will the items of management companies be monitored such that their value is not higher than the market price?
- B) Are any of the contractors of non-domestic properties, joint-user buildings and joint-user facilities managed by the Government undertaking more than 1 site? Please list out the 5 contractors undertaking the most management contracts, as well as the numbers and total values of the contracts of the Government's non-domestic properties undertaken by them.

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 43)

Reply:

- A) Due to the COVID-19 epidemic, the passenger flow of the Hong Kong-Zhuhai-Macao Bridge (HZMB) Hong Kong Port (HKP) started to tumble from early 2020, and the operating hours of cross-boundary services of the HZMB HKP have thus shortened. As such, part of the recurrent expenditure on property management (such as expenditure relating to provision of customer service and support for persons passing through the boundary and travellers) has decreased, resulting in a drop of the average monthly management cost to \$59.4/m². As the epidemic situation may gradually improve in 2021-22 and that the HZMB HKP will steadily resume normal services, the expenditure is therefore estimated to rebound to \$75.2/m².

The property management contract of the HZMB HKP stipulates that the contractor has the responsibility to ensure the occupational safety and health of its employees during work, including taking appropriate precautions to provide employees working in different environments with adequate safety measures and appropriate personal protective clothing and equipment such as protective gloves, face masks, etc. The contractor is not allowed to make separate claims for additional expenditures for the relevant protective items under the contract. During the epidemic, Government Property Agency (GPA) has also been in close contact with the contractor to ensure the contractor provides sufficient anti-epidemic equipment to its employees.

- B) GPA currently administers 6 property management services contracts for the joint-user government office buildings and quarters, covering three regions namely Hong Kong, Kowloon and New Territories, with two contracts for each region. According to the rule stipulated in the tender documents, each tenderer would only be awarded at the maximum with one contract in each region. All these contracts commenced from 1 April 2020 with tenure of 4 years, with a total contract value of about \$1.6 billion. Information of the contractors and contracts is tabulated below -

Name of Contractor	Number of Contract	Total Contract Value (Dollars)
Urban Property Management Limited	3	818,259,720
Guardian Property Management Limited	2	511,160,531
Savills Property Management Limited	1	316,129,600

In respect of other non-domestic properties and joint-user facilities, since 2020, GPA has taken over a contract awarded by Highways Department in 2017-18 for the provision of management, operation and maintenance services to the boundary crossing facilities at the HZMB HKP, with the approximate contract value of about \$0.38 billion. The relevant contractor is Guardian Property Management Limited.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)011

(Question Serial No. 1147)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Miss Leonia Tai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the matters requiring special attention in 2021-22 in the Controlling Officer's Report that deleasing opportunities will continue to be pursued where appropriate. Meanwhile, the Government leased office accommodation records net increases continuously. The net increase in the leased office accommodation in 2021 is even more than one-fold comparing with the same period in 2020.

Government Property Agency (GPA)'s explanatory note stated that it is mainly due to new requirements of user departments. How does GPA ensure that the indicator to "continue to pursue deleasing opportunities where appropriate" can be achieved?

What are the numbers of deleasing cases (termination of tenancy) for each of the past 5 years? Please tabulate the user departments, addresses, areas and monthly rents of those properties deleased in the past 5 years.

Asked by: Hon OR Chong-shing, Wilson (LegCo internal reference no.: 40)

Reply:

The Government requires that departments review their office accommodation requirements in the short and medium term prudently every year. Subject to departments' operational needs and individual circumstances, the Government's objective is to relocate government offices in leased premises (especially those in central business districts) to suitable government-owned premises so as to reduce rental expenses as well as to release such leased premises to the private market.

The estimated increase in office area to be leased by GPA in 2021 is mainly due to individual user departments' needs to lease premises with larger area for the provision of public services, including the leasing of newly completed premises under the purview of Hong Kong Housing Authority for leisure, community and welfare uses, and the leasing of premises for use as district health centres. Besides, leasing of additional office accommodation is also required by user departments for anti-epidemic purposes.

The information concerning the deleasing cases of the Government in the past 5 years are tabulated in the Annex.

Information on Government's Deleasing Cases from 2016 to 2020

	2016	2017	2018	2019	2020
<u>Hong Kong Island</u>					
No. of tenancy agreements	15	16	5	8	4
Total internal floor area (m²)(Approx.)	7 700	13 400	1 900	1 800	1 400
User bureaux/ departments	Education Bureau Financial Services and the Treasury Bureau Security Bureau Department of Health Department of Justice Hongkong Post Inland Revenue Department Official Receiver's Office Registration and Electoral Office	Administration Wing under the Chief Secretary for Administration's Office Financial Services and the Treasury Bureau Home Affairs Bureau Correctional Services Department Home Affairs Department Hongkong Post Information Services Department Labour Department Lands Department Leisure and Cultural Services Department Official Receiver's Office Social Welfare Department	Financial Services and the Treasury Bureau Department of Health Hong Kong Police Force Labour Department	Hongkong Post Independent Commission Against Corruption Transport Department	Social Welfare Department Transport Department
Total monthly rent (Approx.)	\$4,960,000	\$4,080,000	\$1,150,000	\$1,390,000	\$1,130,000

	2016	2017	2018	2019	2020
<u>Kowloon</u>					
No. of tenancy agreements	12	5	3	33	16
Total internal floor area (m²)(Approx.)	5 400	2 400	1 200	28 700	10 000
User bureaux/ departments	Buildings Department Census and Statistics Department Hongkong Post Labour Department Social Welfare Department	Census and Statistics Department Independent Commission Against Corruption Registration and Electoral Office	Census and Statistics Department Hongkong Post Trade and Industry Department	Administration Wing under the Chief Secretary for Administration's Office Security Bureau Buildings Department Civil Engineering and Development Department Customs and Excise Department Department of Health Highways Department Hongkong Post Immigration Department Labour Department Leisure and Cultural Services Department Registration and Electoral Office Transport Department	Buildings Department Civil Engineering and Development Department Environmental Protection Department Registration and Electoral Office Working Family and Student Financial Assistance Agency
Total monthly rent (Approx.)	\$2,460,000	\$1,210,000	\$530,000	\$14,000,000	\$6,190,000

	2016	2017	2018	2019	2020
<u>New Territories</u>					
No. of tenancy agreements	5	4	6	16	5
Total internal floor area (m²)(Approx.)	1 200	1 600	3 100	7 200	2 300
User bureaux/ departments	Civil Aviation Department Customs and Excise Department Hongkong Post Leisure and Cultural Services Department	Hongkong Post Social Welfare Department	Hong Kong Police Force Hongkong Post Immigration Department	Buildings Department Customs and Excise Department Department of Health Hong Kong Police Force Hongkong Post Immigration Department Leisure and Cultural Services Department Social Welfare Department	Buildings Department Hongkong Post Land Registry Social Welfare Department
Total monthly rent (Approx.)	\$130,000	\$900,000	\$1,190,000	\$1,980,000	\$1,620,000

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)012

(Question Serial No. 2951)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The Government Logistics Department has indicated that a proactive and multi-pronged approach has been adopted in the urgent procurement of personal protective equipment items in the competitive global market in order to meet the operational needs of Government departments. Will the Government provide details of the following in the form of table(s):

(a) What types of equipment are involved in urgent procurement?

(b) What are the respective numbers of suppliers and their origin in respect of various types of emergency equipment?

(c) In respect of equipment which failed to meet the quality requirements/specifications as revealed upon receipt of the goods, what are the types and quantity involved and what are the numbers and regions of the suppliers involved?

(d) What are the follow-up action taken against suppliers providing equipment which failed to meet the quality requirements?

(e) In respect of equipment which has yet to be delivered despite payments made, what are the types, quantity, suppliers and their regions, the delivery schedule originally agreed and the follow-up action taken?

Asked by: Hon CHEUNG Kwok-kwan (LegCo internal reference no.: 15)

Reply:

1(a) and (b) Since early January of 2020, the Government Logistics Department (GLD) has been adopting different means to procure globally personal protective equipment (PPE) items including masks, N95 respirators, face shields, gowns and protective coverall suits. The Department has approached over 700 suppliers from more than 40 countries and territories and entered into contracts with 153 suppliers for the procurement of PPE items. Details are as follows:

Type of items	Location of the suppliers	Number of suppliers
Mask	Including the Mainland, Hong Kong, Macao, Japan, Korea, India, Indonesia, Malaysia, Vietnam, Singapore, Slovakia, the United Kingdom, France, the Netherlands, Germany, Latvia, Canada, the United States of America, Mexico, South Africa and Egypt	111
N95 respirator		18
Face shield		6
Gown		11
Protective coverall suit		7
Total:		153

1(c) and (d) As at end January 2021, GLD has discovered through random inspections and laboratory tests that around 45 million masks might have quality problems. These masks were provided by 28 suppliers from Hong Kong, Japan, India, the United Kingdom, France, the Netherlands and Latvia. As the inspections and tests were conducted on a sampling basis, GLD is not able to confirm whether all the masks mentioned above have quality problems. GLD is following up with the suppliers concerned to request replacement/refund for the whole batch of masks.

1(e) As at end January 2021, excluding contracts which had been rescinded by GLD, no PPE item had been paid but not yet delivered.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)013

(Question Serial No. 1677)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (2) Supplies Management

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the face of threats posed by the novel coronavirus pneumonia over the past year, supply of many important anti-epidemic items in Hong Kong relied heavily on the Mainland or places outside Hong Kong. In this connection, please inform this Committee of the following:

1. How many resources were deployed by the Government in the past year for the procurement of anti-epidemic items?
2. How many resources have been set aside by the Government for the procurement of anti-epidemic items next financial year? What are the specific details?

Asked by: Hon CHOW Ho-ding, Holden (LegCo internal reference no.: 58)

Reply:

Apart from using the funding earmarked under the Anti-epidemic Fund ^{note}, the expenditure of the Government Logistics Department (GLD) in 2020 for procuring anti-epidemic items was about \$350 million. In 2021, GLD has set aside around \$63 million for the procurement of essential and emergency items, including anti-epidemic items such as masks, face shields, gowns and alcohol-based handrubs, etc. in order to meet the operational needs of Government departments in their provision of public services.

As GLD uses existing manpower to handle work related to procurement of anti-epidemic items and the officers concerned also perform other duties at the same time, the breakdown of staff expenditure involved in procuring anti-epidemic items is not available.

Note: The expenditure under the Anti-epidemic Fund does not fall within the scope of the Appropriation Bill or the estimates of the General Revenue Account.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)014

(Question Serial No. 2286)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Since the outbreak of the Coronavirus Disease 2019 epidemic in Hong Kong, a proactive and multi-pronged approach has been adopted by the Government Logistics Department to procure anti-epidemic items globally to meet the needs of Government departments. In this connection, will the Government inform this Committee of:

1. the types, quantity and value of the anti-epidemic items procured in each month since the last financial year and whether any guidelines or principles have been followed;
2. the types, quantity and expenditure involved regarding anti-epidemic items distributed to various Government departments in each month since the last financial year, and whether any guidelines or principles have been followed; and
3. the expenditure set aside this financial year for the procurement of anti-epidemic items as well as the staff establishment and estimated expenditure involved?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 72)

Reply:

1. The Government Logistics Department (GLD) procures major anti-epidemic items including masks, N95 respirators, face shields, gowns and protective coverall suits, etc. in order to meet the operational needs of Government departments in their provision of public services. From April 2020 to February 2021, major anti-epidemic items procured by GLD from the Correctional Services Department and other suppliers using provisions under this Head include masks. Excluding contracts which have been rescinded, the quantity and value of masks procured are as follows. The procurement of these items was made in accordance with the Stores and Procurement Regulations.

Month	Mask	
	Quantity (pieces)	Value (\$million)
April 2020	13 257 430	53.97
May 2020	3 892 000	2.1
June 2020	5 888 500	4.6
July 2020	4 392 000	2.37
August 2020	4 011 000	2.17
September 2020	5 762 000	3.31
October 2020	16 002 000	5.89
November 2020	5 887 000	2.75
December 2020	3 648 000	1.97
January 2021	3 068 000	1.67
February 2021	2 809 000	1.53

During the same period, GLD also used funding from the Anti-epidemic Fund to procure anti-epidemic items, including masks, N95 respirators, face shields and gowns, etc. The expenditure under the Anti-epidemic Fund is not related to the Appropriation Bill or the estimates of the General Revenue Account.

- GLD has distributed various major anti-epidemic items, including masks, N95 respirators, face shields, gowns and protective coverall suits, etc. to Government departments.

According to the priority of use set by the Government with reference to experts' advice, anti-epidemic items procured by GLD will first be used to meet the needs of frontline staff involved in quarantine-related work (including medical and port health staff of the Department of Health and staff implementing quarantine orders) and maintenance of essential public services.

When storing and distributing anti-epidemic items, GLD did not make any differentiation in the source of procurement funding. The quantity of major anti-epidemic items (including those procured with provisions under this Head and the Anti-epidemic Fund) distributed to Government departments by GLD from April 2020 to February 2021 is as follows:

Month	Major type of anti-epidemic items				
	Mask	N95 respirator	Face shield	Gown	Protective coverall suit
	Quantity distributed (pieces)				
April 2020	5 887 442	4 060	172 805	125 001	800
May 2020	7 518 578	39 980	313 190	100 044	430
June 2020	11 063 259	6 140	21 317	108 185	1 175
July 2020	27 631 430	33 640	200 022	252 950	27 316
August 2020	41 772 904	2 700	64 462	143 732	18 501

Month	Major type of anti-epidemic items				
	Mask	N95 respirator	Face shield	Gown	Protective coverall suit
	Quantity distributed (pieces)				
September 2020	40 219 544	2 620	55 574	147 470	34 793
October 2020	13 820 070	-	255 600	265 427	8 705
November 2020	9 490 574	2 020	16 853	107 840	22 452
December 2020	26 361 620	3 500	149 351	110 409	13 718
January 2021	44 461 013	4 220	104 015	174 234	38 980
February 2021	25 403 350	5 960	264 182	63 672	86 061

Excluding payments made with the Anti-epidemic Fund, the stock value of the above anti-epidemic items based on the average price of relevant items is about \$73 million.

3. Apart from continuous use of the funding earmarked under the Anti-epidemic Fund, GLD has also set aside around \$63 million in 2021 for the procurement of essential and emergency items, including anti-epidemic items. As GLD uses existing manpower to handle work related to procurement of anti-epidemic items and the officers concerned also perform other duties at the same time, the breakdown of staff expenditure involved in procuring anti-epidemic items is not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)015

(Question Serial No. 2287)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the masks procured by the Government Logistics Department (GLD) in 2020, GLD discovered that around 83.7 million masks might be problematic and that the delivery of 400 000 masks was overdue. Will the Government inform this Committee of:

1. the purchase price of these masks and the details of the expenditure involved;
2. the follow-up actions taken by the Government in respect of these problematic masks, and whether it has reviewed its procurement strategy and introduced any improvement measures; if yes, of the details; and
3. the expenditure earmarked for procurement of masks this financial year as well as the staff establishment and estimated expenditure involved?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 73)

Reply:

- 1 and 2. Among the masks procured by the Government Logistics Department (GLD) in 2020, excluding contracts which have been rescinded, the delivery of 400 000 masks with an average unit price of around \$0.65 was overdue.

As at end December 2020, GLD has discovered that the quality, purported place of manufacture or the trade description of around 83.7 million masks might be problematic and that around 45 million of these masks might have quality problems. As inspection and testing was conducted on a sampling basis, GLD is not able to confirm whether all these masks have quality problems. Depending on the circumstances of the cases concerned, GLD has taken appropriate follow-up actions, including requesting suppliers to arrange replacement/refund for the whole batch of masks, rescinding the relevant procurement contracts, seeking to recover losses and compensation from the suppliers and referring the cases to relevant law enforcement agents. To avoid compromising negotiations with the suppliers concerned or affecting law enforcement work and any possible litigation, GLD is not in a position to disclose the details of individual cases.

To ensure the quality of masks procured, GLD has strengthened inspection and checking by sending masks from different batches on a sampling basis to laboratories for testing. If the samples of masks are found to have quality problems, GLD will follow up with the suppliers concerned to request replacement/refund for the whole batch of masks.

When procuring masks in the future, if time and the situation of market supply allow, GLD will, as usual, request suppliers to provide samples of masks, undertaking of the manufacturer and testing reports of the products to facilitate evaluation. Drawing on the experience gained from the pandemic, GLD has already updated the supplier lists for anti-epidemic items and included around 280 new suppliers so as to enhance its capability in coping with emergencies swiftly. In addition, GLD has consulted the Department of Justice and refined the standard contract terms for direct engagement.

3. Apart from continuing to make use of the provisions earmarked under the Anti-epidemic Fund ^{note}, GLD has also set aside around \$63 million in 2021 for the procurement of essential and emergency items, including anti-epidemic items such as masks.

As GLD will continue to use existing manpower to handle mask procurement work and the officers concerned also perform other duties at the same time, the breakdown of staff expenditure involved in procuring masks is not available.

Note: The expenditure under the Anti-epidemic Fund does not fall within the scope of the Appropriation Bill or the estimates of the General Revenue Account.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)016

(Question Serial No. 1183)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Provision for minor plant, vehicles and equipment under the capital account has surged by \$7.01 million to \$9.91 million. As mentioned in the Estimates, this is due to the increased cash flow requirement for replacement of minor plant and equipment. What is the plant involved and which departments' services are affected?

Asked by: Hon POON Siu-ping (LegCo internal reference no.: 35)

Reply:

The Government Logistics Department's estimated expenditure of \$9.91 million on minor plant, vehicles and equipment under the capital account will be spent on replacing and improving the facilities of the Government Logistics Centre (GLC). The relevant works projects include replacing 2 cargo lifts, fire services sprinkler pipes and the burglar alarm system of the warehouse as well as relocating a switch room and an emergency generator from G/F to 1/F in order to avoid damage from flooding during inclement weather. As the above-mentioned facilities have been used for over 20 years and require frequent repairs, the replacement/relocation works will be conducive to maintaining the daily operation of the GLC to enable it to provide printing services and distribute essential and emergency items to Government departments etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)017

(Question Serial No. 0501)

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (1) Procurement, (2) Supplies Management

Controlling Officer: Director of Government Logistics (Miss Mary CHOW)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Last year, the Government Logistics Department procured masks through direct engagement amid the shortage of masks in Hong Kong. However, some of these masks did not meet the standards required. In this connection, will the Government inform this Committee of the quantity and value of the masks involved?

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 37)

Reply:

As at end January 2021, the Government Logistics Department (GLD) has discovered through random inspections and laboratory tests that around 45 million of the masks procured from February to April 2020 might have quality problems. As the inspections and tests were conducted on a sampling basis, GLD is not able to confirm whether all of the masks mentioned above have quality problems. GLD is following up with the suppliers concerned to request replacement/refund for the whole batch of masks. To avoid compromising negotiations and any possible legal proceedings, GLD is not in a position to disclose further details.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)018

(Question Serial No. 2732)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Based on the information obtained by the Inland Revenue Department (IRD) when administering the Inland Revenue Ordinance (IRO) (Cap. 112), please provide the numbers of properties solely owned and jointly owned or co-owned by individuals over the past 5 financial years using the table below (as at the end of each financial year (i.e. 31 March)):

Number of Property	Year
	Number of People
1	
2	
3	
4	
5	
6-10	
11-30	
31-50	
51-90	
91-100	
101 or above	

Based on the information obtained by the IRD when administering the IRO (Cap. 112), please provide the numbers of residential properties solely owned and jointly owned or co-owned by individuals over the past 5 financial years using the table below (as at the end of each financial year (i.e. 31 March)):

Number of Residential Property	Year
	Number of People
1	
2	
3	
4	
5	
6-10	
11-30	
31-50	
51-90	
91-100	
101 or above	

Based on the information obtained by the IRD when administering the IRO (Cap. 112), please provide the numbers of non-residential properties solely owned and jointly owned or co-owned by individuals over the past 5 financial years using the table below (as at the end of each financial year (i.e. 31 March)):

Number of Non-residential Property	Year
	Number of People
1	
2	
3	
4	
5	
6-10	
11-30	
31-50	
51-90	
91-100	
101 or above	

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 122)

Reply:

According to the information obtained by the Inland Revenue Department (IRD) in the course of performance of duties, the numbers of properties solely owned and jointly-owned or co-owned by individuals from the financial years 2015-16 to 2019-20 (as at the end of each financial year (i.e. 31 March)) are as follows:

Number of Properties Owned	2015-16	2016-17	2017-18	2018-19	2019-20
	Number of People (Note)				
1	1 590 447	1 604 461	1 615 719	1 629 451	1 653 963
2	294 731	293 675	290 589	287 551	285 429
3	89 234	89 308	87 790	86 623	86 005
4	36 637	36 815	36 493	36 046	35 616
5	17 340	17 587	17 444	17 276	17 263
6 to 10	22 468	22 968	22 973	22 888	22 867
11 to 30	6 347	6 590	6 732	6 881	6 980
31 to 50	558	591	594	621	654
51 to 90	236	236	243	259	260
91 to 100	12	14	13	14	14
101 or above	34	34	36	35	36

In respect of the above data, since IRD does not keep separate statistics for residential and non-residential properties, the required information cannot be provided.

Note: Each individual owner of a jointly-owned or co-owned property is regarded as owning one property. Therefore, the total number of people would be larger than the total number of properties.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)019

(Question Serial No. 2974)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (2) Collection
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please set out the numbers of stamping applications for transfer of shares in property holding companies, the numbers of cases with the amount of stamp duty chargeable (based on the consideration of the shares transferred) over \$10 million and the average amounts of stamp duty chargeable in the past 5 years.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 123)

Reply:

Stamping applications for transfers of shares of unlisted companies are required to be submitted to the Stamp Office of the Inland Revenue Department (IRD). For the financial years from 2016-17 to 2020-21, the numbers of stamping applications for share transfers of unlisted companies which own properties are as follows:

Financial year	Number of cases
2016-17	2 961
2017-18	3 396
2018-19	3 400
2019-20	3 055
2020-21 (as at 28 February 2021)	2 856

Regarding the stamping applications for share transfers of unlisted companies which own properties, the Stamp Office of IRD does not keep separate statistics for the amounts of stamp duty paid. Therefore, the IRD cannot provide the relevant information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)020

(Question Serial No. 2975)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the numbers of property tax assessments made by the Inland Revenue Department over the past 5 financial years, including the respective numbers of such assessments made on residential properties and non-residential properties.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 124)

Reply:

The Inland Revenue Department (IRD) does not maintain the statistics requested. The number of property tax assessments made by IRD in the past five financial years are tabulated below:

Financial years	2015-16	2016-17	2017-18	2018-19	2019-20
Number of assessments [^]	599 000	625 000	629 000	677 000	636 000

[^]Rounded to the nearest thousand

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)021

(Question Serial No. 2976)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (2) Collection
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At present, all unlisted companies in Hong Kong are required to have the contract notes and instruments of transfer of their shares stamped at the Stamp Office. Such companies and their subsidiaries should also complete form IRSD102 of the Inland Revenue Department to declare to the Government if they have acquired any property, their interest in the property and the details of their investments. In this connection, please advise on the following:

1) Please set out in table form the numbers of cases applying for stamping of share transfers by unlisted companies in each of the past 5 years and the amounts of stamp duty which were to be paid by such companies.

Financial year	Number of documents stamped	Stamp duty collected (\$ million)

2) In applying for stamping of share transfers, unlisted companies holding a property/properties are required to complete form IRSD102. Please set out in table form the numbers of form IRSD102 received by the department concerned in the past 5 years, their percentages in the total number of applications for stamping of share transfers from unlisted companies and the amounts of stamp duty which were to be paid by such companies.

Financial year	Number of form IRSD102 received	Percentage in the total number of applications for stamping of share transfers from unlisted companies	Stamp duty collected (\$ million)

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 126)

Reply:

1. The number of documents stamped for share transfers of unlisted companies and the related amounts of stamp duty collected for the financial years from 2016-17 to 2020-21 are as follows:

Financial year	Number of documents stamped	Stamp duty collected (\$ million)
2016-17	606 819	987
2017-18	712 956	905
2018-19	696 826	1,094
2019-20	629 432	969
2020-21 (as at 28 February 2021)	531 194	797

2. The number of form IRSD102 received by the Inland Revenue Department (IRD) and the percentage to the numbers of cases applying for stamping of share transfer of unlisted companies for the financial years from 2016-17 to 2020-21 are as follows:

Financial year	Number of form IRSD102 received	Percentage to the numbers of cases applying for stamping of share transfer of unlisted companies
2016-17	2 961	0.5%
2017-18	3 396	0.5%
2018-19	3 400	0.5%
2019-20	3 055	0.5%
2020-21 (as at 28 February 2021)	2 856	0.5%

The Stamp Office of the IRD does not keep statistics on the amounts of stamp duty paid in respect of cases with form IRSD102 received.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)022

(Question Serial No. 3003)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- 1) For each of the past five years, what were the numbers of instruments stamped respectively for the collection of Special Stamp Duty, Buyer's Stamp Duty and the stamp duty levied on tenancy agreements; and what were the respective amounts of stamp duties so collected? Please set out the figures in the table below:

Year	Special Stamp Duty		Buyer's Stamp Duty		Stamp duty levied on tenancy agreements	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount

- 2) For each month of the past five years, what was the number of property transactions conducted by buyers who were Hong Kong permanent residents (HKPRs) and were not the owner of any other residential property in Hong Kong at the time of acquisition, and what was the amount of consideration involved? Please set out the figures in the table below:

Month	Residential property transactions involving HKPR-buyers		
	Number of property transactions conducted by buyer who was not a beneficial owner of any other residential property in Hong Kong at the time of acquisition / Total number of property transactions conducted by buyers who were HKPRs	Number of transactions	Amount of consideration

- 3) Regarding the property transactions conducted by buyers who were not the owner of any other residential property in Hong Kong at the time of acquisition over the past five years, please set out in the table below the numbers of transactions of each year based on the amounts of consideration or value of the properties (whichever is the higher) concerned.

Year	Stamp duty levied on transactions involving home buyers with no other residential properties in Hong Kong	Number of transactions
	Amount of consideration or value of the property (whichever is the higher)	\$2,000,000 or below
		\$2,000,001 to \$2,351,760
		\$2,351,761 to \$3,000,000
		\$3,000,001 to \$3,290,320
		\$3,290,321 to \$4,000,000
		\$4,000,001 to \$4,428,570
		\$4,428,571 to \$6,000,000
		\$6,000,001 to \$6,720,000
		\$6,720,001 to \$20,000,000
		\$20,000,001 to \$21,739,120
\$21,739,121 or above		

- 4) Please set out for each of the past five years the number of the agreements for the sale and purchase of residential properties recorded; the number of cases involving the purchase of flats by non-Hong Kong residents; the percentage of these cases out of the total number of transactions for property acquisition and total amount of consideration involved.

Year	Number of agreements for sale and purchase of residential properties	Individual buyers not holding a Hong Kong identity card and company buyers		
		Number of agreements for sale and purchase	Proportion	Total amount of consideration involved (\$ million)

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 151)

Reply:

- (1) The numbers of cases and amounts of Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD) and stamp duty on tenancy agreements collected by the Inland Revenue Department (IRD) in the past five financial years are tabulated below:

Financial year	SSD		BSD		Stamp duty levied on tenancy agreements	
	Number of cases	Amount (\$ million)	Number of cases	Amount (\$ million)	Number of cases	Amount (\$ million)
2016-17	577	250	2 709	7,140	593 842	597
2017-18	551	308	4 358	9,351	592 187	663
2018-19	513	325	2 852	8,147	617 122	725
2019-20	387	206	1 891	4,896	582 923	672
2020-21 (As at 28 February 2021)	321	200	584	2,500	569 671	535

(2) The numbers and amounts of the residential property transactions involving Hong Kong permanent resident (HKPR) buyers for the past five financial years are tabulated below:

Month	Residential property transactions involving HKPR buyers			
	Buyer was not a beneficial owner of any other residential property in Hong Kong at the time of transaction		Residential property transactions by HKPR buyers	
	Number of transactions	Amount (\$ million)	Number of transactions	Amount (\$ million)
04/2016	3 563	24,917	4 563	33,819
05/2016	3 789	25,464	4 914	35,532
06/2016	3 401	20,659	4 389	28,063
07/2016	3 389	21,454	4 379	29,316
08/2016	5 037	31,461	6 539	41,875
09/2016	6 129	42,556	8 458	60,245
10/2016	5 157	36,814	6 872	51,132
11/2016	4 255	35,750	6 092	49,906
12/2016	2 817	22,240	3 042	23,860
01/2017	3 342	23,492	3 522	25,320
02/2017	3 620	29,275	3 875	31,781
03/2017	6 591	55,123	7 019	59,410
04/2017	6 189	56,817	6 686	62,898
05/2017	4 911	40,481	5 229	44,501
06/2017	5 048	41,006	5 518	45,589
07/2017	3 335	26,784	3 611	29,602

Month	Residential property transactions involving HKPR buyers			
	Buyer was not a beneficial owner of any other residential property in Hong Kong at the time of transaction		Residential property transactions by HKPR buyers	
	Number of transactions	Amount (\$ million)	Number of transactions	Amount (\$ million)
08/2017	3 654	26,654	3 899	28,965
09/2017	5 034	38,379	5 367	41,618
10/2017	4 832	36,825	5 214	40,564
11/2017	4 925	39,513	5 354	44,732
12/2017	4 559	42,940	4 965	48,509
01/2018	4 982	41,602	5 332	45,188
02/2018	4 904	42,844	5 241	47,296
03/2018	4 876	37,577	5 173	40,790
04/2018	5 745	50,135	6 101	53,752
05/2018	5 230	45,794	5 550	49,808
06/2018	6 475	64,295	6 937	71,518
07/2018	4 835	44,217	5 173	48,797
08/2018	4 030	33,066	4 309	35,893
09/2018	3 272	29,393	3 634	34,206
10/2018	3 136	24,034	3 328	25,874
11/2018	2 120	17,163	2 248	18,829
12/2018	2 281	19,302	2 451	21,288
01/2019	4 592	40,182	4 905	43,883
02/2019	3 261	26,605	3 373	27,725
03/2019	6 089	50,682	6 295	53,046
04/2019	7 234	62,781	7 548	66,676
05/2019	7 515	66,075	7 894	70,255
06/2019	3 767	33,141	3 955	35,328
07/2019	4 898	38,837	5 100	41,606
08/2019	3 364	28,183	3 523	29,883

Month	Residential property transactions involving HKPR buyers			
	Buyer was not a beneficial owner of any other residential property in Hong Kong at the time of transaction		Residential property transactions by HKPR buyers	
	Number of transactions	Amount (\$ million)	Number of transactions	Amount (\$ million)
09/2019	3 157	23,667	3 295	24,825
10/2019	3 550	30,114	3 743	32,079
11/2019	5 461	42,582	5 609	44,035
12/2019	2 748	25,296	2 881	26,860
01/2020	3 363	26,361	3 461	27,469
02/2020	2 480	20,218	2 565	21,401
03/2020	4 634	36,637	4 744	37,851
04/2020	3 746	30,117	3 813	30,907
05/2020	6 867	58,207	7 038	60,386
06/2020	6 178	51,350	6 375	53,587
07/2020	5 865	54,059	6 065	56,578
08/2020	4 021	33,576	4 158	35,249
09/2020	5 020	40,936	5 170	43,039
10/2020	4 918	40,454	5 112	42,408
11/2020	5 799	50,547	6 162	54,784
12/2020	5 425	46,873	5 640	49,481
01/2021	4 850	39,518	4 977	40,833
02/2021	6 355	53,981	6 526	56,041

- (3) Regarding residential property transactions involving HKPR buyers who did not own any other residential properties in Hong Kong, the numbers of transactions of each year based on the amounts of consideration or value of the properties (whichever is the higher) concerned over the past five financial years are tabulated below:

Stamp duty levied on transactions involving buyers with no other residential properties in Hong Kong		Number of transactions				
		2016-17	2017-18	2018-19	2019-20	2020-21 (As at 28 February 2021)
Amount of consideration or value of the property (whichever is the higher) (\$)	\$2,000,000 or below	3 454	3 032	2 207	1 999	1 798
	\$2,000,001 to \$2,351,760	733	658	420	339	335
	\$2,351,761 to \$3,000,000	3 390	2 988	1 958	1 944	1 502
	\$3,000,001 to \$3,290,320	1 982	1 229	584	523	621
	\$3,290,321 to \$4,000,000	7 314	5 514	3 589	3 114	2 966
	\$4,000,001 to \$4,428,570	3 843	3 857	2 344	2 502	2 479
	\$4,428,571 to \$6,000,000	12 271	13 520	13 591	13 893	13 526
	\$6,000,001 to \$6,720,000	2 969	3 473	3 451	4 460	5 648
	\$6,720,001 to \$20,000,000	13 134	19 939	20 138	21 281	28 037
	\$20,000,001 to \$21,739,120	217	436	334	240	301
	\$21,739,121 or above	1 783	2 603	2 450	1 876	1 831

- (4) In the past five financial years, the statistics on individual buyers not holding Hong Kong Identity Card (HKIC) and company buyers are as follows:

Financial Year	Number of agreements for sale and purchase of residential properties (Note)	Individual buyers not holding HKIC and company buyers		
		Number of agreements for sale and purchase	Proportion	Total amount of consideration involved (\$ billion)
2016-17	70 743	2 202	3.10%	35.71
2017-18	71 206	4 048	5.68%	55.53
2018-19	62 463	2 780	4.45%	51.79
2019-20	60 908	1 947	3.20%	32.48
2020-21 (As at 28 February 2021)	65 755	765	1.16%	18.69

Note: It refers to the number of stamping applications received by the Inland Revenue Department during the year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)023

(Question Serial No. 3004)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In recent years, many members of the public entered into property transactions through transfer of company shares to avoid paying stamp duties chargeable on the conveyance of properties, including the Buyer's Stamp Duty (BSD). The Inland Revenue Department (IRD) has indicated that it would make vigorous efforts to investigate such cases and recover profits tax. In this regard, I would like to ask:

1. Regarding the companies incorporated in Hong Kong (local companies) and those incorporated outside Hong Kong (non-local companies), how many companies of each of these two categories have paid the BSD for each of the past 5 years? Please advise the (a) total amounts, (b) average amounts, (c) highest amounts of BSD paid by such local companies and non-local companies respectively.
2. Please provide the numbers of cases involving the payment of BSD by local companies and non-local companies respectively for each of the past 5 years by the respective amounts of BSD they paid.
3. Regarding the suspected cases involving property transactions carried out through transfer of company shares, how many cases have been opened for investigation for each of the past 5 years? Of such cases, how many of them have been ascertained as chargeable to profits tax/ additional profits tax? Please advise the total amounts of additional tax chargeable on such cases and the average amounts of tax charged; as well as the number of cases under investigation.
4. Of the 10 cases with the highest amounts of profits tax/ additional profits tax charged, please advise the amounts of tax/ additional tax charged and the transaction values involved in each case. For these cases, please also advise the amount of tax receivable by the IRD if it is calculated as stamp duty charged on normal conveyance of properties, or alternatively, calculated in the form of corporate profits tax. Regarding such cases, how much tax has been received by the IRD which was calculated on the basis of company share transfer?

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 152)

Reply:

1. The statistics on the Buyer’s Stamp Duty (“BSD”) paid by local and non-local companies, for each of the past five financial years are shown in the table below:

Financial Year	BSD Total Amount		BSD Average Amount		BSD Highest Amount	
	Local companies (\$million) [number of cases]	Non-local companies (\$million) [number of cases]	Local companies (\$million)	Non-local companies (\$million)	Local companies (\$million)	Non-local companies (\$million)
2016-17	3,094.2 [959]	426.4 [78]	3.23	5.47	420.00	162.00
2017-18	6,099.4 [2 978]	646.2 [248]	2.05	2.61	174.58	73.95
2018-19	5,939.7 [1 992]	696.4 [187]	2.98	3.72	889.35	99.98
2019-20	3,898.0 [1 423]	454.8 [200]	2.74	2.27	218.09	44.70
2020-21 (As at 28 February 2021)	1,703.0 [423]	707.1 [97]	4.03	7.29	384.90	127.50

2. The numbers of cases involving the payment of BSD by local companies and non-local companies respectively for each of the past five financial years by the respective amounts they paid are as follows:

Financial Year	Amount of BSD payable (\$)	Local companies (Number of cases)	Non-local companies (Number of cases)
2016-17	Below 1,000,000	453	17
	1,000,000 to below 2,000,000	244	50
	2,000,000 to below 3,000,000	114	3
	3,000,000 to below 4,000,000	34	0
	4,000,000 to below 5,000,000	27	1
	5,000,000 or above	87	7
2017-18	Below 1,000,000	1 582	67
	1,000,000 to below 2,000,000	693	117
	2,000,000 to below 3,000,000	244	14
	3,000,000 to below 4,000,000	135	13
	4,000,000 to below 5,000,000	59	18
	5,000,000 or above	265	19

Financial Year	Amount of BSD payable (\$)	Local companies (Number of cases)	Non-local companies (Number of cases)
2018-19	Below 1,000,000	644	20
	1,000,000 to below 2,000,000	783	121
	2,000,000 to below 3,000,000	237	17
	3,000,000 to below 4,000,000	83	9
	4,000,000 to below 5,000,000	60	2
	5,000,000 or above	185	18
2019-20	Below 1,000,000	453	22
	1,000,000 to below 2,000,000	520	139
	2,000,000 to below 3,000,000	153	23
	3,000,000 to below 4,000,000	78	6
	4,000,000 to below 5,000,000	58	0
	5,000,000 or above	161	10
2020-21 (As at 28 February 2021)	Below 1,000,000	146	13
	1,000,000 to below 2,000,000	180	35
	2,000,000 to below 3,000,000	36	15
	3,000,000 to below 4,000,000	16	2
	4,000,000 to below 5,000,000	12	1
	5,000,000 or above	33	31

3. In the past five financial years, the statistics on the number of suspected speculation follow-up cases involving transfer of shares in property holding companies and completed review cases recorded by the IRD are shown in the table below:

Financial Year	Number of follow-up cases	Number of completed review cases	Cases subject to profits tax	
			Number of cases	Amount of tax assessed (\$ million)
2016-17	871	859	39	21.04
2017-18	1 414	1 364	36	33.66
2018-19	1 324	1 061	35	19.21
2019-20	788	374	7	5.49
2020-21 (As at 28 February 2021)	643	239	0	0

When stamping the transfer of shares in private companies, the Stamp Office of IRD will screen out cases in which properties constituted the principal assets of the company and pass these cases to the Profits Tax Unit for review. The Profits Tax Unit will examine each case and the relevant facts thoroughly, including the length of the holding period of the shares, the motive for acquiring the shares and the financial arrangements entered into, and determine whether the share transfer amounts to a trading activity and is subject to profits tax.

4. The IRD does not maintain the statistics and analyses requested, and thus cannot provide the relevant information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)024

(Question Serial No. 2972)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide this Committee the number of Tax Returns-Individuals (BIR60) and Property Tax Returns (BIR57 and BIR58) issued by the Inland Revenue Department (IRD) involving letting properties in the past five years in the table below:

Financial year	No. of Tax Returns-Individuals (BIR60)	No. of BIR60 involving letting solely-owned properties

Financial year	No. of Property Tax Returns (BIR57)	No. of BIR57 involving letting solely-owned properties

Financial year	No. of Property Tax Returns (BIR58)	No. of BIR58 involving letting solely-owned properties

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 120)

Reply:

Tax Return – Individuals (BIR60) is issued to an individual taxpayer for him/her to report his/her employment income, rental income from solely-owned properties (i.e. 100% ownership) and profits from sole-proprietorship businesses, and to elect personal assessment (if applicable). If a taxpayer is the sole owner of one or more than one property, he/she has to report in BIR60 the rental income derived from all solely-owned properties during a year of assessment. The numbers of BIR60 issued by the Inland Revenue Department (IRD) and the respective numbers of BIR60 involving letting properties in the past five years are tabulated as follows:

Financial Year	Number of BIR60 issued by IRD (Notes 1 & 2)	Number of BIR60 involving solely-owned letting properties (Note 1)
2016/17	2 930 000	140 000
2017/18	2 920 000	146 000
2018/19	2 990 000	158 000
2019/20	3 040 000	148 000
2020/21 (As at 28 February 2021)	2 970 000	162 000

Property Tax Return (BIR57) is issued to joint owners or co-owners and Property Tax Return (BIR58) is issued to corporations or bodies of persons for them to report their rental income from properties. The numbers of BIR57/BIR58 issued by the IRD and the respective numbers of BIR57/BIR58 involving letting properties in the past five years are tabulated as follows:

Financial Year	Number of BIR57 issued by IRD (Notes 1 & 3)	Number of BIR57 involving jointly owned or co-owned letting properties (including at least one individual owner) (Note 1)
2016/17	150 000	131 000
2017/18	149 000	130 000
2018/19	151 000	131 000
2019/20	144 000	127 000
2020/21 (As at 28 February 2021)	139 000	122 000

Financial Year	Number of BIR58 issued by IRD (Notes 1 & 3)	Number of BIR58 involving letting properties held by corporations or bodies of persons (Note 1)
2016/17	10 000	6 000
2017/18	10 000	6 000
2018/19	10 000	6 000
2019/20	10 000	6 000
2020/21 (As at 28 February 2021)	10 000	6 000

- Note 1: If there is a change in ownership of a property during a year, the rental income of the property concerned may be reported in more than one tax return (BIR60/BIR57/BIR58).
- Note 2: The IRD may not issue BIR60 to individuals annually if they do not have any chargeable income, including those with no rental income from their solely-owned properties.
- Note 3: The IRD may not issue Property Tax Returns (BIR57/BIR58) to property owners annually if the properties jointly owned or co-owned or held by corporations or bodies of persons are not let out for rental purpose.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)025

(Question Serial No. 2973)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In reply to enquiries made by a Councillor (LC Paper No. CB(1)562/12-13(01)), the Inland Revenue Department (IRD) had indicated that it had been keeping watch on suspected speculation cases involving share transfer of “property holding companies” to ensure that profits derived from property speculations were duly taxed. In this connection, we would like to ask the Government to provide:

- 1) the number of cases involving share transfer of “property holding companies”, suspected speculation cases, follow-up cases, completed review cases, cases subject to profits tax and the amount of tax involved (\$ million) as recorded by the IRD over the past five years in the table below:

Financial Year	Number of cases involving share transfer of “property holding companies”	Number of suspected speculation follow-up cases	Number of completed review cases	Cases subject to profits tax	
				Number of cases	Amount of tax assessed (\$ million)

- 2) the number of cases (to be set out by year and property type) where exemption from Buyer’s Stamp Duty (BSD) was granted to the acquisition or transfer of a residential property between associated bodies corporate as recorded by the IRD over the past five years and the amount of BSD exempted.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 121)

Reply:

- 1) As not each and every transfer of shares in a company which owns a property would constitute speculation, for the purposes of identifying property speculation cases, the Inland Revenue Department (IRD) only collects statistics on transfers of shares of companies of which properties constituted the principal assets. In the past five financial years, the statistics on the number of suspected speculation follow-up cases involving transfer of shares in property holding companies and completed review cases recorded by the IRD are shown in the table below:

Financial Year	Number of follow-up cases	Number of completed review cases	Cases subject to profits tax	
			Number of cases	Amount of tax assessed (\$ million)
2016-17	871	859	39	21.04
2017-18	1 414	1 364	36	33.66
2018-19	1 324	1 061	35	19.21
2019-20	788	374	7	5.49
2020-21 (as at 28 February 2021)	643	239	0	0

When stamping the transfer of shares in private companies, the Stamp Office of IRD will screen out cases in which properties constituted the principal assets of the company and pass these cases to the Profits Tax Unit for review. The Profits Tax Unit will examine each case and the relevant facts thoroughly, including the length of the holding period of the shares, the motive for acquiring the shares and the financial arrangements entered into, and determine whether the share transfer amounts to a trading activity and is subject to profits tax.

- 2) The number of applications for exemption from buyer's stamp duty (BSD) for transfer of residential properties between associated bodies corporate and the amount of BSD involved for each of the financial years from 2016-17 to 2020-21 are as follows:

Financial year	Number of Applications	Amount of BSD involved (\$ million)
2016-17	162	1,039
2017-18	223	1,243
2018-19	206	2,440
2019-20	160	2,144
2020-21 (as at 28 February 2021)	237	5,180

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)026

(Question Serial No. 1342)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) Please provide information on the number of applications for paying tax by instalments, the types of tax involved, the number of successful applications, the average number of days for vetting the applications, the average number of instalments, as well as the mean, the median, the 25th percentile and the 75th percentile values of repayment for the past 2 years.
- B) For each type of tax, how long did it take on average for taxpayers to receive the results of their applications for paying tax by instalments after submission in the previous year? Can taxpayers submit their applications via eTAX directly?
- C) Since the Government has announced that no surcharge would be imposed on the payment of tax by instalments temporarily, how many applications have been received for each type of tax so far? Please also advise on the status of the vetting process.
- D) Members of the public and certain industries have raised concerns over the problems with the process of applying for payment of tax by instalments, such as the lack of clarity in the process and the long waiting time before their telephone enquiries were answered due to the work-from-home arrangement for government employees. Given the lack of instructions and guidelines for the whole process from making enquiries to submitting the applications and the various obstacles they have encountered, they think that the Government has no intention to alleviate their financial difficulties from their perspectives. The Inland Revenue Department should offer instalment options that are easy to comprehend, e.g. dividing the amount of tax payable into 6/12 instalments.

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 32)

Reply:

(A) Taxpayers who encounter financial difficulties in settling their tax bills on time may apply to the Inland Revenue Department (IRD) for payment of tax by instalments. The number of cases approved and amount of tax involved by tax type in the financial years 2019-20 and 2020-21 are provided in the table below.

Financial Year	2019-20		2020-2021 (As at 28 February 2021)	
Type of Tax	Number of demand notes approved for payment by instalments	Amount of tax involved (\$ million)	Number of demand notes approved for payment by instalments	Amount of tax involved (\$ million)
Profits Tax	1 000	508	1 550	2,925
Salaries Tax	4 160	491	6 000	616
Property Tax	60	4	90	4
Personal Assessment	220	21	300	28

The IRD did not conduct further analysis on the number of applications or cases approved for instalment payments.

(B) Taxpayers may complete the fillable instalment application form through the IRD's website or the GovHK website and submit it together with the supporting documents required to the IRD for processing. Generally speaking, the IRD will provide a reply within 21 working days upon receipt of the applications. The IRD did not conduct analysis on the time taken for processing the applications for instalment payments.

(C) In light of the economic condition and the financial difficulties faced by some taxpayers, the IRD announced in December 2019 and August 2020 respectively that for taxpayers in financial difficulties who obtained IRD's approval for settlement of demand notes for Salaries Tax, Profits Tax and Personal Assessment issued between December 2019 and December 2020 for the year of assessment 2018/19 and those issued between August 2020 and August 2021 for the year of assessment 2019/20 by instalments, and provided that the instalment plans are duly adhered to, no surcharge would be imposed for a maximum period of one year counting from the respective due dates of the demand notes concerned. As at 28 February 2021, the IRD received about 13 410 instalment applications, of which about 8 330 have been approved. The details are provided below.

Type of Tax	Number of demand notes in respect of which applications for payment by instalments were made	Number of demand notes approved for payment by instalments
Profits Tax	2 100	1 090
Salaries Tax	10 990	7 040
Personal Assessment	320	200

(D) Upon announcement of the relevant relief measures, the IRD had uploaded the details of the application procedures, the supporting documents required, the related frequently asked questions and examples together with the application forms onto its website for applicants' reference.

Payment of tax by instalments is approved by the IRD on the basis of the financial difficulties faced by individual applicants. In this connection, when making applications, applicants are required to state the reasons for failing to pay tax on time and provide supporting documents in order to enable the IRD to verify and approve the appropriate tax instalment arrangements having considered the financial position of the applicants. Compared to imposing an across-the-board repayment period of 6 or 12 months, the current practice can better suit the needs of individual applicants and is more in line with the original intention of allowing payment of tax by instalments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)027

(Question Serial No. 1343)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) Will the Government advise by types of tax on the tax payment methods (e.g. by cash/by cheque/by internet bank transfer/at post offices, etc.) and the transaction cost of each payment received through such methods over the past three years.
- B) Regarding all types of taxes collected over the past three years, please provide the number of cases of overpayment of tax in excess of the amount demanded, and among which, the number of cases required refunds of tax, the average amount of tax refunded and the average administrative cost for processing each refund of tax. In order to save the administrative work and cost for processing cases of overpayment, will it be feasible to have the overpaid amounts carried forward to the next financial year or to refund such amounts by way of tax reserve certificates?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 33)

Reply:

- A) Taxpayers can pay earnings and profits tax by electronic and non-electronic means, but the Inland Revenue Department (IRD) does not keep separate statistics on how tax is paid by tax type. During the past three financial years, the numbers of payments by electronic and non-electronic means for earnings and profits tax (Note), and the average administrative cost per payment transaction processed by the IRD are tabulated below. The IRD does not keep separate statistics on expenditure for different payment methods.

Financial Year	2017-18	2018-19	2019-20
By electronic payment means	1 840 000	1 880 000	1 810 000
By non-electronic payment means	1 490 000	1 510 000	860 000
Average administrative cost per tax payment transaction	\$9.1	\$9.2	\$12.6

Note: Rounded to the nearest ten thousand.

B) In accordance with section 79 of the Inland Revenue Ordinance (Cap. 112), the IRD is required to refund tax paid in excess to taxpayers. The numbers of refund cases (Note), the average amount of refund and the average administrative cost per refund case for the financial years from 2017-18 to 2019-20 are tabulated below:

Financial year	2017-18	2018-19	2019-20
Profits Tax - No. of cases	49 300	60 600	59 600
(Average amount)	(\$185,600)	(\$153,600)	(\$170,500)
Salaries Tax - No. of cases	501 100	616 200	536 800
(Average amount)	(\$9,100)	(\$8,900)	(\$9,000)
Profits Tax - No. of cases	16 000	20 700	15 400
(Average amount)	(\$10,200)	(\$11,700)	(\$11,000)
Personal Assessment - No. of cases	26 500	36 600	26 900
(Average amount)	(\$14,600)	(\$14,800)	(\$17,500)
Average administrative cost per refund case	\$19.8	\$16.5	\$18.7

Note: Rounded to the nearest hundred.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)028

(Question Serial No. 2982)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government please inform this Committee of:

- (A) the number of tax recovery cases with recovery actions not yet completed up till now, and the main reasons for not having completed the actions;
- (B) the details of the recovery cases for the financial year 2020-21 as requested in the table below:

Amount of tax involved in recovery cases	Number of cases				
	Salaries Tax	Profits Tax	Property Tax	Personal Assessment	Stamp Duty
Below \$100					
\$100 - \$500					
\$501 - \$1,000					
\$1,001 - \$5,000					
\$5,001 - \$10,000					
\$10,001 - \$50,000					
\$50,001 - \$100,000					
\$100,001 - \$500,000					
\$500,001 - \$1,000,000					
\$1,000,001 - \$5,000,000					
Over \$5,000,000					

- (C) the details of the staff establishment for taking recovery actions, including the ranks (with salary points specified), the number of staff deployed, and the total expenditure involved on personal emoluments.

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 18)

Reply:

- (A) The Inland Revenue Department (IRD) takes proactive steps to recover any tax in default by a taxpayer, including imposition of surcharge, issuance of warning letter, issuance of recovery notices to third parties (such as employers and banks), and initiation of court proceedings. The estimated number of tax recovery cases to be completed in financial year 2020-21 is around 268 000.

As at 28 February 2021, the cumulative number of tax demand notes with payment overdue was around 284 000. For some taxpayers who encounter financial difficulties in paying their tax on time, they may apply to the IRD for making tax payment by instalments. As for other cases involving legal proceedings, it usually takes longer time to process. The IRD will continue to take appropriate actions to recover tax in default so as to protect government tax revenue.

- (B) The following table sets out the statistics on the surcharge notices issued by the IRD for four types of tax in 2020-21 (up to 28 February 2021):

Types of tax	5% surcharge			10% surcharge		
	Number of charges involved [^]	Amount of surcharge (\$million)	Amount of tax involved (\$million)	Number of charges involved [^]	Amount of surcharge (\$million)	Amount of tax involved (\$million)
Profits Tax	9 300	44.70	894	1 500	15.05	143
Salaries Tax	112 700	96.67	1 933	600	13.84	132
Property Tax	9 000	12.41	248	2 000	8.34	80
Personal Assessment	3 700	3.58	72	400	1.59	15
Total	134 700	157.36	3 147	4 500	38.82	370

[^] Rounded to the nearest hundred

As for stamp duty, there were 10 167 late stamping cases in financial year 2020-21 (as at 28 February 2021). The late penalty involved amounted to \$79 million.

The IRD has no breakdown on the tax default cases by the amount of tax in default.

- (C) The Enforcement Section of the IRD is headed by an Assistant Commissioner and has an establishment of 220 staff, comprising 32 Assessor grade staff, 141 Taxation Officer grade staff, 44 clerical grade staff and 3 common grade staff. The revised estimate of funding provision for this Section in financial year 2020-21 is \$145.1 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)029

(Question Serial No. 2985)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

A) Please provide the details of the ad valorem stamp duty (AVD) collected in the past three financial years in the table below:

2018-19			
Consideration or value of the property (whichever is the higher)	No. of cases	Average amount of AVD	Average percentage of AVD to the consideration of the property
\$2,000,000 or below			
\$2,000,001 to \$3,000,000			
\$3,000,001 to \$4,000,000			
\$4,000,001 to \$6,000,000			
\$6,000,001 to \$8,000,000			
\$8,000,001 to \$10,000,000			
\$10,000,001 to \$20,000,000			
\$20,000,001 to \$30,000,000			
\$30,000,001 to \$50,000,000			
\$50,000,001 to \$100,000,000			
Above \$100,000,000			

2019-20			
Consideration or value of the property (whichever is the higher)	No. of cases	Average amount of AVD	Average percentage of AVD to the consideration of the property
\$2,000,000 or below			
\$2,000,001 to \$3,000,000			
\$3,000,001 to \$4,000,000			
\$4,000,001 to \$6,000,000			
\$6,000,001 to \$8,000,000			
\$8,000,001 to \$10,000,000			
\$10,000,001 to \$20,000,000			
\$20,000,001 to \$30,000,000			
\$30,000,001 to \$50,000,000			
\$50,000,001 to \$100,000,000			
Above \$100,000,000			

2020-21			
Consideration or value of the property (whichever is the higher)	No. of cases	Average amount of AVD	Average percentage of AVD to the consideration of the property
\$2,000,000 or below			
\$2,000,001 to \$3,000,000			
\$3,000,001 to \$4,000,000			
\$4,000,001 to \$6,000,000			
\$6,000,001 to \$8,000,000			
\$6,000,001 to \$10,000,000			
\$10,000,001 to \$20,000,000			
\$20,000,001 to \$30,000,000			
\$30,000,001 to \$50,000,000			
\$50,000,001 to \$100,000,000			
Above \$100,000,000			

B) Please provide the information regarding the levy of AVD under Scale 1 and Scale 2 respectively over the past three years in the table below:

2018-19				
Consideration or value of the property (whichever is the higher)	Transactions charged with stamp duty at Scale 1 rates (i.e. double stamp duty rates)		Transactions charged with stamp duty at Scale 2 rates (i.e. the original AVD rates)	
	No. of transactions	Average amount of AVD levied	No. of transactions	Average amount of AVD levied
\$2,000,000 or below				
\$2,000,001 to \$3,000,000				
\$3,000,001 to \$4,000,000				
\$4,000,001 to \$6,000,000				
\$6,000,001 to \$8,000,000				
\$8,000,001 to \$10,000,000				
\$10,000,001 to \$20,000,000				
\$20,000,001 to \$30,000,000				
\$30,000,001 to \$50,000,000				
\$50,000,001 to \$100,000,000				
Above \$100,000,000				

2019-20				
Consideration or value of the property (whichever is the higher)	Transactions charged with stamp duty at Scale 1 rates (i.e. double stamp duty rates)		Transactions charged with stamp duty at Scale 2 rates (i.e. the original AVD rates)	
	No. of transactions	Average amount of AVD levied	No. of transactions	Average amount of AVD levied
\$2,000,000 or below				
\$2,000,001 to \$3,000,000				
\$3,000,001 to \$4,000,000				
\$4,000,001 to \$6,000,000				
\$6,000,001 to \$8,000,000				
\$8,000,001 to \$10,000,000				
\$10,000,001 to \$20,000,000				
\$20,000,001 to \$30,000,000				
\$30,000,001 to \$50,000,000				
\$50,000,001 to \$100,000,000				
Above \$100,000,000				

2020-21 (From April 2020 to 25 November 2020)				
Consideration or value of the property (whichever is the higher)	Transactions charged with stamp duty at Scale 1 rates (i.e. double stamp duty rates)		Transactions charged with stamp duty at Scale 2 rates (i.e. the original AVD rates)	
	No. of transactions	Average amount of AVD levied	No. of transactions	Average amount of AVD levied
\$2,000,000 or below				
\$2,000,001 to \$3,000,000				
\$3,000,001 to \$4,000,000				
\$4,000,001 to \$6,000,000				
\$6,000,001 to \$8,000,000				
\$8,000,001 to \$10,000,000				
\$10,000,001 to \$20,000,000				
\$20,000,001 to \$30,000,000				
\$30,000,001 to \$50,000,000				
\$50,000,001 to \$100,000,000				
Above \$100,000,000				

2020-21 (From 26 November 2020 onwards)				
Consideration or value of the property (whichever is the higher)	Transactions charged with stamp duty at Scale 1 rates (i.e. double stamp duty rates)		Transactions charged with stamp duty at Scale 2 rates (i.e. the original AVD rates)	
	No. of transactions	Average amount of AVD levied	No. of transactions	Average amount of AVD levied
\$2,000,000 or below				
\$2,000,001 to \$3,000,000				
\$3,000,001 to \$4,000,000				
\$4,000,001 to \$6,000,000				
\$6,000,001 to \$8,000,000				
\$8,000,001 to \$10,000,000				
\$10,000,001 to \$20,000,000				
\$20,000,001 to \$30,000,000				
\$30,000,001 to \$50,000,000				
\$50,000,001 to \$100,000,000				
Above \$100,000,000				

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 31)

Reply:

A) Details on the ad valorem stamp duty (AVD) collected by the Inland Revenue Department (IRD) in the past three financial years are set out as follows:

2018-19			
Consideration or value of the property (\$)	No. of cases (Notes 1 & 2)	Average amount of AVD (\$) (Note 3)	Average percentage of AVD to the consideration of the property
2,000,000 or below	16 726	15,167	1.25%
2,000,001 to 3,000,000	6 653	66,328	2.57%
3,000,001 to 4,000,000	7 162	117,475	3.24%
4,000,001 to 6,000,000	19 303	191,793	3.73%
6,000,001 to 8,000,000	12 259	336,221	4.79%
8,000,001 to 10,000,000	8 129	483,007	5.41%
10,000,001 to 20,000,000	10 456	809,304	5.93%
20,000,001 to 30,000,000	2 292	1,679,527	6.93%
30,000,001 to 50,000,000	1 523	2,724,283	7.20%
50,000,001 to 100,000,000	718	5,245,423	7.71%
100,000,001 or above	339	21,854,433	8.48%

2019-20			
Consideration or value of the property (\$)	No. of cases (Notes 1 & 2)	Average amount of AVD (\$) (Note 3)	Average percentage of AVD to the consideration of the property
2,000,000 or below	11 387	13,708	1.14%
2,000,001 to 3,000,000	5 346	61,651	2.34%
3,000,001 to 4,000,000	5 776	110,909	3.05%
4,000,001 to 6,000,000	18 985	179,743	3.49%
6,000,001 to 8,000,000	13 002	308,230	4.42%
8,000,001 to 10,000,000	8 912	416,261	4.66%
10,000,001 to 20,000,000	8 663	721,136	5.39%
20,000,001 to 30,000,000	1 495	1,575,038	6.43%
30,000,001 to 50,000,000	1 142	2,591,660	6.79%
50,000,001 to 100,000,000	545	4,603,397	6.94%
100,000,001 or above	188	18,437,002	7.94%

2020-21 (As at 28 February 2021)			
Consideration or value of the property (\$)	No. of cases (Notes 1 & 2)	Average amount of AVD (\$) (Note 3)	Average percentage of AVD to the consideration of the property
2,000,000 or below	11 621	9,815	0.80%
2,000,001 to 3,000,000	5 281	52,101	2.03%
3,000,001 to 4,000,000	5 351	101,796	2.83%
4,000,001 to 6,000,000	17 984	167,317	3.28%
6,000,001 to 8,000,000	15 712	278,236	3.98%
8,000,001 to 10,000,000	11 090	377,626	4.16%
10,000,001 to 20,000,000	10 989	646,296	4.84%
20,000,001 to 30,000,000	1 539	1,334,211	5.47%
30,000,001 to 50,000,000	968	2,169,378	5.80%
50,000,001 to 100,000,000	425	4,215,914	6.24%
100,000,001 or above	151	19,523,769	8.12%

Note 1 : Each instrument stamped is counted as one separate case.

Note 2: Excluding cases that stamp duty was paid on deeds of gift which do not have stated consideration.

Note 3 : The analysis is based on the AVD collected at the time of initial stamping, which represents the stated consideration in the instrument. The amount involved does not include any subsequent adjustment such as payment arising from further stamping (in case the stated consideration is below the market value of the property), refund (because of cancellation of the property transaction), or partial refund (for change of residential properties, or acquisitions of properties for redevelopment).

B) The numbers of cases chargeable at Scale 1 and Scale 2 rates and the average amounts of AVD collected in the past three financial years are set out below:

2018-19				
Consideration or value of the property (\$)	Transactions charged at Scale 1 rates (Note 4)		Transactions charged at Scale 2 rates	
	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 2)	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 3)
2,000,000 or below	12 921	19,594	3 805	132
2,000,001 to 3,000,000	3 379	93,862	3 274	37,912
3,000,001 to 4,000,000	2 250	196,738	4 912	81,168
4,000,001 to 6,000,000	2 466	457,523	16 837	152,873
6,000,001 to 8,000,000	1 867	779,115	10 392	256,652
8,000,001 to 10,000,000	1 572	1,103,457	6 557	334,258
10,000,001 to 20,000,000	2 742	1,658,290	7 714	507,526
20,000,001 to 30,000,000	794	2,937,715	1 498	1,012,637
30,000,001 to 50,000,000	601	4,453,050	922	1,597,398
50,000,001 to 100,000,000	347	7,825,983	371	2,831,799
100,000,001 or above	191	32,220,741	148	8,476,291

2019-20				
Consideration or value of the property (\$)	Transactions charged at Scale 1 rates (Note 4)		Transactions charged at Scale 2 rates	
	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 2)	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 3)
2,000,000 or below	7 951	19,587	3 436	103
2,000,001 to 3,000,000	2 340	91,222	3 006	38,633
3,000,001 to 4,000,000	1 533	192,418	4 243	81,459
4,000,001 to 6,000,000	1 700	453,590	17 285	152,809
6,000,001 to 8,000,000	1 230	833,635	11 772	253,333
8,000,001 to 10,000,000	946	1,100,377	7 966	335,019
10,000,001 to 20,000,000	1 676	1,648,426	6 987	498,703
20,000,001 to 30,000,000	457	2,827,417	1 038	1,023,654
30,000,001 to 50,000,000	391	4,459,401	751	1,619,240
50,000,001 to 100,000,000	204	7,649,960	341	2,780,820
100,000,001 or above	93	28,207,241	95	8,872,453

2020-21 (1 April 2020 to 25 November 2020)				
Consideration or value of the property (\$)	Transactions charged at Scale 1 rates (Note 4)		Transactions charged at Scale 2 rates	
	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 2)	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 3)
2,000,000 or below	5 589	18,374	2 115	100
2,000,001 to 3,000,000	1 610	84,374	1 732	37,717
3,000,001 to 4,000,000	897	188,479	2 891	80,004
4,000,001 to 6,000,000	789	437,015	12 084	150,999
6,000,001 to 8,000,000	562	810,498	10 617	253,285
8,000,001 to 10,000,000	446	1,087,849	7 236	341,203
10,000,001 to 20,000,000	1 027	1,639,348	6 261	497,784
20,000,001 to 30,000,000	229	2,671,403	811	1,022,876
30,000,001 to 50,000,000	177	4,216,567	523	1,601,145
50,000,001 to 100,000,000	103	8,163,644	212	2,870,367
100,000,001 or above	47	41,390,511	61	7,407,950

2020-21 (26 November 2020 to 28 February 2021)				
Consideration or value of the property (\$)	Transactions charged at Scale 1 rates (Note 4)		Transactions charged at Scale 2 rates	
	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 2)	No. of transactions (Note 1)	Average amount of AVD levied (\$) (Note 3)
2,000,000 or below	339	31,648	3 578	119
2,000,001 to 3,000,000	155	120,369	1 784	31,008
3,000,001 to 4,000,000	68	366,252	1 495	79,900
4,000,001 to 6,000,000	137	636,627	4 974	151,254
6,000,001 to 8,000,000	109	966,497	4 424	253,541
8,000,001 to 10,000,000	84	1,252,458	3 324	339,511
10,000,001 to 20,000,000	311	1,936,527	3 390	501,373
20,000,001 to 30,000,000	41	3,497,085	458	1,023,288
30,000,001 to 50,000,000	30	4,812,846	238	1,562,359
50,000,001 to 100,000,000	8	6,797,188	102	2,823,658
100,000,001 or above	12	20,406,501	31	9,870,071

Note 1: Each instrument stamped is counted as one separate case.

- Note 2: The analysis is based on the AVD collected at the time of initial stamping, which represents the stated consideration in the instrument. The amount involved does not include any subsequent adjustment such as payment arising from further stamping (in case the stated consideration is below the market value of the property), refund (because of cancellation of the property transaction), or partial refund (for change of residential properties, or acquisitions of properties for redevelopment).
- Note 3: The transactions include cases where residential property and non-residential property were acquired under a single instrument and Scale 2 rates apply in respect of the residential property of these cases. On or before 25 November 2020, the relevant instrument concerned was partly charged with stamp duty at Scale 2 rates in respect of the residential property and partly at Scale 1 rates in respect of the non-residential property. These cases are classified as “transactions charged at Scale 2 rates”.
- Note 4: Part 1 of Scale 1 rates applies to residential property. Part 2 of Scale 1 rates applies to instruments executed on or before 25 November 2020 for the sale and purchase or transfer of non-residential property.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)030

(Question Serial No. 2583)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Court of Final Appeal ruled on 6 June 2019 that the Inland Revenue Department (IRD) should allow same-sex couples who are married overseas to elect for joint assessment. Please provide information on the IRD's follow up work in relation to this verdict, as well as the number of people filing tax returns as same-sex couples over the past two financial years.

Asked by: Hon LEUNG Mei-fun, Priscilla (LegCo internal reference no.:121)

Reply:

Subsequent to the judgement of the relevant court case by the Court of Final Appeal, the Inland Revenue Department (IRD) has enhanced its computer system to enable a married person, whether in a heterosexual marriage or same-sex marriage, to elect for joint assessment or personal assessment jointly with the person's spouse; and to claim allowances or deductions under the Inland Revenue Ordinance in respect of the person's spouse. The relevant public forms, pamphlets, and information on the IRD Homepage and GovHK website have also been updated accordingly.

During the financial years 2019-20 and 2020-21 (up to 28 February 2021), the IRD received Tax Returns – Individuals from a total of 802 taxpayers involving same-sex marriage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)031

(Question Serial No. 2606)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How many policy holders of the Voluntary Health Insurance Scheme policies made claims for tax deduction for the years of assessment 2019/20 and 2020/21? How many tax deduction claims were approved and what were the amounts of tax deducted?

Asked by: Hon LEUNG Mei-fun, Priscilla (LegCo internal reference no.:171)

Reply:

As at 28 February 2021, about 158 000 taxpayers had applied for tax deductions for qualifying premiums paid under the Voluntary Health Insurance Scheme Policy (VHIS) for the year of assessment 2019/20, and about 152 000 of them had been allowed for the deductions. The total amount of premiums allowed is about \$998 million. The remaining cases are not required to pay tax without deducting VHIS.

The Inland Revenue Department will issue the Tax Return - Individuals for the year of assessment 2020/21 later this year. The required statistical information for that year of assessment will only be available after the taxpayers have filed the tax returns and the assessment work is completed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)032

(Question Serial No. 3281)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (1) Assessing Functions
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Amendments were made to the Inland Revenue Ordinance in late 2018 to provide for enhanced tax reduction for qualifying research and development (R&D) expenditure so as to encourage enterprises to devote resources to local R&D. Would the Government please advise this Committee of the total expenditure on R&D for tax deduction approved in the year of assessment 2019/2020?

Asked by: Hon SHEK Lai-him, Abraham (LegCo internal reference no.: 24)

Reply:

The assessment work for the year of assessment 2019/20 has not yet been completed. Among the Profits Tax Returns received by the Inland Revenue Department up to end of February 2021, there are 171 cases claiming for tax deductions in respect of research and development expenditures for the year of assessment 2019/20. The relevant amount of expenditures claimed for tax deduction is about \$3 billion.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)033

(Question Serial No. 1802)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (1) Assessing Functions
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Estate duty was abolished in 2006 in Hong Kong. However, the number of estate duty cases finalised continued to increase over the past 3 years and is expected to increase from 458 cases in 2019-20 to 560 cases in 2021-22. Please advise the following:

1. the reasons for such increase;
2. the situation of the cases to be finalised in general and during each of the past 3 years, whether all cases were charged with estate duty at a nominal value of only \$100 or some were still charged with estate duty at the then prevailing rates of 5% to 15% in or before 2005. Were there any surcharges on overdue payments involved?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 67)

Reply:

Although Estate Duty was abolished with effect from 11 February 2006, the Estate Duty Ordinance (Cap. 111) is still applicable to the estate (“subject estate”) of the deceased who passed away before that date. The Estate Duty Office is still receiving new applications in respect of the subject estate. The reasons include: the descendants did not identify the assets of the deceased until many years after his/her death; the descendants resided overseas and had been unable to deal with the assets; the deceased had migrated overseas and it took time for his/her descendants in Hong Kong to deal with the assets, etc.

To minimise the risk of the spread of COVID-19 in the community, the Inland Revenue Department (IRD) implemented special work arrangements intermittently during the period from end-January 2020 to mid-February 2021 and only provided limited services under such arrangements. Hence, the number of completed cases dropped to 458 in 2019-20. The IRD estimated that if the epidemic continues to abate, the number of completed cases in 2021-22 will return to the pre 2019-20 level, i.e. about 560 cases.

For the completed estate duty cases in the past three years, most of the principal values of the estate were under the threshold and were exempt from estate duty. Only a small portion of the cases were liable to estate duty at the rate applicable to their respective estate value and interest (which accrues at 4% per annum from the date of death until the expiration of 6 months from the death, and at 8% per annum thereafter) in accordance with the Estate Duty Ordinance. In addition, the estate duty of the estate of the deceased who passed away during the period from 15 July 2005 to 10 February 2006 would only be charged at a nominal amount of \$100.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)034

(Question Serial No. 1803)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Inland Revenue Department (IRD) will continue to promote the use of electronic payment services in the coming year. Please provide the following information:

1. the respective numbers of cases in which taxpayers paid salaries tax and profits tax via electronic means such as eTAX, and their respective percentages out of the total numbers of cases in each of the past five years, with a breakdown of figures by the relevant items in a table;
2. the respective numbers of cases in which taxpayers filed tax returns, enquired personal tax information, requested documents, notified changes of personal particulars and lodged requests for holding over of provisional tax and revision of assessments via electronic means, and their respective percentages out of the total numbers of cases in each of the past five years, with a breakdown of figures by the relevant items in a table; and
3. the relevant expenditure of the IRD on the promotion of the use of electronic payment services in each of the past five years, and the details of the forms and types of the promotional activities, with a breakdown by year in a table.

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 68)

Reply :

1. In the past five financial years, the number of transactions of tax payment made by taxpayers via electronic means and the respective percentage are set out in the table below. The Inland Revenue Department (IRD) does not keep separate statistics on the payment transactions for Salaries Tax and Profits Tax by electronic means.

Financial year	Tax payments made by electronic means	
	Number of transactions (Note)	Percentage to total tax payment transactions
2016-17	1 840 000	56%
2017-18	1 840 000	55%
2018-19	1 880 000	56%
2019-20	1 810 000	68%
2020-21 (As at 28 February 2021)	2 730 000	68%

Note: Rounded to the nearest ten thousand.

2. In the past five financial years, information regarding the (a) filing of tax returns, (b) enquiry on personal tax information, (c) request for documents, (d) notification of change of personal particulars, (e) request for holding over of provisional tax and revision of assessments submitted electronically through eTAX by taxpayers are as follows:

(a) Filing of tax returns

Financial year	Number of tax returns (Note 1) (Percentage to respective types of tax returns)		
	Tax Return – Individuals	Property Tax Return	Profits Tax Return
2016-17	554 800 (21%)	8 000 (5%)	4 700 (1%)
2017-18	598 300 (22%)	8 300 (5%)	3 800 (1%)
2018-19	649 900 (24%)	8 500 (5%)	3 200 (1%)
2019-20	714 500 (25 %)	8 700 (6%)	2 200 (1%)
2020-21 (As at 28 February 2021)	777 900 (29%)	9 700 (7%)	2 500 (1%)

(b) Enquiry on personal tax information (Note 2)

Financial Year	Number of enquiries (Note 3)
2016-17	4 020 000
2017-18	4 520 000
2018-19	4 420 000
2019-20	5 260 000
2020-21 (As at 28 February 2021)	6 710 000

(c) Request for documents (Note 2)

Financial Year	Number of cases (Note 1)
2016-17	7 600
2017-18	8 700
2018-19	9 900
2019-20	11 700
2020-21 (As at 28 February 2021)	15 800

(d) Notification of change of personal particulars (Note 2)

Financial Year	Number of cases (Note 1)
2016-17	92 900
2017-18	101 000
2018-19	108 400
2019-20	120 900
2020-21 (As at 28 February 2021)	140 100

(e) Request for holding over of provisional tax and revision of assessments

Financial Year	Number (Note 1) (Percentage to respective categories)		
	Request for holding over of provisional tax	Objection to tax assessment	Other claims related to revision of assessment
2016-17	7 400 (20%)	7 800 (9%)	19 300 (30%)
2017-18	6 600 (18%)	7 900 (10%)	20 900 (35%)

2018-19	7 000 (19%)	9 400 (9%)	22 300 (36%)
Financial Year	Number (Note 1) (Percentage to respective categories)		
	Request for holding over of provisional tax	Objection to tax assessment	Other claims related to revision of assessment
2019-20	15 600 (30%)	9 500 (16%)	25 300 (48%)
2020-21 (As at 28 February 2021)	19 700 (20%)	18 500 (18%)	44 500 (47%)

Note 1: Rounded to the nearest hundred.

Note 2: The above figures only reflect the cases processed through eTAX. They do not cover cases processed by other electronic means such as email. The IRD does not keep statistics on the number of cases processed by other electronic means and therefore cannot provide the respective percentage out of the total number of cases.

Note 3: Rounded to the nearest ten thousand.

- In the past five financial years, the IRD has been promoting and encouraging electronic payment through its website, including the launch of the use of Faster Payment System QR code for tax payment in November 2019. The IRD does not keep separate statistics on the expenditure for individual promotion item.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)035

(Question Serial No. 1804)

Head: (76) Inland Revenue Department
Subhead (No. & title): ()
Programme: (3) Investigation and Field Audit
Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Both the number of property tax compliance check cases and the amount of back tax assessed were estimated to increase in the recent 2 years and it is estimated that the trend will continue in the coming year. What are the main reasons for the increases?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 69)

Reply:

For the purpose of Property Tax compliance check, the Inland Revenue Department will select cases from tenancy agreements submitted to the Stamp Office for stamping where information contained therein will be automatically crosschecked against the rental income reported by the landlords in their tax returns, with a view to selecting cases for in-depth enquiry.

There has been an increase in the number of tenancy agreements submitted to the Stamp Office for stamping in 2020-21. In addition, due to the deferral of the assessing cycle for the year of assessment 2018/19 as compared with past years, some tax returns unassessed in 2019-20 could only be processed and undergo compliance check in 2020-21. As such, significant increases in the number of completed property tax compliance check cases and the relevant back tax are anticipated in 2020-21. The corresponding figures for 2021-22 are expected to increase slightly in line with the normal rising trend for the number of tenancy agreements.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)036****(Question Serial No. 1805)**

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (4) Taxpayer Services

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is estimated that in the coming year the number of over-the-counter enquires to be processed by the Inland Revenue Department will increase markedly to 460 000 while the number of complaints to be processed will also increase slightly to 300. What are the main reasons for the increases?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 70)

Reply:

The numbers of counter enquiries at the Central Enquiry Counter and complaint cases handled by the Complaints Section of the Inland Revenue Department (IRD) have been maintained at over 400 000 and almost 300 respectively over the past five years. The relevant statistics are tabulated below:

Financial Year	No. of counter enquiries	No. of complaints
2017-18	427 000	255
2018-19	470 000	256
2019-20	444 000	212
2020-21 (Revised Estimate)	406 000	290
2021-22 (Estimate)	460 000	300

To minimise the risk of the spread of COVID-19 in the community, the IRD implemented special work arrangements intermittently during the period from end-January 2020 to mid-February 2021 and only provided limited services under such arrangements. Hence, the number of counter enquiries dropped in the year 2020-21. The IRD estimated that the number of counter enquiries in the year 2021-22 will return to the level similar to that for the past few years if the pandemic continues to subside.

Having considered the numbers of complaint cases handled in the past, the IRD has estimated the number of cases at 300 for each of the past five years, and the same is estimated for the year 2021-22.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)037

(Question Serial No. 2993)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please set out in a table the details of information provided by the Buildings Department on subdivided properties, the number and geographical distribution of subdivided properties of which the Rating and Valuation Department has known addresses, and the number of subdivided properties revalued in each of the past 5 years.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 125)

Reply:

The Buildings Department (BD) has started providing the Rating and Valuation Department (RVD) with addresses of properties with identified subdivided units since August 2016. After sorting the property list, removing duplicated cases and matching with RVD's records of tenements, RVD would, having regard to the work priorities, send Requisition for Particulars of Tenements to parties concerned in order to collect rental information of the subdivided units. Starting from 2017-18, RVD has followed up and assessed the rateable values of the properties concerned at the time of the annual revaluation taking into account their actual states and the rental data collected. The relevant figures are tabulated below:

Year of Assessment	Number of matched tenements with subdivided units identified by BD (Note 1)	District		Number of matched tenements with their values reflected in the Valuation List from that year upon revaluation (Note 2)
2017-18	4 674	Central & Western Wan Chai Eastern Southern Yau Tsim Mong Kowloon City Sham Shui Po Kwun Tong Wong Tai Sin Tsuen Wan Kwai Tsing Tuen Mun Yuen Long North Sha Tin Tai Po Sai Kung Island Total	341 193 223 60 921 462 1 053 321 33 473 167 111 222 22 35 35 1 1 4 674	983
2018-19	1 514	Central & Western Wan Chai Eastern Southern Yau Tsim Mong Kowloon City Sham Shui Po Kwun Tong Wong Tai Sin Tsuen Wan Kwai Tsing Tuen Mun Yuen Long North Sha Tin Tai Po Total	120 68 76 34 290 84 240 95 29 199 95 59 58 9 22 36 1 514	985

Year of Assessment	Number of matched tenements with subdivided units identified by BD (Note 1)	District	Number of matched tenements with their values reflected in the Valuation List from that year upon revaluation (Note 2)
2019-20	696	Central & Western Wan Chai Eastern Southern Yau Tsim Mong Kowloon City Sham Shui Po Kwun Tong Wong Tai Sin Tsuen Wan Kwai Tsing Tuen Mun Yuen Long North Sha Tin Tai Po Total	31 26 51 8 187 48 108 45 16 40 24 15 52 2 6 37 696
2020-21	1 235	Central & Western Wan Chai Eastern Southern Yau Tsim Mong Kowloon City Sham Shui Po Kwun Tong Wong Tai Sin Tsuen Wan Kwai Tsing Tuen Mun Yuen Long North Sha Tin Tai Po Total	72 65 123 27 235 174 225 104 10 65 29 17 48 6 6 29 1 235

Year of Assessment	Number of matched tenements with subdivided units identified by BD (Note 1)	District	Number of matched tenements with their values reflected in the Valuation List from that year upon revaluation (Note 2)
2021-22	380	Central & Western	25
		Wan Chai	23
		Eastern	14
		Southern	1
		Yau Tsim Mong	86
		Kowloon City	30
		Sham Shui Po	125
		Kwun Tong	10
		Wong Tai Sin	4
		Tsuen Wan	22
		Kwai Tsing	5
		Tuen Mun	23
		Yuen Long	8
		Sha Tin	3
		Tai Po	1
		Total	380
Total	8 499		4 789

Note 1: The annual General Revaluation work has to be commenced prior to that year of assessment. For instance, the revaluation work for 2017-18 started in the third quarter of 2016 and the work in respect of matching the tenements was completed in the preceding year (i.e. 2016-17).

Note 2: The Valuation List upon revaluation contains new rateable values which take effect on 1 April of that year of assessment. For instance, the effective date for 2017-18 was 1 April 2017.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)038

(Question Serial No. 2971)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (2) Collection and Billing of Rates and Government Rent,
(4) Landlord and Tenant Services

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury /
Secretary for Transport and Housing (part e)

Question:

- a) In the following table, please indicate the original rates payable, the total amount of rates concession and the actual amount of rates in respect of all properties in Hong Kong in the past 5 years.

Year	Original rates payable	Amount of rates concession	Actual amount of rates

- b) In the following table, please provide information on the top 100 ratepayers (ranking 1- 10 and 11-100) who are expected to receive the largest amounts of rates concession in the past 5 years, including their respective original rates payable, the amount of rates concession and the total number of rateable tenements held (by the number of domestic and non-domestic units).

Year	Ranking	Ratepayers holding the largest number of properties (excluding organisations providing subsidised housing)	Original rates payable	Amount of rates concession	Total number of rateable tenements	Number of domestic units	Number of non-domestic units
	1						
	2						
	3						
	4						
	5						
	6						
	7						
	8						
	9						
	10						
	11-100						

- c) In the following table, please provide information on the top 1 000 ratepayers who are expected to receive the largest amounts of rates concession in the past 5 years, including their respective original rates payable, the amount of rates concession and the total number of rateable tenements held.

Year	Top 1 000 ratepayers holding the largest number of properties (excluding organisations providing subsidised housing)	Original rates payable	Amount of rates concession	Total number of rateable tenements	Number of domestic units	Number of non-domestic units

- d) Please state the number of ratepayers who are using “Consolidated Demand for Rates and/or Government Rent” and the total number of rateable tenements (by the number of domestic and non-domestic units) in the past 5 years.
- e) What is the number of Notice of New Letting or Renewal Agreement (Form CR109) received by the Rating and Valuation Department under Part IV of the Landlord and Tenant (Consolidation) Ordinance (by the number of domestic and non-domestic units) in each of the past 5 years.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 119)

Reply:

- a) In the past five financial years, the estimated rates payable, estimated total amount of rates concession and the rates revenue as at the end of each year in respect of all properties in Hong Kong are tabulated as follows:

Financial Year	Estimated rates payable (\$ billion)	Estimated total amount of rates concession (\$ billion)	Actual rates revenue as at year end (\$ billion) (Note)
2016-17	31.8	10.6	21.3
2017-18	32.4	10.9	22.2
2018-19	34.5	17.8	17.2
2019-20	36.4	15.6	21.0
2020-21	36.2	17.7	Figures not yet available

Note: As the rates revenue as at year end includes receipts of accrued arrears and the rates of new properties assessed during the year, it will be different from the result of deducting the rates concession from the estimated rates payable.

- b & c) The Rating and Valuation Department (RVD) only maintains statistics on the top 100 ratepayers receiving the largest amounts of rates concession. The estimated figures of the top 100 ratepayers expected to receive the largest amounts of rates concession in the past five financial years are set out in the following table:

Ratepayers (excluding organisations providing subsidised housing)	2016-17			2017-18			2018-19			2019-20			2020-21		
	(a) Rates payable (\$ million); (b) Amount of rates concession (\$ million); (c) No. of rateable tenements														
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
1	327.5	51.1	16 128	351.0	51.1	16 093	373.1	102.6	15 645	357.2	82.0	13 673	346.8	135.5	12 559
2	563.1	13.7	4 732	596.9	14.7	5 108	642.4	29.3	5 038	671.5	28.0	4 843	704.4	67.1	5 719
3	161.2	13.1	5 802	162.7	13.2	5 611	172.9	24.9	5 488	179.9	22.2	5 233	187.9	39.8	5 353
4	26.5	9.3	2 720	27.0	9.5	2 736	383.6	19.6	2 047	148.6	17.5	2 666	140.8	32.5	2 598
5	136.0	8.7	2 792	144.5	8.4	2 710	146.2	19.5	2 705	408.9	17.1	2 093	410.2	31.5	1 958
6	340.6	8.0	2 048	365.0	8.0	2 040	29.3	17.4	2 748	31.0	14.2	2 750	61.7	24.8	1 816
7	57.0	7.4	1 957	57.9	7.1	1 870	60.1	14.8	1 785	61.6	13.6	1 787	272.0	15.8	947
8	23.3	4.4	1 447	16.2	4.6	1 253	27.6	9.9	2 133	31.1	11.6	2 776	50.7	15.3	1 453

Ratepayers (excluding organisations providing subsidised housing)	2016-17			2017-18			2018-19			2019-20			2020-21		
	(a) Rates payable (\$ million); (b) Amount of rates concession (\$ million); (c) No. of rateable tenements														
	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
9	12.0	4.4	1 195	23.7	4.5	1 559	16.7	9.6	1 289	14.2	7.9	1 292	27.2	15.3	2 785
10	10.9	4.2	1 044	12.8	4.4	1 205	13.3	8.9	1 258	16.2	7.7	1 174	29.5	14.8	2 547
11 - 100	1 611.1	122.3	37 930	1 647.7	123.5	38 374	2 117.4	258.4	35 434	1 946.7	222.9	39 412	2 104.9	391.5	34 819
Total	3 269.2	246.5	77 795	3 405.4	248.9	78 559	3 982.6	514.9	75 570	3 866.9	444.5	77 699	4 336.1	783.9	72 554

RVD does not maintain the breakdown by property type on the properties held by individual ratepayers.

- d) The number of consolidated accounts registered for the “Consolidated Demand for Rates and/or Government Rent” and the number of rateable tenements involved in the past five financial years are set out in the following table:

Financial Year	Number of Consolidated Accounts	Number of Rateable Tenements
2016-17	1 910	146 500
2017-18	1 950	147 000
2018-19	2 030	148 400
2019-20	2 070	148 400
2020-21	2 090	147 700

Both individuals and companies can make use of “Consolidated Demand for Rates and/or Government Rent” and demands with different payer names can also be consolidated. RVD does not maintain the number of ratepayers using the service and the breakdown on types of property involved.

- e) The number of “Notice of New Letting or Renewal Agreement” (Form CR109) processed by RVD in the past five financial years are set out in the following table:

Financial Year	No. of Form CR109 processed
2016-17	About 54 500
2017-18	About 54 000
2018-19	About 55 000
2019-20	About 54 000
2020-21 (as at the end of February 2021)	About 55 000

The Form CR109 is applicable to domestic tenancy agreements only.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)039

(Question Serial No. 0669)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the past 3 years:

1. How many applications for exemption from rates and Government rent were received each year? Please set out, by reason of exemption, the average processing time, the number of successful exemption applications and the total amount refunded each year?
2. How many objections and appeals against the rateable values were received each year? What are the average review time, the number of successful objection and appeal cases and the total amount refunded each year?

Asked by: Hon KWOK Wai-keung (LegCo internal reference no.: 31)

Reply:

1. In respect of the tenements exempted from assessment to or payment of rates or Government rent as specified under section 36 of the Rating Ordinance and sections 4 and 11(2) of the Government Rent (Assessment and Collection) Ordinance, the Rating and Valuation Department (RVD) does not maintain statistics on the exempted cases.
2. From 2017-18 to 2019-20, the numbers of objections and appeals against rateable values received by RVD as well as the numbers of cases with reduction in rateable values are set out in the tables below. RVD does not maintain statistics on the review time and amount refunded.

Objections (reviewed by RVD)

Year	No. of cases (Note 1)	No. of cases with reduction in rateable values (Note 2)
2017-18	43 917	2 067
2018-19	43 989	1 630
2019-20	45 970	1 821

Appeals (lodged with the Lands Tribunal)

Year	No. of cases	No. of cases with reduction in rateable values after hearing (Note 2)
2017-18	452	0
2018-19	202	0
2019-20	1 554	0

Note 1: These include objections to an interim valuation and proposals to alter the Valuation List or Government Rent Roll.

Note 2: Cases completed were not necessarily received during the year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)040

(Question Serial No. 2983)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information:

(a) What were the respective average prices and rentals of commercial units and residential units in Hong Kong for the past three years (i.e. from 2018 to 2020)? What were the respective increases?

(b) For the past three years, how wide was the gap between the increase in rentals of residential units and that in household income? Has the gap for the past 3 years been narrowed down? What are the relevant figures?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 19)

Reply:

(a) The annual price and rental indices for private domestic and private retail premises compiled by the Rating and Valuation Department indicate the movements in prices and rentals of these two types of premises. The following tables set out the year-on-year rates of change in the respective indices in the past three years –

Private Domestic

Year	Annual Price Index		Annual Rental Index	
	Index (Note 1)	Year-on-year Change	Index (Note 1)	Year-on-year Change
2018	377.3	+13.0%	193.0	+5.7%
2019	383.0	+1.5%	194.4	+0.7%
2020 (Note 2)	381.2	-0.5%	180.5	-7.2%

Private Retail

Year	Annual Price Index		Annual Rental Index	
	Index (Note 1)	Year-on-year Change	Index (Note 1)	Year-on-year Change
2018	591.4	+5.9%	187.0	+2.5%
2019	549.7	-7.1%	187.2	+0.1%
2020 (Note 2)	518.5	-5.7%	169.7	-9.3%

Note 1: The index of 1999 is 100

Note 2: Provisional figures

- (b) In the past three years, the median monthly household income of domestic households compiled by the Census and Statistics Department (C&SD) from the General Household Survey and the year-on-year change are as follows –

Year	Median Monthly Household Income	
	Amount (HK\$) (Note 3)	Year-on-year Change (Note 4)
2018	28,000	+5.9%
2019	28,700	+2.5%
2020	27,000	-5.9%

Note 3: Rounded to nearest hundred.

Note 4: Year-on-year change is calculated based on figures before rounding.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)041

(Question Serial No. 0137)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (2) Collection and Billing of Rates and Government Rent

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On the arrears of rates and Government rent, please advise:

1. What are the outstanding amounts in each of the past three years and their respective percentages in relation to the receivable amounts in the preceding 12 months?
2. In 2020-21, what are the specific measures, expenditure involved and outcome in expediting the recovery of arrears?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 70)

Reply:

1. The respective amounts (Note) and percentages of arrears in rates and Government rent in the past three financial years are as follows:

Financial Year	Arrears of rates		Arrears of Government rent	
	Amount (\$ million)	Percentage	Amount (\$ million)	Percentage
2017-18	107	0.5%	70	0.6%
2018-19	77	0.4%	67	0.6%
2019-20	92	0.4%	77	0.6%

Note: The total amount of overdue payment (inclusive of surcharge) as at the end of that financial year.

2. The Rating and Valuation Department (RVD) has been striving to reduce the level of arrears. In 2020-21, in addition to continuing to remind payers of their responsibility to settle rates and Government rent timely and the consequences of late payment, RVD is using its own resources to improve the functions of its accounting and billing system, with a view to increasing the efficiency in the recovery of arrears.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)042

(Question Serial No. 0136)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (1) Statutory Valuation and Assessments, (2) Collection and Billing of Rates and Government Rent

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The staff establishment of the Rating and Valuation Department is expected to reduce by 93 non-directorate posts from 997 posts as at 31 March 2021 to 904 posts as at 31 March 2022. In this regard, please advise on the following:

1. What are the details of the 93 deleted posts and the number of professional and non-professional posts involved respectively?
2. What are the reasons for the deletion of the posts?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 69)

Reply:

In 2021-22, 93 non-directorate posts would be deleted in the Rating and Valuation Department as detailed below:

Posts	Reasons for Deletion of Posts
86 non-directorate posts including: Senior Valuation Surveyor 3 Valuation Surveyor 9 Principal Valuation Officer 1 Senior Valuation Officer 10 Valuation Officer 35 Treasury Accountant 1 Accounting Officer I 2 Senior Executive Officer 1 Executive Officer I 2 Senior Clerical Officer 1 Clerical Officer 3 Assistant Clerical Officer 11 Clerical Assistant 2 Workman II 1 Systems Manager 1 Analyst/Programmer I 1 Analyst/Programmer II 2	The Government has decided to withdraw the Bill on introducing Special Rates on vacant first-hand private residential units.
7 non-directorate posts including: Valuation Surveyor 1 Senior Valuation Officer 2 Valuation Officer 3 Assistant Clerical Officer 1	Lapse of time-limited posts created to handle backlog.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)043

(Question Serial No. 0173)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (2) Collection and Billing of Rates and Government Rent,
(3) Provision of Valuation and Property Information Services

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It has been proposed in the Budget to review the rating system, including the cases for introducing a progressive rates charging mechanism, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner to reflect that the ultimate responsibility for a property should rest with its owner. Please set out by property type (including domestic properties, offices, shops and factories, etc.) the number of properties that are currently owner-occupied and those that are let out; and for leased properties, how many of which the tenants are liable to pay rates. Will the Rating and Valuation Department collect data for analysis if the requested statistics are not available?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 120)

Reply:

There are currently about 3.38 million rateable properties, comprising over 2.95 million domestic properties and 420 000 non-domestic properties.

The Rating and Valuation Department (RVD) does not compile statistics on mode of occupation (i.e. owner-occupied or let) by property type (including domestic properties, offices, shops and factories, etc.).

According to the information of tenancies in force as collected by RVD, about 4% of the tenants of domestic properties are liable to pay rates, whereas around 51% of the tenants of non-domestic properties are responsible for such payment.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)044

(Question Serial No. 0946)

Head: (162) Rating and Valuation Department

Subhead (No. & title): ()

Programme: (2) Collection and Billing of Rates and Government Rent

Controlling Officer: Commissioner of Rating and Valuation (Kevin SIU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget of this year continues to provide rates concession for non-domestic properties in order to soften the impact on owners and tenants of shops and offices brought about by the epidemic and economic downturn. There are views that rates concession should not be provided to car parks, given the severe speculation and mild impact of the epidemic on the prices of this type of property. Would the Rating and Valuation Department provide information on the rates assessment, revenue and the amount of concession in respect of car parks; will the Department collect data for analysis if such statistics are not available?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 119)

Reply:

In the financial year 2021-22, the estimated rateable value and total amount of rates payable (before deducting rates concession) in respect of car parks are \$15.8 billion and \$790 million respectively.

The 2021-22 Budget provides rates concession for all rateable non-domestic properties. The Rating and Valuation Department does not maintain the statistical breakdown on the estimated total amount of rates concession provided to car parks. Given the one-off nature of the concession, there is no plan to compile the relevant breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)045

(Question Serial No. 0121)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (1) Central Accounting, Collections and Payments

Controlling Officer: Director of Accounting Services (Charlix WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Treasury will continue to explore ways to achieve higher efficiency with lower costs for revenue collection and payment activities, including promotion of e-payments. In this connection, please advise this Committee on:

1. the number of existing e-payment partners, their names and the fee charged for each payment by each company;
2. whether the number of e-payment partners will be increased in 2021-22, and if yes, the number of new partners;
3. the cost of each payment handled by a shroff counter in each department.

Asked by: Hon LUK Chung-hung (LegCo internal reference no.: 28)

Reply:

1. and 2. Government departments provide different payment channels for the public having regard to their operational needs. Currently, the Government provides a host of e-payment services through various service providers including Faster Payment System (FPS), PPS, internet banking, online credit card, Octopus, autopay, automatic teller machine, phone banking and Electronic Bill Presentment and Payment Service. As information on the fees charged for individual e-payment service is commercially sensitive, no details can be provided. Overall speaking, the average expenditure incurred by the Government for each e-payment transaction is around \$1. As the public use the "Pay e-Cheque" portal operated by the Government to make payments by e-Cheques, no service fee is involved.

Since November 2019, the Government accepts payment for government bills via FPS QR code, including bills issued by the Inland Revenue Department, the Rating and Valuation Department and the Water Supplies Department. Starting from December last year, FPS QR code devices have also been set up at designated service counters and self-help kiosks of certain departments, thus enabling the public to pay government fees and charges in a more convenient and efficient way by scanning FPS QR codes using e-payment tools.

Government departments will study the feasibility of extending FPS payment function to their bills. The Government is also studying the feasibility of enabling online payments for government services through the FPS, which will cover various services frequently used by the public, such as applications for licences and certificates, booking and registration of services, etc.

3. For payment at shroff counters, government departments adopt different payment options that suit their operational needs. Since the work flow for payment services at shroff counters and the relevant costs involved for different departments may vary, the Treasury does not have such cost information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)046

(Question Serial No. 0945)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (4) Management of Funds

Controlling Officer: Director of Accounting Services (Charlix WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government provide this Committee with the following information regarding the Grant and Subsidized Schools Provident Funds, the Quality Education Fund, the HKSAR Government Scholarship Fund and the Self-financing Post-secondary Education Fund in the past 3 years:

1. the respective amounts of funding granted each year;
2. the respective weightings of each type of investment, such as cash deposits in banks, equities and bonds each year, and the respective rates of return of each type of investment and of the fund as a whole;
3. whether there are any assets placed with the Exchange Fund; If yes, the proportion;
4. whether the Treasury is solely and directly responsible for making the investments, and whether other fund managers have been engaged to make the investments;
5. the annual administration cost;
6. the investment strategies and the guidelines on investment risk tolerance levels;
7. whether changes have been made to the investment strategies and risk guidelines in the past; If yes, what are the time and details?

Asked by: Hon MAK Mei-kuen, Alice (LegCo internal reference no.: 20)

Reply:

1. The amounts of disbursements made to beneficiaries under the following Funds in the past three school years¹ are set out below:

Fund	2017/18 (\$m)	2018/19 (\$m)	2019/20 (\$m)
Grant and Subsidized Schools Provident Funds	4,534	4,963	5,220
Quality Education Fund	152	178	225
HKSAR Government Scholarship Fund	90	93	103
Self-financing Post-secondary Education Fund	110	106	102

2. For the Funds of which the investments are managed by the Treasury as mentioned above, there is no fixed proportion of investments as it may vary from time to time in response to factors such as market conditions and cash flow requirements. Overall speaking, investment in securities (including equities and bonds) accounted for about 80% of the investments of the aforementioned Funds under the management of the Treasury in the past three school years, while the remaining portion was mainly deposits placed with banks. The overall investment returns for these Funds in the past three school years are set out below:

Fund	2017/18 %	2018/19 %	2019/20 %
Grant and Subsidized Schools Provident Funds	6.6	1.6	11.9
Quality Education Fund	5.5	1.7	8.8
HKSAR Government Scholarship Fund	5.7	1.5	7.4
Self-financing Post-secondary Education Fund	5.2	2.1	5.8

3. Except for the Grant and Subsidized Schools Provident Funds, some of the investments of the Quality Education Fund, the HKSAR Government Scholarship Fund and the Self-financing Post-secondary Education Fund are placement with the Exchange Fund. As mentioned in part 2 above, there is no fixed proportion of investments for the Funds as it may vary from time to time in response to factors such as market conditions and cash flow requirements. Overall speaking, deposits placed with the Exchange Fund accounted for about 10% to 20% of the investments of the relevant Funds in the past three school years.

4. Investment activities in respect of the Funds mentioned in the question are mainly carried out by fund managers engaged under outsourced service contracts. The rest are mainly deposits placed with the Exchange Fund and banks.

5. The total actual expenditures incurred by the Treasury in managing all funds under its purview in the 2017-18, 2018-19 and 2019-20 financial years were \$8 million, \$8.4 million and \$8.6 million respectively. There is no breakdown of the expenditures for individual funds.

¹ A school year runs from 1 September to 31 August of the following year.

6. and 7. For proper management of investment risks, the funds of which the investments are managed by the Treasury have adopted prudent and diversified investment strategies having regard to the market development in accordance with the investment objectives and instructions set by the governing committees for the respective funds or the investment committees under them, with reports regularly made to the relevant committees. The investment committees will also review and refine the investment strategies, asset allocation and other investment matters of the funds on a regular basis and having regard to the market conditions, so as to strike a balance between investment risks and returns. Details about the investment strategies and risk guidelines for the respective funds could not be provided as they are sensitive information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)047

(Question Serial No. 0958)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (4) Management of Funds

Controlling Officer: Director of Accounting Services (Charlix WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government provide this Committee with the following information regarding the Beat Drugs Fund over the past 3 years:

1. the amount of funding granted each year;
2. the respective weightings of each type of investment, such as cash deposits in banks, equities and bonds each year, and the rates of return of each type of investment and of the fund as a whole;
3. whether there are any assets placed with the Exchange Fund; If yes, the proportion;
4. whether the Treasury is solely and directly responsible for making the investments, and whether other fund managers have been engaged to make the investments;
5. the annual staff establishment and administration cost;
6. the investment strategies and the guidelines on investment risk tolerance levels;
7. whether changes have been made to the investment strategies and risk guidelines in the past; If yes, what are the time and details?

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 16)

Reply:

1. The amounts of grants disbursed under the Beat Drugs Fund (BDF) in the 2017-18, 2018-19 and 2019-20 financial years were \$90 million, \$190 million and \$190 million respectively.

2. There is no fixed proportion of investments for the BDF as it may vary in response to factors such as market conditions and cash flow requirements. Overall speaking, investment in securities (including equities and bonds) accounted for about 70%-80% of the investments of the BDF in the past three years, while the remaining portion was deposits placed with the Exchange Fund and banks. The overall investment returns for the BDF in the 2017-18, 2018-19 and 2019-20 financial years were 12.6%, 2.7% and -4.3% respectively.
3. Some of the investments of the BDF are placement with the Exchange Fund. As mentioned in part 2 above, there is no fixed proportion of investments for the BDF as it may vary in response to factors such as market conditions and cash flow requirements. Overall speaking, deposits placed with the Exchange Fund accounted for about 10% of the BDF in the past three financial years.
4. Investment activities in respect of the BDF are mainly carried out by fund managers engaged under outsourced service contracts. The rest are mainly deposits placed with the Exchange Fund and banks.
5. The expenditures incurred by the Treasury in managing various funds (including the BDF) in the 2017-18, 2018-19 and 2019-20 financial years were \$8 million, \$8.4 million and \$8.6 million respectively, while the staff establishment remained at 24. There is no breakdown of the expenditure and staff establishment for individual funds.
- 6&7. For proper management of investment risks, the BDF has adopted prudent and diversified investment strategies having regard to the market development in accordance with the investment objectives and instructions set by its Governing Committee and Investment Sub-committee, with reports regularly made to the Governing Committee and the Investment Sub-committee. The Investment Sub-committee will also review and refine the investment strategies, asset allocation and other investment matters of the BDF on a regular basis and having regard to market conditions, so as to strike a balance between investment risks and returns. Details about the investment strategies and risk guidelines of the BDF could not be provided as they are sensitive information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)048

(Question Serial No. 1801)

Head: (188) Treasury

Subhead (No. & title): ()

Programme: (4) Management of Funds

Controlling Officer: Director of Accounting Services (Charlix WONG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the 7 items of government funds managed by the Treasury, please

1. tabulate the annual expenditure involved in engaging fund managers for carrying out the related investment activities for each of the funds over the past 5 years; and
2. provide information on the principles in determining or changing the number of fund managers engaged, and the criteria for engaging/re-engaging a fund manager.

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 66)

Reply:

1. The expenditure for engaging fund managers for carrying out investment activities is borne by the respective funds and the amounts concerned will not be included in the estimated expenditure under Head 188 - Treasury. Over the past five years, the expenditure involved in the service contract fees of various fund managers under the individual funds is as follows:

Fund	Actual expenditure (\$m)				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
By school year (ending 31 August)					
Grant and Subsidized Schools Provident Funds	109.4	121.4	136.3	132.2	136.5
Quality Education Fund	16.9	17.9	18.9	17.0	15.6
HKSAR Government Scholarship Fund	3.9	4.0	4.3	4.1	3.9
Self-financing Post-secondary Education Fund	5.6	6.7	7.3	6.8	5.1
By financial year (ending 31 March)					
Sir David Trench Fund for Recreation	1.0	1.0	1.0	1.0	1.3
Beat Drugs Fund	8.9	8.8	8.8	7.5	6.4
AIDS Trust Fund*	N.A.	N.A.	N.A.	N.A.	N.A.
Total expenditure	145.7	159.8	176.6	168.6	168.8

* The investments of the AIDS Trust Fund are only placed on fixed deposits and deposits with the Exchange Fund. No fund manager has been engaged for making other investments.

2. Apart from the AIDS Trust Fund under which no fund manager has been engaged for making investments, the above-mentioned funds have adopted prudent and diversified investment strategies for the proper management of investment risks, in accordance with the investment objectives and instructions set by the respective governing committees or the investment committees under them. In determining the number of fund managers and their appointment, considerations will also be given to a number of factors in respect of the funds including the asset size, liquidity needs, the investment horizon for which the fund managers can invest, as well as the investment performance and the service and fee levels of fund managers. The respective investment committees will continue to review and refine the investment strategies, asset allocation and other investment matters, including the number of fund managers, on a regular basis and having regard to the market conditions, in order to strike a balance between investment risks and returns.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)049

(Question Serial No. 1386)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in Matters Requiring Special Attention in 2021-22 that the Branch will continue to formulate strategies and responsive measures to tackle the tax challenges arising from the digitalisation of the economy in the context of the base erosion and profit shifting (BEPS) project of the Organisation for Economic Co-operation and Development. Please inform this Committee:

1. of the estimated manpower for conducting a study on the tax challenges arising from the digitalisation of the economy; and
2. whether external institutions will be invited to take part in the study on the aforesaid subject and whether provision will be required.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 22)

Reply:

The Organisation for Economic Co-operation and Development (OECD) is working on new proposals to address base erosion and profit shifting (BEPS 2.0 proposals), which include a global minimum tax rate and a digital tax.

To formulate response measures, the Government set up an Advisory Panel consisting of tax experts, scholars and members of the business community in June last year to review the possible impact of the BEPS 2.0 proposals on the competitiveness of the business environment of Hong Kong, and to make recommendations to the Financial Secretary on how to facilitate the sustainable development of Hong Kong as an international financial, trading and business centre in light of the changing international tax landscape. The Advisory Panel on BEPS 2.0 has consulted the stakeholders from the business sector. Taking into account the preliminary views of the Advisory Panel, the Financial Secretary presented in his Budget Speech the direction of the Government's response measures. The Financial Secretary indicated that Hong Kong would actively implement BEPS 2.0 according to international consensus while striving to maintain the key advantages of our tax regime in terms of simplicity, certainty and fairness; minimise the compliance burden on the affected enterprises; and continue to improve the business environment and competitiveness of Hong Kong. The Advisory Panel on BEPS 2.0 will submit a report to the Government after the BEPS 2.0 proposals are finalised. We will then carefully study the report with a view to formulating specific response measures.

The Financial Services and the Treasury Bureau (FSTB) and the Inland Revenue Department (IRD) will deploy their existing manpower to devise and formulate specific response measures with respect to the BEPS 2.0 proposals while handling their regular duties. The resources involved have been included in the respective overall establishment and expenditure of FSTB and IRD.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)050

(Question Serial No. 0007)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Director of Bureau's Office

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list the estimated expenditure on the emoluments and allowances for the Secretary for Financial Services and the Treasury (SFST), the Under Secretary for Financial Services and the Treasury and the Political Assistant to SFST in 2021-22.

Asked by: Hon CHENG Chung-tai (LegCo internal reference no.: 7)

Reply:

The estimated expenditures on salary for the posts of the Secretary for Financial Services and the Treasury (SFST), the Under Secretary for Financial Services and the Treasury (USFST) and the Political Assistant (PA) to SFST in 2021-22 are \$4.07 million, \$2.92 million and \$1.04 million respectively. In addition, the provision for Mandatory Provident Fund contribution for the above posts is \$18,000 each. SFST, USFST and PA to SFST are not granted other allowances.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)051****(Question Serial No. 0955)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information for the past 3 years:

1. The amounts of government revenue forgone as a result of the reduction in salaries tax and tax under personal assessment as well as the numbers of taxpayers benefited; and
2. The amounts of government revenue forgone as a result of the rates waiver for the whole year in respect of residential properties and the numbers of residential properties involved.

Asked by: Hon CHENG Chung-tai (LegCo internal reference no.: 18)

Reply:

1. In the past 3 years of assessment, the amounts of one-off tax reduction under salaries tax and tax under personal assessment and the numbers of taxpayers benefited are tabulated below:

Year of Assessment	Total Amount of Tax Reduction		Actual Number of Taxpayers Assessed	
	Salaries Tax (\$ billion)	Tax under Personal Assessment (\$ billion)	Salaries Tax (million)	Tax under Personal Assessment (million)
2017/18	22.7	2.0	1.87	0.14
2018/19	18.6	1.7	1.84	0.19
2019/20 (Note)	20.4	1.9	1.88	0.21

Note: In view of the outstanding assessment work for the 2019/20 year of assessment, the table above only reflects the relevant figures as at 28 February 2021.

2. In the past 3 financial years, the estimated numbers of domestic properties in the Valuation List to enjoy rates concessions and the concession amounts are tabulated below:

Financial Year	Total Amount of Rates Concessions (\$ billion)	Number of Domestic Properties (million)
2018-19	14.9	2.84
2019-20	13.0	2.88
2020-21	13.3	2.93

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)052

(Question Serial No. 0956)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the properties acquired by the organs of the Central People's Government (CPG) in Hong Kong (including their subsidiary companies and public officers) to which the Bureau granted remission of stamp duty in the past 3 years, please state the number of such properties, their geographical locations, the amounts remitted and the names of such organs of the CPG in Hong Kong (including their subsidiary companies and public officers).

Asked by: Hon CHENG Chung-tai (LegCo internal reference no.: 19)

Reply:

Information of stamp duty remission accorded to the Central People's Government (CPG)'s organs in Hong Kong in respect of local properties they acquired or acquired through their subsidiary companies between the financial years 2018-19 and 2020-21 is tabulated as follows:

Financial Year	Organisation	Stamp duty involved (\$ million)	No. of properties involved	District
2018-19	Subsidiary company of a CPG's organ in Hong Kong	47.9	25	23 (Central and Western) 2 (Sha Tin)
2019-20	Subsidiary company of a CPG's organ in Hong Kong	80.4	22	2 (Central and Western) 20 (Kwun Tong)

Financial Year	Organisation	Stamp duty involved (\$ million)	No. of properties involved	District
2020-21 (As at 28 February 2021)	-	-	-	-

It is not appropriate for us to provide such information as the names of the companies or individuals involved in the above properties due to personal privacy.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)053

(Question Serial No. 2864)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (the Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Director of Bureau's Office

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide a list of the destinations, dates and number of duty visits outside Hong Kong made by the Secretary last year and the actual expenditures incurred.

Asked by: Hon CHENG Chung-tai (LegCo internal reference no.: 252)

Reply:

Details of the duty visit outside Hong Kong made by the Secretary for Financial Services and the Treasury in 2020-21 are as follows:

Place visited	Date	Expenditure
Beijing, Guangzhou, Shenzhen	3 to 7 November 2020	\$26,648.20

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)054

(Question Serial No. 2228)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. To relieve people's burden, this year's Budget proposed a further grant of \$1,000 electricity charges subsidy. However, quite a lot of people have pointed out that those living in sub-divided flats cannot benefit from the electricity charges subsidy. In this regard, does the Government have any measures for these households to enjoy the benefits?

Asked by: Hon CHEUNG Kwok-kwan (LegCo internal reference no.: 35)

Reply:

The two power companies offer electricity subsidy and/or other assistance to sub-divided flat tenants, including installation of individual electricity meters for these tenants as far as practicable, through the Smart Power Care Fund of HK Electric and the Community Energy Saving Fund of CLP respectively. Tenants can be benefited from the electricity charges subsidy provided by the Government once they have successfully installed individual electricity meters.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)055

(Question Serial No. 2226)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The Budget proposed to issue electronic consumption vouchers in instalments with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above. Will this measure benefit those who have emigrated with Hong Kong not as their principal place of residence but have retained their Hong Kong permanent resident status? Will these people be excluded from the measure?
2. What is the mechanism used by the Government to determine if a shop operator can or cannot accept consumption vouchers for shopping purposes? Will shop operators be allowed to enrol for the scheme on their own?
3. May consumption vouchers be used for online shopping (making purchases at local shops)?
4. What is the reason(s) for issuing the \$5,000 consumption vouchers in instalments? Will consideration be given to disburse the money in one go so that the public may decide by themselves the way to use the money?
5. It is stated in the Budget that the Government will identify suitable stored value facilities operators to help roll out the scheme. As anticipated by the Government at this stage, will authorisation be given to 1 type of stored value facility only or to 2 or more types of such facilities to allow choices for the public?
6. To help the grassroots to sustain their livelihood, will the Government actively consider to allow the public to accord priority to daily necessities such as food, clothing, accommodation and transportation in the use of the \$5,000 consumption vouchers?

Asked by: Hon CHEUNG Kwok-kwan (LegCo internal reference no.: 33)

Reply:

1. It is proposed in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above. It is hoped that the consumption voucher scheme will stimulate people's consumption sentiment, enable the value involved in the consumption vouchers to circulate within the local economy and, with its multiplier effect, boost local consumption to the greatest extent, thereby accelerating economic recovery. While there is no statutory definition of "emigrants", we believe the community generally considers that people who have not resided in Hong Kong for a certain period of time should not be benefitted from the scheme. We are now working with the Immigration Department on the requirement in respect of residing in Hong Kong under the scheme.

- 2.-6. The Government will soon announce that it has initially selected a few stored value facilities operators to help implement the consumption voucher scheme. Eligible citizens may choose a suitable means to collect and use the consumption vouchers.

As the scheme aims to encourage and boost local consumption, its scope of coverage will be as extensive as possible so as to include local merchants in the retail, food and beverage and service sectors. Both physical stores and online shops will be covered.

We plan to issue the consumption vouchers in instalments to eligible citizens for their use within a specified period. It is hoped that the use of such vouchers will keep boosting local consumption during the period and, with its multiplier effect, benefit more merchants, thereby accelerating economic recovery.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)056

(Question Serial No. 0744)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

While Article 107 of the Basic Law states that “The Hong Kong Special Administrative Region shall follow the principle of keeping the expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product”, Article 108 of the Basic Law provides that “The Hong Kong Special Administrative Region shall, taking the low tax policy previously pursued in Hong Kong as reference, enact laws on its own concerning types of taxes, tax rates, tax reductions, allowances and exemptions, and other matters of taxation”. With government revenue decreasing substantially in this financial year and enormous resources being used to support the economic development of Hong Kong due to the pandemic, the Government has, over the years, reiterated on various occasions the need to broaden the tax base of Hong Kong. What “concrete” work has the Government done in this aspect so as to meet the economic challenges ahead? It is mentioned in the Budget Speech that the Government “will carry out related research and make preparation to facilitate in-depth discussions at a suitable time, and forge consensus before we introduce new taxes to increase revenue”. What is the earliest time that the research and preparation work are expected to begin? When can we start to introduce new taxes?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 23)

Reply:

There should be adequate, in-depth and informed discussions in the community before any proposals to introduce new taxes are implemented. This is not the time to introduce new taxes as fighting the epidemic and reviving the economy are the current priorities of the whole community. Nevertheless, the Government will carry out related research and preparation work, including studying the practices of other places and drawing on their experience. When examining any proposals, we will take all factors into consideration. We will also facilitate in-depth discussions at a suitable time, and earnestly listen to views of the Legislative Council and various sectors of the community in order to forge consensus before introducing new taxes.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)057****(Question Serial No. 1033)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Treasury Branch expects that there will be a net increase of 3 posts in 2021-22. Would the Government advise on the ranks, duties and annual salaries of the 3 posts? The Government also stated that subject to certain conditions, the controlling officer might under delegated power create or delete non-directorate posts during 2021-22, but that the notional annual mid-point salary value of all such posts must not exceed \$148,024,000. Does the Government have any plan to create or delete non-directorate posts? If yes, what are the details?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 35)

Reply:

The Treasury Branch expects that there will be a net increase of 3 time-limited posts in 2021-22. The details are as follows:

Rank	Number of posts	Notional annual mid-point salary value	Duties
Senior Executive Officer	1	\$1,124,520	To assist in planning, co-ordinating and overseeing the implementation of the consumption voucher scheme.
Executive Officer I	2	\$1,615,080	

Other than the posts mentioned above, the Treasury Branch currently has no plan to create or delete other non-directorate posts in 2021-22. Where operational needs so require, we will, subject to the ceiling of the notional annual mid-point salary value, create or delete non-directorate posts in accordance with the established procedures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)058

(Question Serial No. 0948)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2016, the Government transferred the balance of the Land Fund to the newly established Future Fund, which was entrusted to the Hong Kong Monetary Authority (HKMA) for investment with a view to securing higher returns for our fiscal reserves through placement in longer-term investments, thereby enhancing public finance sustainability. In this regard, please inform this Committee of the following:

1. Please provide the annual return rates, income as well as the allocations and proportions of the investment portfolios of the Future Fund since its establishment.
2. The Financial Secretary proposed in the 2019-20 Budget that he would invite several experienced leaders in the financial services sector to advise on the Future Fund's investment strategies and portfolios, so as to enhance return, while also consolidating Hong Kong's status as a financial, commercial and innovation centre, and raising Hong Kong's productivity and competitiveness in the long run. In the latest Budget, however, the Government indicates that \$25 billion will be brought back from the Future Fund. Will certain long-term goals set previously be affected by this? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 25)

Reply:

This question is not directly related to Head 147.

1. The financial information of the Future Fund since its establishment is set out below:

	Distribution of Investment		Investment Return (\$ billion)	Composite Rate of Return (%)
	Proportion of Investment Portfolio (Note 1)	Proportion of Long-Term Growth Portfolio (Note 2)		
2016	80%	20%	10.1	4.5
2017	65%	35%	22.7	9.6
2018	50%	50%	16.4	6.1
2019	40%	60%	24.4	8.7
2020	Note 3			

Note 1: The Investment Portfolio is invested primarily in the bond and equity markets of developed nations.

Note 2: Long-Term Growth Portfolio comprises asset classes including investments in private equity (including infrastructure) and overseas real estate.

Note 3: The distribution, investment return and composite rate of return of the investments will be announced later in 2021.

In June 2020, in a bid to uphold Hong Kong's status as an international aviation hub, \$27.3 billion was allocated from the Future Fund for investment in Cathay Pacific Airways Limited. The amount involved in the investment will remain part of the Future Fund.

2. The investment return of the Fund forms an integral part of public finance resources but the amount yet to be brought back has not been reflected under the cash-based government accounts. The Financial Secretary announced that starting from 2021-22, the cumulative investment return of the Fund will be reflected in the Operating Account on a progressive basis. Such amount will still be reinvested before it is actually utilised.

The Government plans to establish a new Hong Kong Growth Portfolio (HKGP), with an initial allocation of 10% from the Future Fund (i.e. about \$22 billion), to make strategic investments in projects with a Hong Kong nexus. Bringing back the investment return will not affect the above plan.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)059

(Question Serial No. 3235)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in the Budget that the Financial Services and the Treasury Bureau and the Rating and Valuation Department will review whether there is any room for improvement in respect of the rating system, including a review on the case for introducing a progressive element to the rating system and that for providing rates concession to owner-occupied properties on a regular basis. Please inform this Committee:

1. of the developed countries and regions that have adopted similar progressive rating systems, as well as the method of calculating rates at progressive rates and the tax rates imposed;
2. whether the Government plans to include commercial properties in the progressive rating system;
3. how the Government assesses the impact of the new tax system on the local property market.

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 41)

Reply:

The Financial Services and the Treasury Bureau and the Rating and Valuation Department are reviewing the rating system, including the cases for introducing a progressive element to the rating system, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner of a property. When conducting the review, we will make reference to the experiences of other jurisdictions where progressive elements have been introduced to their rating or similar systems. Our target is to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)060

(Question Serial No. 3241)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (the Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Financial Secretary, Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that electronic consumption vouchers will be issued 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 and boost local consumption. In this connection, will the Government inform this Committee of the following:

1. What are the administrative expenses and staff establishment involved in the issuance of electronic consumption vouchers?
2. As the elderly may not know how to use the electronic consumption vouchers, what measures will be taken to ensure an effective implementation of the electronic consumption voucher scheme to facilitate usage by the elderly?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 1)

Reply:

1. When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities (SVF) operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

2. The registration procedures of the consumption voucher scheme will be simple, convenient and secure. Different registration channels will be provided for the public to choose from. We will also discuss with the Social Welfare Department on appropriate measures to render assistance to people with special needs, taking into account the arrangements of the Cash Payout Scheme. The Government will soon announce that it has initially selected a few SVF operators to help implement the consumption voucher scheme. Members of the general public, including those without a smartphone and the elderly, should be able to choose a suitable means to collect and use the consumption vouchers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)061

(Question Serial No. 1055)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the epidemic, experts have pointed out that cash transaction will increase the risk of virus transmission, so it is an appropriate opportunity to implement electronic consumption vouchers, which can not only boost the economy by stimulating local consumption, but also make use of this opportunity to fully implement electronic transaction. In this connection, please advise this Committee on the following:

1. as at 28 February 2021, whether the Government maintains figures of the shops (holders of Restaurant Licences or Business Registration Certificates) which have not yet provided electronic transaction service;
2. the amount of expenditure earmarked for encouraging the shops have yet to provide electronic transaction service to install the relevant hardware; whether incentives will be provided to enable more traders to provide electronic transaction service; the expenditure on the related publicity work; and
3. the amount of expenditure earmarked for devising the detailed implementation plan of the electronic consumption vouchers; and the staff establishment and expenditure involved.

Asked by: Hon CHEUNG Yu-yan, Tommy (LegCo internal reference no.: 7)

Reply:

1. & 2. Hong Kong has a well-developed and mature electronic payment ecosystem. Various non-cash payment options including credit cards, Octopus, Easy Payment System, online and automated teller machine transfers, etc., are widely adopted by the public. In addition, using mobile payment tools such as e-wallet applications on mobile phones is increasingly popular in recent years. Merchants will take into account circumstances of business operation, usage scenario, customer behaviour, operating cost, etc., to offer suitable payment options for consumers. The Hong Kong Monetary Authority has rolled out various measures in recent years to facilitate the development of electronic payment market in Hong Kong. These include establishing the Stored Value Facility (SVF) licensing regime to facilitate orderly market development; implementing the Faster Payment System, a round-the-clock platform offering instant payment and transfer services across banks and e-wallets, and supporting transactions conducted in Hong Kong Dollar and Renminbi. We will continue to promote the wider use of electronic payment through appropriate financial technology infrastructure and regulations. The Government does not maintain information on whether a merchant accepts electronic payment.

The Financial Secretary announced in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments through SVFs to each eligible citizen, with the aim of stimulating people's consumption sentiment. The Government will soon announce that it has initially selected a few SVF operators to help implement the consumption voucher scheme. Relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems so as to promote the development of electronic payment market in Hong Kong.

3. When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. SVF operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)062

(Question Serial No. 3221)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The investment return of the Future Fund (FF) forms an integral part of public financial resources, and has accumulated a return amounting to nearly \$100 billion. It is said that the portfolio mix of FF between the Investment Portfolio (IP) and Long-Term Growth Portfolio (LTGP) of the Exchange Fund (EF) is 40:60. Regarding the details of FF, please inform this Committee:

1. of the balances, details of investment portfolio and return performance in respect of the portfolio mix of 40:60 between the IP and LTGP of EF in each year since the setting up of FF;
2. whether there is any discrepancy between the return of FF and that estimated by the Government; if yes, the reasons.

Asked by: Hon CHIANG Lai-wan (LegCo internal reference no.: 20)

Reply:

This question is not directly related to Head 147.

1. The financial information of the Future Fund since its establishment is set out below:

	Distribution of Investment		Investment Return (\$ billion)	Composite Rate of Return (%)	Balance at End of Year (\$ billion)
	Proportion of Investment Portfolio (Note 1)	Proportion of Long-Term Growth Portfolio (Note 2)			
2016	80%	20%	10.1	4.5	234.6
2017	65%	35%	22.7	9.6	257.3
2018	50%	50%	16.4	6.1	273.7
2019	40%	60%	24.4	8.7	298.1
2020	Note 3				

Note 1: The Investment Portfolio is invested primarily in the bond and equity markets of developed nations.

Note 2: Long-Term Growth Portfolio comprises asset classes including investments in private equity (including infrastructure) and overseas real estate.

Note 3: The distribution, investment return and composite rate of return of the investments will be announced later in 2021.

2. The Government does not set any specific target on the investment return of the Future Fund.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)063

(Question Serial No. 1125)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (the Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary proposed, in paragraph 46 of the Budget Speech, that “consumption vouchers” be issued: “In view of the current special situation, the Government should make good use of the fiscal reserves to energise the market, stimulate the economy, and facilitate the speedy recovery of the consumption market and other economic segments in a timely manner. After careful consideration, I will issue electronic consumption 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 and boost local consumption. This measure, which involves a financial commitment of about \$36 billion, is expected to benefit around 7.2 million people. The Government will identify suitable stored value facilities operators to help roll out the scheme, and will announce the details of the scheme as soon as possible.” Please provide this Committee with the details about the implementation of the scheme and the timetable for it, together with a breakdown of the estimated administration cost of \$600 million.

Asked by: Hon CHUNG Kwok-pan (LegCo internal reference no.: 54)

Reply:

The Government will soon announce that it has initially selected a few stored value facilities (SVF) operators to help implement the consumption voucher scheme. We are working on the implementation details of the consumption voucher scheme, including the number of instalments, the amount to be disbursed in each instalment and the coverage of the scheme etc. We will announce the details of the scheme as soon as possible. Our target is to commence registration in this summer vacation.

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. SVF operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)064

(Question Serial No. 3159)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (2) Revenue and Financial Control

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stipulated in Article 108 of the Basic Law, “The Hong Kong Special Administrative Region shall, taking the low tax policy previously pursued in Hong Kong as reference, enact laws on its own concerning types of taxes, tax rates, tax reductions, allowances and exemptions, and other matters of taxation.” However, for this financial year, the Government has spent more than \$50 billion to combat COVID-19. This has brought huge uncertainties to our mid-term and long-term financial situation, with recurrent expenditure exceeding recurrent revenue. In this connection, will the Government inform this Committee:

1. whether the Government will, for the purposes of meeting the huge recurrent government expenditure, consider generating more stamp duty revenue by raising the stamp duty rate to as high as 3% subject to the number of properties bought and sold by buyers in the future; and
2. whether the Government will consider broadening the tax base to cope with cyclical fluctuations, introducing new taxes to increase government revenue after the epidemic has come to an end and the economy has recovered, or following the practices of Japan and some other developed countries by introducing a goods and services tax to boost recurrent government revenue.

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 7)

Reply:

There should be adequate, in-depth and informed discussions in the community before any proposals to introduce new taxes are implemented. This is not the time to introduce new taxes as fighting the epidemic and reviving the economy are the current priorities of the whole community. Nevertheless, the Government will carry out related research and preparation work, including studying the practices of other places and drawing on their experience. When examining any proposals, we will take all factors into consideration. We will also facilitate in-depth discussions at a suitable time, and earnestly listen to views of the Legislative Council and various sectors of the community in order to forge consensus before introducing new taxes.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)065

(Question Serial No. 3198)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Recently, the Financial Secretary Paul CHAN Mo-po said that he had requested the Financial Services and the Treasury Bureau and the Rating and Valuation Department to review the rating system, which includes exploring the introduction of a progressive element to the system, i.e. a higher percentage of rates will be charged for properties with a higher value or units with a nice view on a higher floor. They will also explore the provision of exemptions or concessions for owner-occupiers paying rates under a progressive rates system. In this connection, will the Government inform this Committee of the following:

1. It is good to learn that the Government will charge rates on a progressive basis, which is similar to the idea of levying a capital gains tax, where owners with higher economic capacity and more properties are required to pay a higher percentage of rates. That said, will the Government consider providing rates concessions for owner-occupied properties on a regular basis instead of granting rates concessions on an annual basis when introducing a progressive rates system in future?
2. Rates are paid either by the owner or the tenant of a property at present. When granting rates concessions as a relief measure, the Government is uncertain as to whether it is the owner or the tenant who will actually benefit. Will the Government consider providing rates concessions to owner-occupiers who are Hong Kong permanent residents in future as a further step to effectively curb the rise in property prices?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 26)

Reply:

The Financial Services and the Treasury Bureau and the Rating and Valuation Department are reviewing the rating system, including the cases for introducing a progressive element to the rating system, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner of a property. Our target is to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)066

(Question Serial No. 3201)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As announced in this year's Budget, the Financial Secretary (FS) will issue electronic consumption vouchers with a total value of \$5,000 to each Hong Kong permanent resident and new arrival aged 18 or above. The estimated administration cost of the scheme may reach \$600 million, more than that of the Cash Payout Scheme which disbursed \$10,000 to each citizen last year. The FS further said that in view of the current special situation, the Government should make good use of the fiscal reserves and that the purposes of this measure are just to energise the market, stimulate the economy, and facilitate the speedy recovery of the consumption market and other economic segments in a timely manner. In this connection, will the Government inform this Committee of the following:

1. As many shop owners are not familiar with electronic payment systems or may even find these systems inconvenient and refuse to install them, the percentage of shops with electronic payment systems such as Octopus and Alipay accounts for only 30% of the total number of on-street shops in Hong Kong. Will the Government provide more incentives to help more shops to install electronic payment systems?
2. For middle and upper end consumption, the effectiveness of the proposed consumption vouchers will be relatively low as the amount of money involved in these kinds of purchases is higher and consumption vouchers worth \$1,000 per month may not cover all the expenditure. Will the Government consider relaxing the restrictions on the use of these vouchers, such as by (A) issuing the vouchers in five instalments of \$1,000; or (B) requiring the users to use the vouchers in a single purchase for products worth over \$5,000, such that the city-wide measure of issuing consumption vouchers will not only benefit small shops but also boost the consumption of middle and upper end shops, thereby facilitating the speedy recovery of Hong Kong economy?
3. Some low-income families spend less than \$1,000 each month. If the FS imposes a 1-month validity restriction on the use of consumption vouchers, these families may not be able to really benefit from the measure. Will the Government consider relaxing the restriction and extend the validity period from 1 month to 2 months?

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 41)

Reply:

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities (SVF) operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

Our reply to the different parts of the Question is as follows –

1. The Government will soon announce that it has initially selected a few SVF operators to help implement the consumption voucher scheme. Relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems.
2. & 3. We are working on the implementation details of the consumption voucher scheme, including the number of instalments, the amount to be disbursed in each instalment and the coverage of the scheme etc., and will give careful consideration to the views of different groups and people. We will announce the details of the scheme as soon as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)067

(Question Serial No. 0396)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Government will issue electronic consumption 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 and boost local consumption. This measure, which involves a financial commitment of about \$36 billion, is expected to benefit around 7.2 million people. Please inform this Committee of:

- 1) the stored value facility/facilities to be used for effecting the Government's plan to issue electronic consumption vouchers;
- 2) the specific assistance to be offered to members of the public and merchants who are unfamiliar with the use of electronic stored value payment platforms;
- 3) the reasons why the estimated administration cost of issuing the electronic consumption vouchers amounts to \$600 million according to reports.

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 3)

Reply:

- 1) and 2) The Government will soon announce that it has initially selected a few stored value facilities (SVF) operators to help implement the consumption voucher scheme. Members of the general public, including those without a smartphone and the elderly, should be able to choose a suitable means to collect and use the consumption vouchers. Furthermore, relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems.

- 3) When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. SVF operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)068

(Question Serial No. 0404)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Organisation for Economic Co-operation and Development is drawing up new proposals to address base erosion and profit shifting (BEPS 2.0), which include the introduction of a global minimum tax rate and a digital tax. Since digital tax is levied in many countries in Europe and Asia, does the Government consider it necessary to introduce digital tax into Hong Kong? If yes, what are the concrete ideas? If not, what are the reasons?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 15)

Reply:

The Organisation for Economic Co-operation and Development (OECD) is working on proposals to address base erosion and profit shifting (BEPS 2.0 proposals), which include a global minimum tax rate and a digital tax. As far as the digital tax is concerned, the OECD aims to replace the digital services tax levied unilaterally by individual tax jurisdictions with the digital tax under the multilateral framework of BEPS 2.0.

To formulate response measures, the Government set up an Advisory Panel in June last year to review the possible impact of the BEPS 2.0 proposals on the competitiveness of the business environment of Hong Kong, and to make recommendations to the Financial Secretary on how to facilitate the sustainable development of Hong Kong as an international financial, trading and business centre in light of the changing international tax landscape. Taking into account the preliminary views of the Advisory Panel, the Financial Secretary presented in his Budget Speech the direction of the Government's response measures. The Financial Secretary indicated that Hong Kong would actively implement BEPS 2.0 according to international consensus while striving to maintain the key advantages of our tax regime in terms of simplicity, certainty and fairness; minimise the compliance burden on the affected enterprises; and continue to improve the business environment and competitiveness of Hong Kong. The Advisory Panel on BEPS 2.0 will submit a report to the Government after the BEPS 2.0 proposals are finalised. We will then carefully study the report with a view to formulating specific response measures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)069

(Question Serial No. 0402)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government expects that the fiscal deficit for the next financial year will be \$101.6 billion due to the continued increase in recurrent expenditure. The Operating Account is projected to be in deficit for 5 consecutive years. The operating deficit for 2021-22 will be more than \$140 billion while that for the remaining 4 years will range from \$22.4 billion to \$40.7 billion. Would the Government please advise on:

1. any specific strategies to tackle the structural deficit, e.g. curbing recurrent expenditure;
2. whether there will be a drastic cut in unnecessary expenses? If yes, what are the details? If no, what are the reasons?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 12)

Reply:

This question is not directly related to Head 147.

The operating deficit for 2021-22 is forecasted at about \$140 billion, mainly due to the counter-cyclical fiscal measures introduced by the Government. Since these measures are time-limited in nature, they will not cause long-term impact on the public finance. The forecast operating deficits in the succeeding 4 years are attributed to the recurrent expenditure being higher than the revenue.

The Government's fiscal position is determined by a number of factors, including the economic condition as well as the revenue/expenditure measures in the short to medium term. We strive to achieve a fiscal balance in the Consolidated Account over a period of time. In the Medium Range Forecast, it is forecasted that the consolidated deficits will narrow down from 2022-23 onwards, and there will be a surplus in the Consolidated Account in 2025-26. In light of the above, it is premature to conclude whether the Government is facing a structural deficit at this stage.

The Government will ensure that our financial commitments are commensurate with the growth in revenue by increasing revenue and reducing expenditure. For revenue, Hong Kong must maintain the development and vibrancy of our economy and identify new areas of growth, with a view to raising our revenue. The Government needs to consider seeking new revenue sources or revising tax rates, and reducing one-off relief measures progressively. Having duly considered the impact on the securities market and our international competitiveness, the Government has decided to raise the rate of Stamp Duty on Stock Transfers. It is expected that government revenue will increase as a result. Having regard to the prevailing economic environment and the impact of the epidemic, the Government considers that it is not the appropriate time to revise the rates of profits tax and salaries tax, but will keep in view the situation and make adjustments at the appropriate time. Fighting the epidemic and reviving the economy are our current priorities. This is not the time to introduce new taxes. Nevertheless, the Government will carry out related research and make preparation to facilitate in-depth discussions at a suitable time, and forge consensus before introducing new taxes to increase revenue.

Regarding expenditure, the Government will have zero growth in the civil service establishment in 2021-22. Besides, it is announced in the Budget that the Government will implement an expenditure reduction programme to reduce expenditure without affecting livelihood-related spending. The objective is to trim recurrent expenditure by 1% in 2022-23. All government departments will strive to reduce general day-to-day expenses by undertaking critical review, adjusting priorities and enhancing efficiency in order to achieve the savings target.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)070

(Question Serial No. 0423)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During Budget consultations, many proposals to introduce new taxes were received. The Government will carry out related research and make preparation to facilitate in-depth discussions at a suitable time, and forge consensus before introducing new taxes to increase revenue. Will the Government carry out research on subjecting more types of sports competitions to betting duty? If yes, what are the details? If no, what are the reasons?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 14)

Reply:

There should be adequate, in-depth and informed discussions in the community before any proposals to introduce new taxes are implemented. This is not the time to introduce new taxes as fighting the epidemic and reviving the economy are the current priorities of the whole community. Nevertheless, the Government will carry out related research and preparation work, including studying the practices of other places and drawing on their experience. When examining any proposals, we will take all factors into consideration. We will also facilitate in-depth discussions at a suitable time, and earnestly listen to views of the Legislative Council and various sectors of the community in order to forge consensus before introducing new taxes.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)071

(Question Serial No. 0670)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget Speech mentioned the introduction of a progressive element to the rating system and the provision of rates concession to owner-occupied properties on a regular basis. What is the preliminary thinking of the Government? What is the expected time for consulting the relevant Panel of the Legislative Council?

Asked by: Hon KWOK Wai-keung (LegCo internal reference no.: 40)

Reply:

The Financial Services and the Treasury Bureau and the Rating and Valuation Department are reviewing the rating system, including the cases for introducing a progressive element to the rating system, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner of a property. Our target is to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)072

(Question Serial No. 3273)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2021-22, the Government will continue to arrange for the sale of government land through the Land Sale Programme to increase land supply for private housing and other development uses. In this connection, will the Government inform this Committee of the following:

As the decrease in transaction volume of residential properties led to a reduction in the government's revenue from stamp duty on residential property transactions, what measures will the Government take to increase revenue?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 14)

Reply:

The Government will ensure that our financial commitments are commensurate with the growth in revenue through increasing revenue and reducing expenditure.

Government revenue is subject to various factors. Hong Kong must maintain the development and vibrancy of our economy and identify new areas of growth, with a view to raising our revenue. The Government needs to consider seeking new revenue sources or revising tax rates, and reducing one-off relief measures progressively. Having duly considered the impact on the securities market and our international competitiveness, the Government has decided to raise the rate of Stamp Duty on Stock Transfers. It is expected that government revenue will increase as a result. Having regard to the prevailing economic environment and the impact of the epidemic, the Government considers that it is not the appropriate time to revise the rates of profits tax and salaries tax, but will keep in view the situation and make adjustments at the appropriate time. Fighting the epidemic and reviving the economy are our current priorities. This is not the time to introduce new taxes. Nevertheless, the Government will carry out related research and make preparation to facilitate in-depth discussions at a suitable time, and forge consensus before introducing new taxes to increase revenue.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)073

(Question Serial No. 0122)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government set up the Future Fund in 2016 to make longer-term investments for a period of 10 years. The Financial Secretary said that starting from 2021-22, the cumulative investment return of the Fund would be reflected in the Operating Account on a progressive basis, with \$25 billion to be brought back in the first year. Regarding the Fund, will the Government inform this Committee of:

1. the rate and amount of investment return for each of the years since 2016;
2. the estimated amount of investment return forgone in the next five years if the cumulative investment return is brought back on a progressive basis given that the original purpose of setting up the Fund is to make longer-term investments;
3. the ratio to be allocated to the Hong Kong Growth Portfolio and when the Portfolio will commence operation.

Asked by: Hon LUK Chung-hung (LegCo internal reference no.: 27)

Reply:

This question is not directly related to Head 147.

1. The composite rate of return and the investment return of the Future Fund since its establishment are set out below:

	Composite Rate of Return (%)	Investment Return (\$ billion)
2016	4.5	10.1
2017	9.6	22.7
2018	6.1	16.4
2019	8.7	24.4
2020	to be announced later in 2021	

2. The Government does not set any specific target on the investment return of the Future Fund.

The investment return of the Fund forms an integral part of public finance resources but the amount yet to be brought back has not been reflected under the cash-based government accounts. The Financial Secretary announced that starting from 2021-22, the cumulative investment return of the Fund will be reflected in the Operating Account on a progressive basis. Such amount will still be reinvested before it is actually utilised, and hence, there is no anticipated impact on the investment return of the Future Fund.

3. The Government plans to establish a new Hong Kong Growth Portfolio (HKGP), with an initial allocation of 10% from the Future Fund (i.e. about \$22 billion), to make strategic investments in projects with a Hong Kong nexus.

As regards the preparatory work for the HKGP, the Government has already engaged the Hong Kong Monetary Authority to conduct a market survey to better understand the profile of private equity firms with interest to become a general partner (GP) for the HKGP with a view to making the first batch of GP appointment and launching the HKGP as early as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)074

(Question Serial No. 3243)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information regarding the Programme: Statutory Valuation and Assessments:

1. Please provide the numbers of private domestic assessments and changes in their rateable values in the past 3 years, with breakdown by rateable value.
2. It is mentioned in paragraph 180 of the Budget Speech that a review of the rating system will be conducted to see if there is room for improvement, including the case for introducing a progressive element to the rating system and that for providing rates concession to owner-occupied properties on a regular basis. Please set out the relevant details, timetable, work to be done in the coming year and manpower involved.
3. Will the above review cover the issue of owners with multiple properties enjoying rates concessions for all properties? If yes, what are the details?

Asked by: Hon MAK Mei-kuen, Alice (LegCo internal reference no.: 87)

Reply:

The Rating and Valuation Department (RVD) does not compile statistics in respect of private domestic assessments by rateable value. The total numbers of private domestic assessments on the Valuation List and their total rateable values in the past three years are tabulated as follows:

Year (Position as at 1 April of the respective year)	Total number of private domestic assessments	Total rateable value (‘000)
2018	1 802 679	300,449,109
2019	1 824 851	321,252,881
2020	1 858 353	311,076,632

The Financial Services and the Treasury Bureau (FSTB) and RVD are reviewing the rating system, including the cases for introducing a progressive element to the rating system, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner of a property. Our target is to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system. Whether there will be any impact on the provision of rates concession in future will be subject to the outcome of the review.

FSTB and RVD will deploy their existing manpower to complete the review while handling their regular duties. The resources involved have been included in the respective overall establishment and expenditure of FSTB and RVD.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)075

(Question Serial No. 0180)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 46 of the Budget Speech, sectors that have been hard-hit by the epidemic this year include the hotel, beauty, film and catering industries. How will the electronic consumption vouchers introduced in the Budget encourage the public to spend in these industries? Will the effect of stimulating the local economy be significantly reduced if the consumption vouchers are eventually used to pay for daily necessities in major chain stores? What will be the manpower and expenditure involved in the distribution of the consumption vouchers to the public?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 300)

Reply:

The Financial Secretary has announced in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments to each eligible citizen, with the aim of stimulating people's consumption sentiment and energising the local consumption market. It is hoped that the value involved in the consumption vouchers will circulate in the local economy and, with its multiplier effect, boost local consumption to the greatest extent, thereby accelerating economic recovery. The vouchers' scope of coverage will therefore be as extensive as possible, so as to encompass spending on local retail, food and beverages, services, etc. These sectors are encouraged to hold promotional events during the period, so that the consumption vouchers can achieve more remarkable results.

The Government will soon announce that it has initially selected a few stored value facilities (SVF) operators to help implement the consumption voucher scheme. Relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems.

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. SVF operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)076

(Question Serial No. 0337)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 180 of the Budget Speech, the Government intends to change the rating system. The changes include introducing a progressive element to the rating system and shifting the primary liability for rates payment from the occupier to the owner of a property. Has the Government considered the impact of such changes on property prices? If yes, what are the details? In view of the continued drop of non-residential property prices in recent years, will the changes put further pressure on the prices of non-residential properties? Will the Government give more detailed justifications for the need to change the existing rating system?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 54)

Reply:

We seek to explore through the review whether there is any room for improvement with respect to the rating system so as to ensure that the system keeps pace with the times and lives up to public expectation. Rates is a broad-based tax. There are views in the community that it will be more in line with the principle of affordability if those with greater financial capacity shoulder higher rates. As stated in the Budget Speech, the review of the rating system will include the cases for introducing a progressive element to the rating system, providing rates concession to owner-occupied properties on a regular basis, and shifting the primary liability for rates payment from the occupier to the owner of a property to reflect that the ultimate responsibility with regard to a property should rest with its owner. Our target is to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)077

(Question Serial No. 0947)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Financial Secretary, Secretary for Financial Services and the Treasury

Question:

According to the Budget Speech, the Financial Secretary considered that it is not the appropriate time to revise the rates of profits tax and salaries tax, which are our major sources of revenue. Can a clear promise be made that the current-term Government will not increase the profits and salaries taxes before the end of its term of office so as to give the community a respite?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 67)

Reply:

In the past year, government expenditure has increased substantially to combat the epidemic and roll out relief measures, which resulted in our fiscal reserves dropping sharply in two years from the equivalent of 23 months of government expenditure to 13 months. In the face of the challenges of fiscal deficits, the Government should not only reduce expenditure but also increase revenue. Hong Kong needs to maintain the development and vibrancy of our economy and identify new areas of growth, with a view to increasing our revenue. Besides, the Government needs to consider seeking new revenue sources or revising tax rates, and reducing one-off relief measures progressively.

As businesses and individuals are generally under considerable financial pressure amid the prevailing economic environment and the epidemic, it is not the appropriate time to revise the rates of profits tax and salaries tax, which are our major sources of revenue. Nevertheless, the Government will keep in view the situation and make adjustments at the appropriate time.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)078

(Question Serial No. 1016)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 46 of the Budget Speech that the Government will issue electronic consumption 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 and boost local consumption. This measure is expected to involve a financial commitment of about \$36 billion. Will the Bureau inform this Committee of the allocation details of the above funding? Are there any new adjustments made to the number of instalments and the maximum amount per instalment with regard to the issue of the electronic consumption vouchers? If yes, what are the relevant details? Can the consumption vouchers be issued in instalments and the amount of each instalment be disbursed as early as possible by August? What are the estimated administrative expenses to be involved in the scheme? Is it true that no restrictions regarding local consumption will be imposed on the consumption vouchers?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 158)

Reply:

It is proposed in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above, involving a financial commitment of about \$36 billion. It is estimated that among some 7.2 million eligible persons, about 7 million are Hong Kong permanent residents. We are working on the implementation details of the consumption voucher scheme, including the number of instalments, the amount to be disbursed in each instalment and the coverage of the scheme etc., and will give careful consideration to the views of different groups and people. We will announce the details of the scheme as soon as possible. Our target is to commence registration in this summer vacation.

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)079

(Question Serial No. 0055)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech Paragraph 13, “following the relaxation of macro-prudential measures for mortgage loans on non-residential properties by the Hong Kong Monetary Authority (HKMA), as well as the abolition of the Doubled Ad Valorem Stamp Duty on non-residential property transactions by the Government, there was a slight rebound in transactions in the latter part of last year.” Will the Government inform this Committee:

- a. the exact amount of transactions of non-residential properties brought by the abolition of the Doubled Ad Valorem Stamp Duty until end of Feb 2021;
- b. liquidity that has be generated by these transactions;
- c. the criteria that the Government has considered for the abolition of the Doubled Ad Valorem Stamp Duty on non-residential property transactions; and
- d. whether the Government will adopt the same criteria for its consideration for the abolition of “other spicy measures” on residential property.

Asked by: Hon SHEK Lai-him, Abraham (LegCo internal reference no.: 3)

Reply:

- a) The applicable ad valorem stamp duty rates for instruments dealing with non-residential property executed on and after 26 November 2020 are reverted from the rates under Part 2 of Scale 1 to the rates under Scale 2. The number of cases and total amount of consideration from instruments involving non-residential properties executed and stamped since the abolition of the Doubled Ad Valorem Stamp Duty (DSD) on non-residential property transactions are set out in the table below:

Period	Number of cases	Total amount of consideration (\$ million)
26 to 30 November 2020	505	2,542
December 2020	2 119	11,473
January 2021	1 974	9,190
February 2021	551(Note)	2,615
Total	5 149	25,820

Note: As the deadline for stamping of an instrument is 30 days after the execution, some of the instruments executed in February 2021 will only be submitted for stamping in March 2021.

- b) From 26 November 2020 to 28 February 2021, the number of cases and the total amount of consideration for non-residential property transactions are 5 149 and \$25,820 million respectively.
- c) In view of the overheating property market in 2012, DSD was introduced in February 2013 to dampen the demand for residential and non-residential properties and to narrow the supply-demand gap, hence contributing to the stable development of our property market.

As a result of the economic downturn and uncertainties surrounding the COVID-19 pandemic, prices and demand for non-residential properties have declined noticeably for a period of time. The price indexes of office, retail and flatted factory premises dropped by 20%, 15% and 12% respectively in January 2021 from their respective peaks in 2018 or 2019. The transactions of various types of non-residential properties fell by about 80% in the second half of 2020 as compared with the figures in the second half of 2012 (i.e. prior to the introduction of DSD). Given the current economic and market situation, the overheating problem is no longer evident in the non-residential property market.

The abolition of DSD could facilitate selling of non-residential properties by businesses that are encountering financial predicament or liquidity needs because of the economic downturn, mitigating the impact of the pandemic on Hong Kong's economy and business activities.

d) In considering whether there is a need to adjust the demand-side management measures for residential properties, the Government will take into account various factors and make reference to a series of indicators, including residential property prices, the home purchase affordability ratio, transaction volume and supply of residential properties, and local and global economic changes. The Government will, as always, continue to keep watch on the residential property market conditions and take timely and appropriate measures in response to market changes by making reference to relevant indicators.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)080

(Question Serial No. 0064)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech Paragraph 46, the Financial Secretary has mentioned that the Government “will issue electronic consumption 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 and boost local consumption.” In this connection, will the Government inform this Committee:

- a. whether it has estimated the difference in administrative cost and required time for providing cash payouts and electronic consumption vouchers; which scheme will involve lower cost and shorter time;
- b. the justification for issuing electronic consumption vouchers, instead of providing cash payouts;
- c. whether the Government has studied and considered the difficulties that aged citizens and the underprivileged might encounter when they need to apply and use these electronic consumption vouchers? If yes, of the details; if no, of the reasons; and
- d. for citizens who have not acquired smart phones or have difficulties in using smart phones, what kind of measures and assistance will the Government provide them in order to ensure that the aforementioned citizens can also enjoy these \$5,000 electronic consumption vouchers?

Asked by: Hon SHEK Lai-him, Abraham (LegCo internal reference no.: 13)

Reply:

- (a) When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities (SVF) operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible. In view of the fact that the consumption vouchers will be issued in instalments to stimulate consumption sentiments continuously, and that the operational arrangements vary among different SVFs, the preparatory work involved will be more complicated than that of the Cash Payout Scheme, which is a one-time payment by bank transfer or cheque. That being the case, the two schemes are not directly comparable.
- (b) The Government aims to stimulate people's consumption sentiment and energise the local consumption market by issuing consumption vouchers. It is hoped that the value involved will circulate in the local economy and, with its multiplier effect, boost local consumption to the greatest extent, thereby accelerating economic recovery. We believe that issuing consumption vouchers is more effective than paying out cash from the perspective of stimulating consumer spending.
- (c) and (d) The registration procedures of the consumption voucher scheme will be simple, convenient and secure. Different registration channels will be provided for the public to choose from. We will also discuss with the Social Welfare Department on appropriate measures to render assistance to people with special needs, taking into account the arrangements of the Cash Payout Scheme. The Government will soon announce that it has initially selected a few SVF operators to help implement the consumption voucher scheme. Members of the general public, including those without a smartphone, the elderly and the disadvantaged, should be able to choose a suitable means to collect and use the consumption vouchers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)081

(Question Serial No. 0057)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that “there is limited room for curbing expenses related to personal emoluments which account for about 60 per cent of recurrent expenditure of government departments. We can only achieve the target mainly through savings from the remaining 40 per cent of recurrent expenditure, including major items such as general expenses and subventions.” In this connection, will the Bureau inform this Committee of the following:

1. the specific measures for achieving savings;
2. whether targets are set for the savings? If yes, what are the details? If no, what criteria will be used for target assessment?

Asked by: Hon SHEK Lai-him, Abraham (LegCo internal reference no.: 6)

Reply:

This question is not directly related to Head 147.

The Government will have zero growth in the civil service establishment in 2021-22. Besides, it is announced in the Budget that the Government will implement an expenditure reduction programme to reduce expenditure without affecting livelihood-related spending. The objective is to trim recurrent expenditure by 1% in 2022-23. All government departments will strive to reduce general day-to-day expenses by undertaking critical review, adjusting priorities and enhancing efficiency in order to achieve the savings target.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)082

(Question Serial No. 0575)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that the Government will carry out related research and make preparation to facilitate in-depth discussions at a suitable time, and forge consensus before introducing new taxes to increase revenue. Is there a relevant timetable?

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 25)

Reply:

There should be adequate, in-depth and informed discussions in the community before any proposals to introduce new taxes are implemented. This is not the time to introduce new taxes as fighting the epidemic and reviving the economy are the current priorities of the whole community. Nevertheless, the Government will carry out related research and preparation work, including studying the practices of other places and drawing on their experience. When examining any proposals, we will take all factors into consideration. We will also facilitate in-depth discussions at a suitable time, and earnestly listen to views of the Legislative Council and various sectors of the community in order to forge consensus before introducing new taxes.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)083

(Question Serial No. 0469)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government plans to roll out a \$5,000 consumption voucher scheme with existing licensed operators of stored value facilities. In this regard, please advise this Committee on the details of the administration cost for this scheme, including the service charges paid to the operators, the publicity charges and the manpower cost.

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 36)

Reply:

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)084

(Question Serial No. 0544)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that electronic consumption vouchers with a total value of \$5,000 will be issued to each eligible person. The Financial Secretary claimed that he had drawn on the experience of overseas countries, and that “issuing the vouchers in instalments” was the most effective way to boost the economy. In this connection, please inform this Committee of the countries or regions whose experience has been drawn on, and of the data and justifications that support the aforesaid claim.

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 19)

Reply:

In contemplating the consumption voucher scheme, we have drawn on the experience of other places (including Beijing, Macao, Japan, Singapore and Taiwan, etc) in issuing consumption vouchers in recent years. While the arrangements in different places are not the same, with varying length of validity period and scope of coverage in respect of the vouchers, most of these places issued consumption vouchers with validity period and specific face values to the public in instalments. For example, in Beijing, consumption vouchers with a 14-day validity period and a maximum face value of RMB400 were issued in instalments to the public between June and November 2020 as receivable discounts for purchases reaching specified amounts. In Macao, consumption vouchers with a total value of MOP8,000 were issued to the public in two instalments between May and December 2020, with the daily usage maximum capped at MOP300. In Singapore, consumption vouchers totaling S\$400, each with a face value of S\$10, were issued to the public in instalments from last year until this year, and up to 30 vouchers could be used each time.

We believe that issuing consumption vouchers in instalments to eligible citizens for their use in spending within a specified period will keep boosting local consumption during the period and, with its multiplier effect, more merchants would be benefitted, thereby accelerating economic recovery.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)085

(Question Serial No. 0167)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget proposes to review the rating system, including the case for introducing a progressive element to the rating system and that for providing rates concession to owner-occupied properties on a regular basis. Consideration will also be given to shifting the primary liability for rates payment from the occupier to the owner of a property to reflect that the ultimate responsibility with regard to a property should rest with its owner. Please provide information on the work schedule of the review and the estimated manpower and expenditure involved, including whether external consultants will be engaged to conduct independent assessment and study.

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 118)

Reply:

The Financial Services and the Treasury Bureau (FSTB) and the Rating and Valuation Department (RVD) are reviewing the rating system, and aim to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system. FSTB and RVD will deploy their existing manpower to complete the review while handling their regular duties. The resources involved have been included in the respective overall establishment and expenditure of FSTB and RVD.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)086

(Question Serial No. 1487)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary (FS) mentioned in paragraph 46 of his Budget Speech that the Government will issue electronic consumption vouchers of \$5,000 to Hong Kong permanent residents and new arrivals aged 18 or above, so as to boost local consumption. The FS also said in a number of occasions that the vouchers could not be used for payment of rentals, electricity bills and monthly fees. According to media reports, potential e-payment platforms considered suitable for implementing the issuance of the electronic consumption vouchers include PayMe, Octopus, etc. There are online rumours that once the Government issues the electronic consumption vouchers to PayMe, users can immediately transfer the sum to their personal bank balance accounts. Please inform this Committee:

(1) whether the Government is aware of the above loophole; and whether the loophole will go against the original purpose of the provision;

(2) whether the e-payment platforms will be requested to impose restrictions in relation to the issuance of the vouchers; if yes, of the estimated additional expenditures and costs involved;

(3) whether there will be a delay in the issuance of the electronic consumption vouchers originally scheduled for the summer holidays due to the need to plug the loophole.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 50)

Reply:

- (1) and (2) By issuing consumption vouchers, the Government aims to stimulate people's consumption sentiment, enabling the value involved in the consumption vouchers to circulate in the local economy and, with its multiplier effect, boosting local consumption to the greatest extent, thereby accelerating economic recovery.

We plan to issue consumption vouchers in instalments to eligible citizens. They will then be able to, within a specified period, collect and use the vouchers with the selected stored value facilities (SVF) for consumption purpose. We will work with the relevant SVF operators to explore feasible ways to prevent, as far as possible, the consumption vouchers to be used for other purposes, such as encashment or transferring the sums to their own or other people's personal accounts.

Providing the consumption vouchers with a set validity period and scope of coverage is an expected arrangement under the scheme, and an essential element of the relevant system design. As such, no additional costs will be involved.

- (3) The Government is pressing ahead with the preparatory work and will announce the details of the scheme as soon as possible. Our target is to commence registration in this summer vacation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)087

(Question Serial No. 1444)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

This question is related to the \$5,000 electronic consumption vouchers to be issued through electronic platform.

A few years ago, a famous Hong Kong professor of economics shared his friend's experience in paying a prostitute using a mobile phone in the Mainland. In light of this, has the Government assessed whether the electronic consumption vouchers will somehow support the growth of sex industry both online and in older districts in Hong Kong and affect the livelihood of local residents? Will this initiative go against the intention of issuing consumption vouchers by the Financial Secretary? If yes, what follow-up actions will be taken?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 38)

Reply:

To achieve the purposes of encouraging and boosting local consumption, people who have received the consumption vouchers are required to use the vouchers within a specified period by making purchases through designated stored value facilities (SVF) in local merchants in the retail, food and beverage and service sectors.

The Government will soon announce that it has initially selected a few SVF operators to help implement the consumption voucher scheme. We will work with relevant SVF operators to explore feasible ways to ensure, as far as possible, that the vouchers are used in accordance with the original intention of implementing the scheme.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)088

(Question Serial No. 1220)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the \$5,000 electronic consumption voucher scheme proposed in the Budget benefit Mr TANG Lung-wai?

Can Mr TANG ask his relatives to apply for, receive and use the consumption vouchers on his behalf to purchase daily necessities in Hong Kong for his use in prison? If yes, what are the application procedures required?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 20)

Reply:

Members of the public have to meet the eligibility criteria of the consumption voucher scheme before they can register for the scheme and receive the consumption vouchers through specified stored value facilities. We are working on the implementation details of the scheme and will announce the details as soon as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)089

(Question Serial No. 3100)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in paragraph 184 of the Budget Speech that there will be a fiscal deficit of \$257.6 billion for this year and that Hong Kong is expected to record a deficit for the next few years. It was also said that the Housing Reserve and the Future Fund will be brought back to the fiscal reserves. Please inform this Committee of the following:

(1) What are the accumulated balances and the extent of changes of the eight funds established under the Public Finance Ordinance (namely the Capital Works Reserve Fund, the Capital Investment Fund, the Civil Service Pension Reserve Fund, the Disaster Relief Fund, the Innovation and Technology Fund, the Land Fund, the Loan Fund, and the Lotteries Fund) for the past 3 financial years?

(2) Has estimation been made on the balances of these funds that can be brought back to the fiscal reserves to support the middle class who are said to be receiving scant attention from the Government, the small and medium enterprises, and the unemployed. If yes, what are the details? If no, will estimation be made immediately?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 63)

Reply:

This question is not directly related to Head 147.

1. The balances of the eight Funds set up by Resolutions of the Legislative Council in the past three years are tabulated below:

Balances at year end (\$million) and year-on-year changes (%)	2018-19 Actual	2019-20 Actual	2020-21 Revised Estimate
Capital Works Reserve Fund	146,692 (-19.7%)	176,834 (+20.5%)	128,202 (-27.5%)
Capital Investment Fund	332 (-88.6%)	3,360 (+912.0%)	21,702 (+545.9%)
Civil Service Pension Reserve Fund	38,315 (+9.1%)	39,426 (+2.9%)	42,770 (+8.5%)
Disaster Relief Fund	24 (+50.0%)	36 (+50.0%)	27 (-25.0%)
Innovation and Technology Fund	25,939 (+281.7%)	24,833 (-4.3%)	22,465 (-9.5%)
Land Fund	219,730 (-)	219,730 (-)	219,691 (-)
Loan Fund	3,535 (-13.7%)	4,645 (+31.4%)	3,174 (-31.7%)
Lotteries Fund	23,862 (+2.7%)	23,340 (-2.2%)	21,102 (-9.6%)

2. The total balances of the General Revenue Account (GRA) and the above eight Funds constitute the Government's fiscal reserves.

The GRA is for meeting the day-to-day cash flow requirements of the Government's operation. For Funds set up by Resolutions of the Legislative Council, they have their respective designated use. For instance, the Capital Works Reserve Fund is designated for capital works, major systems and equipment; the Innovation and Technology Fund is committed to projects to promote innovation and technology, etc. The Government reviews the fund balances from time to time and will arrange the transfers of surplus sums from Funds to the GRA or required sums from the GRA to Funds for use. The transfers of the balances of these Funds to the GRA do not increase the fiscal reserves.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)090

(Question Serial No. 3082)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The issuing of \$5,000 electronic consumption vouchers as announced by the Financial Secretary (FS) has drawn scathing criticism. The FS said that there was room for adjustment to the way the consumption vouchers are to be used. To benefit the public in a timely manner and to reduce administrative cost, will the Government consider re-using the system involving banks adopted for the universal cash payout of \$10,000 in the year before, with some restrictions imposed, to provide a cash payout of \$5,000 to all Hong Kong citizens?

It was found during a visit to a traditional old market by the media that Octopus is accepted for payment by only 1 meat stall in the entire market, while all others just accept payment in cash. The use of electronic consumption vouchers is therefore not convenient for the public, especially residents in older districts.

Given that the administrative cost of the electronic consumption voucher scheme is as high as \$600 million and that the vouchers will only be issued in summer (around half a year later) at the earliest, the scheme is both time-consuming and cumbersome.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 34)

Reply:

The Financial Secretary has announced in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments to each eligible citizen, with the aim of stimulating people's consumption sentiment and energising the local consumption market. It is hoped that the value involved in the consumption vouchers will circulate in the local economy and, with its multiplier effect, boost local consumption to the greatest extent. We believe issuing consumption vouchers is, from the perspective of stimulating consumer spending, more effective than handing out cash.

The Government will soon announce that it has initially selected a few stored value facilities (SVF) operators to help implement the consumption voucher scheme. Members of the general public, including those without a smartphone and the elderly, should be able to choose a suitable means to collect and use the consumption vouchers. Furthermore, relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems.

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. SVF operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible. Our target is to commence registration in this summer vacation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)091

(Question Serial No. 0954)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Organisation for Economic Co-operation and Development is drawing up new proposals to address base erosion and profit shifting (BEPS 2.0), which include the introduction of a global minimum tax rate and a digital tax. In mid-2020, the Advisory Panel on BEPS 2.0 commenced work and the Government has been collecting views from stakeholders in the business sector at the same time. In this connection, would the Government inform this Committee:

1. of the measures that had been implemented in the past to address base erosion and profit shifting;
2. whether additional tax revenue can be generated for Hong Kong if BEPS 2.0 is implemented; if so, of the estimated amount of additional revenue that will be brought to the Government on an annual basis?

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 18)

Reply:

Hong Kong has all along been supportive of the international efforts to enhance tax transparency and combat tax evasion. The Organisation for Economic Co-operation and Development (OECD) promulgated in October 2015 a package of 15 action plans to combat base erosion and profit shifting (BEPS) of multinational enterprises. Hong Kong indicated in June 2016 its commitment to implement the BEPS package, and enacted amendments to the Inland Revenue Ordinance (IRO) in July 2018 to implement the four minimum standards of the BEPS package, namely imposing country-by-country reporting requirements, improving cross-border dispute resolution mechanism, countering harmful tax practices and preventing tax treaty abuse. Hong Kong also codified the transfer pricing principles into the IRO.

The OECD is working on proposals to respond to the BEPS risks arising from the digitalisation of economy (BEPS 2.0 proposals), which include a global minimum tax rate and a digital tax.

To formulate response measures, the Government set up an Advisory Panel in June last year to review the possible impact of the BEPS 2.0 proposals on the competitiveness of the business environment of Hong Kong, and to make recommendations to the Financial Secretary on how to facilitate the sustainable development of Hong Kong as an international financial, trading and business centre in light of the changing international tax landscape. The Advisory Panel has also consulted the stakeholders of the business sector. Taking into account the preliminary views of the Advisory Panel, the Financial Secretary presented in his Budget Speech the direction of the Government's response measures. The Financial Secretary indicated that Hong Kong would actively implement BEPS 2.0 according to international consensus while striving to maintain the key advantages of our tax regime in terms of simplicity, certainty and fairness; minimise the compliance burden on the affected enterprises; and continue to improve the business environment and competitiveness of Hong Kong. The Advisory Panel on BEPS 2.0 will submit a report to the Government after the BEPS 2.0 proposals are finalised. We will then carefully study the report with a view to formulating specific response measures.

Subject to the OECD's finalisation of the BEPS 2.0 proposals and the global minimum tax rate, the Government will formulate specific response measures. The affected multinational enterprises may also adjust their business models to lessen their tax burden having regard to the BEPS 2.0 proposals and the response measures adopted by other places. It is premature at this stage to estimate the impact of the BEPS 2.0 proposals on the Government revenue.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)092

(Question Serial No. 1795)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

A total of some \$68.6 billion has been expended in 2020-21 under the Cash Payout Scheme launched in 2020, with the balance being around \$2.4 billion. Please advise this Committee on the following:

1. the number of permanent residents aged 18 who registered under the Scheme and the number of those who made an application under the Community Care Fund, as well as the amounts involved;
2. the respective numbers of persons who registered by electronic means and by submission of a paper registration form (through banks to receive payment by direct transfer to individual bank accounts and through post offices to receive payment by cheque) and their ratio in table form;
3. a breakdown of the total administrative cost of the Scheme in table form;
4. the duration for which the information will be kept in the system platform of the Scheme for use by similar schemes in future.

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 59)

Reply:

1. The Cash Payout Scheme is an initiative announced in the 2020-21 Budget for disbursing \$10,000 to each Hong Kong permanent resident aged 18 or above. The registration period is from 21 June 2020 to 31 December 2021. As at 31 March this year, around 6.45 million eligible persons have received payment under the Scheme, accounting for over 90% of the total number of eligible persons. The revised estimated expenditure for 2020-21 is about \$68.6 billion.

As for the “One-off Allowance for New Arrivals from Low-income Families” programme launched by the Community Care Fund in response to the Cash Payout Scheme, it is not part of the Cash Payout Scheme. The number of applicants and the estimated expenditure for the programme are not included in the above figures.

2. As at 31 March 2021, the breakdown of successful payments under the Cash Payout Scheme by registration channel is as follows:

Registration channel	Submission method	Number of registrations	As a percentage of the total number of registrations
Banks	Internet banking	3 312 163	51.3%
	Bank’s website	1 791 060	27.8%
	Paper registration form	1 145 354	17.8%
Hongkong Post	Electronic registration form	47 796	0.7%
	Paper registration form	101 985	1.6%
Other means (including the Secretariat and the Correctional Services Department)	Paper registration form	51 765	0.8%
	Total	6 450 123	100%

3. The latest estimated administrative cost of the Cash Payout Scheme is about \$306 million, accounting for about 0.4% of the revised estimated expenditure of the Scheme. The breakdown is as follows:

Item	Estimated administrative cost
Manpower expenses (including civil servants and contract staff)	\$142 million
Service fees of assisting agencies (including banks and Hongkong Post)	\$100 million
Computer systems	\$22 million
Enquiry hotline	\$11 million
Publicity and promotion	\$11 million
Others (including office rental of the Secretariat)	\$20 million

4. The Government has made use of a personal information collection statement in the registration form of the Cash Payout Scheme to seek the consent of the registrants for reusing their personal data for the purpose of similar schemes implemented by the Government in future. A database has also been developed for keeping these information. In launching the consumption voucher scheme announced in the 2021-22 Budget, we plan to make use of the database to establish a centralised electronic registration platform for people to register online. For registrants who have registered and received payment under the Cash Payout Scheme, they are not required to fill in their personal details again if there is no change. Once the registrants have provided the details of the stored value facilities used for receiving the consumption vouchers and agreed to the declaration and undertaking (including the personal information collection statement therein), the registration will be completed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)093

(Question Serial No. 1793)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Bureau will continue to oversee the Government's procurement policy, and to update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles and other policy objectives of the Government in the coming year. Please inform this Committee of:

1. the direction, content and scope of the review;
2. the timetable of the specific plan and the expected completion time; and
3. the manpower and resources involved.

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 57)

Reply:

The Government reviews and improves the procurement policy from time to time, such as delegating the approving authority for the procurement of low-value goods, services and revenue contracts to streamline the approval procedures, and dispensing with the requirement of financial vetting for low-value or low risk procurements to expedite procurement process.

The Government Logistics Department is collecting feedback and data from procuring departments on the overall government procurement arrangements and their effectiveness. In 2021-22, we will make reference to the information collected and explore room for further updating or streamlining the prevailing arrangements. This is an on-going work undertaken by existing staff of the Financial Services and the Treasury Bureau (the Treasury Branch) and does not involve any additional expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)094

(Question Serial No. 1794)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The Bureau will continue the drive to streamline financial regulations within the Government in the coming year. What are the details of the relevant work?
2. The Government will implement an expenditure reduction programme by requiring all policy bureaux and departments to reduce expenditure. The objective is to trim recurrent expenditure by 1% in 2022-23. The estimated savings will be about \$3.9 billion. As shown in the Medium Range Forecast of the Government, Hong Kong is projected to record a deficit for 5 years. For how long will this programme be implemented under the current plan?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 58)

Reply:

1. The Government reviews and refines internal financial regulations from time to time and assesses the need of updating or streamlining these regulations, so as to keep them in line with present day circumstances. This is an on-going work of the Financial Services and the Treasury Bureau (The Treasury Branch). In the past 5 years, the Treasury Branch has consolidated and streamlined 53 Financial Circulars to 43. In the coming year, the Treasury Branch will continue to make the best use of its existing resources to carry out the relevant work.
2. Under the current plan, this expenditure reduction programme is planned for implementation in 2022-23, with a target of trimming the recurrent expenditure by 1% within the year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)095

(Question Serial No. 1809)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (the Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Director of Bureau's Office

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. What are the numbers of non-civil service contract (NCSC) staff members employed by the Director of Bureau's Office and the relevant expenditures in the past 3 years?
2. Are there any establishment and expenditure ceilings on the NCSC staff members employed by the Director of Bureau? If yes, what are the relevant establishment and expenditure ceilings?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 74)

Reply:

1. A full-time ^(Note) non-civil service contract (NCSC) staff was employed by the Financial Services and the Treasury Bureau to work in the Director of Bureau's Office for the period from 30 June 2018 to 30 June 2020, with a total cost of around \$570,000.
2. Under the NCSC Staff Scheme, Heads of Bureaux/Departments (B/Ds) may engage NCSC staff to cope with changing operational and service needs (a) which are time-limited, seasonal, or subject to market fluctuations; or (b) which require staff to work less than the conditioned hours; or (c) which require tapping the latest expertise in a particular area; or (d) where the mode of delivery of the services involved is under review or likely to be changed. The Civil Service Bureau (CSB) has set a ceiling for the number of NCSC staff for individual B/Ds in the light of their specific operational needs, and B/Ds are required to seek prior approval from the CSB for employment of NCSC staff over and above the prescribed ceiling.

Hence, the Financial Services and the Treasury Bureau (the Treasury Branch) will engage NCSC staff to cope with its operational needs having regard to the above requirements and the budget for operational expenses.

Note : "Full-time" means the employment is on a "continuous contract" under the definition of the Employment Ordinance (EO). According to the EO, an employee who works continuously for the same employer for 4 weeks or more, with at least 18 hours in each week, is regarded as working under a continuous contract.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)096

(Question Serial No. 1800)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary has requested the Financial Services and the Treasury Bureau and the Rating and Valuation Department (RVD) to review the rating system, including the case for introducing a progressive element to the rating system and that for providing rates concession to owner-occupied properties on a regular basis. At the same time, the Government will also consider shifting the primary liability for rates payment from the occupier to the owner of a property to reflect that the ultimate responsibility with regard to a property should rest with its owner.

1. What is the current schedule of the review on the need for reforming the rating system? What are the estimated amounts of manpower and resources required for the review?
2. Has RVD kept any records in respect of owner-occupied and non-owner-occupied domestic units? If yes, since which year have such records been kept?
3. If RVD does not have any records in respect of owner-occupied and non-owner-occupied domestic units, will RVD collect and analyse the relevant information in the short to medium term to facilitate the Government's current plan to conduct the review on the need for reforming the rating system? Alternatively, will the Inland Revenue Department pass the information relating to property tax, etc. to RVD for analysis? What are the estimated amounts of resources and manpower required for such data collection and analysis?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 65)

Reply:

The Financial Services and the Treasury Bureau (FSTB) and the Rating and Valuation Department (RVD) are reviewing the rating system, and aim to consult the relevant Panel of the Legislative Council in 2021 on whether and how to amend the rating system. FSTB and RVD will deploy their existing manpower to complete the review while handling their regular duties. The resources involved have been included in the respective overall establishment and expenditure of FSTB and RVD.

RVD does not compile statistics in respect of the mode of occupation of all domestic units (i.e. owner-occupied or let). We will collect and make reference to the relevant information or data where necessary when reviewing the rating system.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)097

(Question Serial No. 2614)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What specific measures will be taken to streamline financial regulations within the Government in the coming 3 years? How much savings in cost and resources are expected to be achieved for the Government with those measures?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 16)

Reply:

The Government reviews and refines internal financial regulations from time to time and assesses the need of updating or streamlining these regulations, so as to keep them in line with present day circumstances. Since this is an on-going work of the Financial Services and the Treasury Bureau (The Treasury Branch) which is undertaken by existing staff, it does not involve any additional expenditure. In the past 5 years, the Treasury Branch has consolidated and streamlined 53 Financial Circulars to 43. In the coming year, the Treasury Branch will continue to make the best use of its existing resources to carry out the relevant work.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)098

(Question Serial No. 2613)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Would the Government inform this Committee of the estimated administration cost of the consumption voucher scheme, as well as the specific details of the administration cost? When does the Government expect to launch the consumption vouchers?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 15)

Reply:

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible. We will announce the details of the scheme as soon as possible. Our target is to commence registration in this summer vacation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)099

(Question Serial No. 2930)

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) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government inform this Committee of the trading partners with whom the Government plans to enter into Comprehensive Avoidance of Double Taxation Agreements in the next three years? What economic benefits will be brought to Hong Kong by these agreements?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 14)

Reply:

A Comprehensive Avoidance of Double Taxation Agreement (CDTA) sets out the allocation of taxing rights between Hong Kong and its CDTA partner as well as relief on the tax rates on different types of income. A CDTA helps investors better assess their potential tax liabilities from cross-border economic activities, foster economic and trade links between Hong Kong and the other place, and provide incentives for enterprises of the two places to conduct businesses or invest in the other side.

Hong Kong has so far signed CDTAs with 45 tax jurisdictions, and is in negotiations with 12 tax jurisdictions, namely Bahrain, Bangladesh, Cyprus, Germany, Israel, Lithuania, Maldives, Mauritius, North Macedonia, Norway, Nigeria and Turkey.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)100

(Question Serial No. 2921)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (the Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the administrative cost for launching the consumption vouchers, which reportedly amounts to \$600 million, what are the details of the estimate, including the manpower involved and the service providers of the payment platforms?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 2)

Reply:

When preparing the budget for the consumption voucher scheme, the Government has set aside about \$600 million to meet administrative expenses. These include the costs of providing additional manpower in different departments to assist with the preparation for and implementation of the scheme, setting up relevant computer systems and other ancillary facilities, paying service fees to assisting agencies (e.g. stored value facilities operators), setting up enquiry hotlines, and conducting publicity and promotional activities, etc. The above estimated expenditure is only a rough estimate. The Government is pressing ahead with the preparatory work and will reduce the administrative expenses as far as possible.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)101

(Question Serial No. 1001)

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): ()

Programme: ()

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is proposed in the Budget that electronic consumption vouchers with a value of \$5,000 be issued to each Hong Kong permanent resident and new arrival aged 18 or above. It will cost a total of about \$36 billion and is expected to benefit around 7.2 million people.

1. This measure will indeed help boost local consumption and expedite economic recovery. That said, as the electronic consumption vouchers will mainly benefit the retail and catering sectors, will the Government consider extending the use of such vouchers to tourism and related sectors?
2. Will the Government consider, with reference to the subsidy scheme for promotion of contactless payment in public markets under the third round of the Anti-epidemic Fund, encouraging small and medium enterprises (SMEs) to install electronic payment facilities by means of a subsidy, thereby enabling small shops to benefit from the consumption voucher scheme and reducing the risk of virus transmission through the use of cash?
3. Will the Government consider discussing with various payment platforms a waiver of commission for the use of consumption vouchers so as to reduce the SMEs' expenses in this regard?

Asked by: Hon YIU Si-wing (LegCo internal reference no.: 31)

Reply:

1. The Financial Secretary has announced in the Budget that electronic consumption vouchers with a total value of \$5,000 will be issued in instalments to each eligible citizen, with the aim of stimulating people's consumption sentiment, enabling the value involved in the consumption vouchers to circulate in the local economy and, with its multiplier effect, boosting local consumption to the greatest extent, thereby accelerating economic recovery. The vouchers' scope of coverage will therefore be as extensive as possible, so as to encompass spending on local retail, food and beverages, and services, etc. These sectors are encouraged to hold promotional events during the period, so that the effect of the consumption vouchers can be more remarkable.
2. and 3. The Government will soon announce that it has initially selected a few stored value facilities operators to help implement the consumption voucher scheme. Relevant operators have agreed to waive as much as possible the installation and usage fees for local merchants (especially small and medium enterprises), as well as the transaction fees for processing payments by consumption vouchers, with a view to encouraging more local merchants to participate in the scheme and use electronic payment systems.

- End -