

**For discussion  
on 1 March 2021**

**Legislative Council Panel on Housing**

**Review of the Income and Asset Limits  
for Public Rental Housing for 2021/22**

**PURPOSE**

This paper updates and seeks Members' views on the outcome of the review of the income and asset limits for public rental housing (PRH) for 2021/22.

**THE REVIEW**

2. The outcome of the review is set out in the Memorandum for the Hong Kong Housing Authority's Subsidised Housing Committee (SHC) at **Annex**. In gist, the proposed PRH income limits for 2021/22 will increase by an average of 0.3% over those for 2020/21; and the proposed PRH asset limits will be frozen at the existing levels.

3. We will consolidate Members' views for SHC's consideration when it discusses the above mentioned SHC Memorandum at its meeting on 15 March 2021.

**Transport and Housing Bureau  
February 2021**

**Memorandum for the Subsidised Housing Committee of  
the Hong Kong Housing Authority**

**Review of the Income and Asset Limits  
for Public Rental Housing for 2021/22**

**PURPOSE**

This paper seeks Members' endorsement of the proposed income and asset limits for public rental housing (PRH) for 2021/22.

**RECOMMENDATION**

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2. It is recommended that the proposed PRH income and asset limits (as set out in paragraphs 11, 15 and **Annex B**) be adopted for 2021/22.

**BACKGROUND**

3. It is the Hong Kong Housing Authority (HA)'s objective to provide PRH to low-income families who cannot afford to rent private accommodation. The eligibility of PRH applicants is determined by, among others, the PRH income limit, which represents the household income needed to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. Households with income and assets below the prescribed limits are deemed to be low-income families who are unable to afford renting private accommodation, and hence are eligible for PRH<sup>Note 1</sup>. The limits are assessed annually to keep them in line with the prevailing socio-economic circumstances.

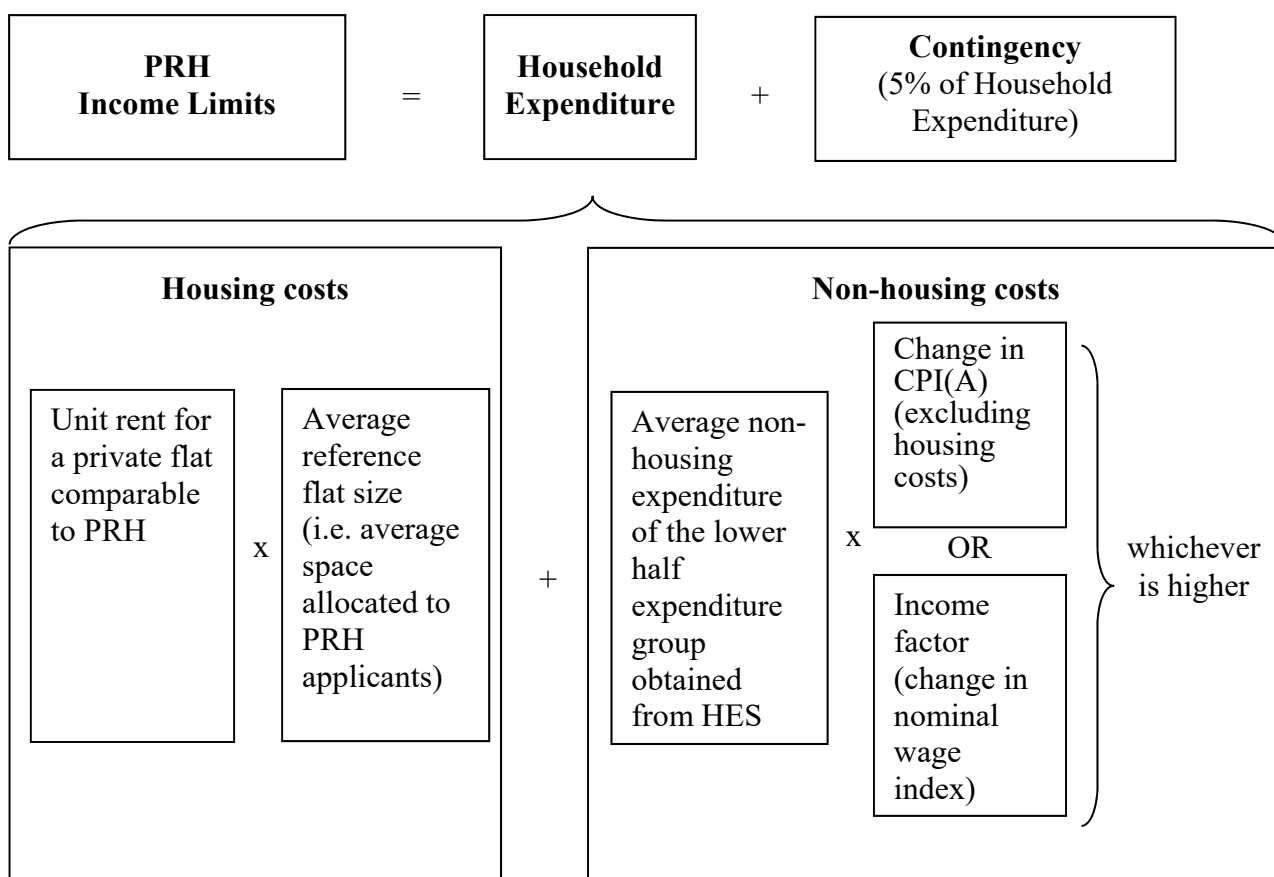
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Note 1 Applicants also need to meet other eligibility criteria for PRH (e.g. applicants and their family members must not possess any domestic properties in Hong Kong; at least half of the family members included in the application must have lived in Hong Kong for seven years and are still living in Hong Kong at the time of flat allocation, etc.)

## REVIEW OF THE INCOME LIMITS

### *Review mechanism*

4. Under the established mechanism, the PRH income limits are derived based on a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision. Housing costs measure the costs of renting a private flat comparable to PRH, and these depend on the differential unit rents of private accommodation and reference flat sizes. The non-housing costs are determined with reference to the latest Household Expenditure Survey (HES) conducted by the Census and Statistics Department (C&SD), and adjusted by the latest movement in the Consumer Price Index ((CPI)(A)(excluding housing costs)), or the change in the nominal wage index as the income factor, whichever is higher. The PRH income limits for different household sizes are the respective sums of the above two major cost items, plus a 5% contingency provision<sup>Note 2</sup>. The mechanism is summarised in the following diagram –



Note 2 In accordance with the established practice, the PRH income limits are rounded to the nearest ten.

### *Housing costs*

5. Under the established mechanism, housing costs are the costs required for a household to rent a private flat of comparable size to PRH. The exact figure is obtained by multiplying the reference flat size, i.e. average space (in terms of IFA) of flats allocated to PRH applicants in the past three years, by a unit rent of private dwellings based on data from the Rent Survey regularly conducted by C&SD<sup>Note 3</sup>. In calculating the housing costs of 1-person and 2-person households, the respective differential unit rent or the overall average unit rent, whichever is higher, is adopted. For households of three persons or above, the overall average unit rent is adopted<sup>Note 4</sup>.

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Note 3 Unit rents are derived from the rental levels of tenant households in private residential units with saleable area of 69.9 m<sup>2</sup> or below based on C&SD's Rent Survey in the fourth quarter of 2020, and are adjusted to IFA basis. The Rent Survey is a special topic enquiry in the General Household Survey conducted by C&SD.

Note 4 Prior to the review in 2002/03, in assessing the housing expenditure, a single unit rent was adopted irrespective of household size. When the then Rental Housing Committee reviewed the mechanism for setting the PRH income and asset limits at its meeting on 28 February 2002, it considered that in reality, small households (particularly the singletons) had to bear higher per unit rental costs than households with more members. Therefore, it was endorsed that differential unit rents for the respective household size should be adopted should they be higher than the overall average unit rent.

6. Table 1 below shows the above parameters and the housing costs so derived in last year's review and the current one –

**Table 1**

<b>Parameters</b>	<b>Review for</b>	<b>Review for</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>% change</b>
	<u>2016/17 –</u>	<u>2017/18 –</u>	
	<u>2018/19</u>	<u>2019/20</u>	
(a) Reference flat size			
- 1-person	14.9 m <sup>2</sup>	15.0 m <sup>2</sup>	
- 2-person	22.3 m <sup>2</sup>	22.4 m <sup>2</sup>	
- 3-person	30.2 m <sup>2</sup>	30.1 m <sup>2</sup>	
- 4-person	35.6 m <sup>2</sup>	35.5 m <sup>2</sup>	
- 5-person	37.6 m <sup>2</sup>	38.2 m <sup>2</sup>	
- 6-person	44.4 m <sup>2</sup>	44.2 m <sup>2</sup>	
- 7-person	52.5 m <sup>2</sup>	51.8 m <sup>2</sup>	
- 8-person	60.0 m <sup>2</sup>	59.2 m <sup>2</sup>	
- 9-person	67.5 m <sup>2</sup>	66.6 m <sup>2</sup>	
- 10-person or above	75.0 m <sup>2</sup>	74.0 m <sup>2</sup>	
	<u>4Q 2019</u>	<u>4Q 2020</u>	
(b) Differential unit rents of private flats (per m <sup>2</sup> Internal Floor Area (IFA))			
- 1-person	\$407	\$409	
- 2-person	\$367	\$366	
- Overall	\$363	\$359	
<b>Housing costs</b>			
- 1-person	\$6,064	\$6,135	+1.2%
- 2-person	\$8,184	\$8,198	+0.2%
- 3-person	\$10,963	\$10,806	-1.4%
- 4-person	\$12,923	\$12,745	-1.4%
- 5-person	\$13,649	\$13,714	+0.5%
- 6-person	\$16,117	\$15,868	-1.5%
- 7-person	\$19,058	\$18,596	-2.4%
- 8-person	\$21,780	\$21,253	-2.4%
- 9-person	\$24,503	\$23,909	-2.4%
- 10-person or above	\$27,225	\$26,566	-2.4%

### *Non-housing costs*

7. Under the established mechanism, the non-housing expenditure statistics of the lower half expenditure group among tenant households in the private sector, excluding those households comprising solely elderly or non-working members, obtained from the latest HES <sup>Note 5</sup> are adopted. Adjustments are then made according to the latest movement in the CPI(A)(excluding housing costs), or the change in the nominal wage index compiled from the Labour Earnings Survey (LES) conducted by C&SD as the income factor <sup>Note 6</sup>, whichever is higher.

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Note 5 This refers to the HES 2014/15 released in April 2016. C&SD conducts HES once every five years to collect up-to-date information on the expenditure patterns of households in Hong Kong.

Note 6 At its meeting on 7 February 2013, the Subsidised Housing Committee (SHC) approved the refinement to the mechanism for reviewing the PRH income limits, whereby the change in nominal wage index was introduced as the income factor to reflect changes in income (including implementation and changes of the statutory minimum wage (SMW)) in a timely manner before the HES results are updated. Since the scope of SMW covers occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who are most likely to be the potential applicants for PRH, the change in nominal wage index was considered to be a suitable yardstick to gauge changes in income of the PRH target group and to reflect the impact of SMW on income.

8. The yearly change in CPI(A)(excluding housing costs) as at the fourth quarter of 2020 is -1.1%. The yearly change in nominal wage index as at the third quarter of 2020 <sup>Note 7</sup> is +1.0%. As the yearly change in nominal wage index (+1.0%) is higher than the yearly change in CPI(A)(excluding housing costs) (-1.1%), the change in nominal wage index is adopted to adjust the non-housing costs obtained from the HES. Table 2 below shows the above parameters and the non-housing costs so derived –

**Table 2**

<b>Parameters</b>	<b>Review for 2020/21</b>	<b>Review for 2021/22</b>	
	<u>3Q 2019</u>	<u>3Q 2020</u>	
(a) Change in nominal wage index as compared with the same quarter of previous year	+3.4%	+1.0%	
	<u>4Q 2019</u>	<u>4Q 2020</u>	
(b) Change in CPI(A)(excluding housing cost) as compared with the same quarter of previous year	+3.8%	-1.1%	
<b>Non-housing costs</b>			<b>% change</b>
- 1-person	\$6,125	\$6,186	+1.0%
- 2-person	\$10,319	\$10,422	+1.0%
- 3-person	\$12,286	\$12,409	+1.0%
- 4-person	\$16,557	\$16,723	+1.0%
- 5-person	\$21,481	\$21,696	+1.0%
- 6-person	\$22,774	\$23,002	+1.0%
- 7-person	\$25,486	\$25,741	+1.0%
- 8-person	\$28,041	\$28,321	+1.0%
- 9-person	\$30,460	\$30,765	+1.0%
- 10-person or above	\$32,758	\$33,086	+1.0%

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Note 7 As the summary statistics of LES are presented in the Quarterly Report of Wage and Payroll Statistics published by C&SD in March, June, September and December each year, SHC agreed at its meeting on 7 February 2013 that a yearly comparison can be made by using figures published in December (i.e. the nominal wage index in the third quarter) to tie in with the established schedule of conducting the review of PRH income and asset limits for the new limits to come into effect on 1 April every year.

***Total household expenditure***

9. The total household expenditure, which is the sum of the housing costs and non-housing costs, is shown in Table 3 below –

**Table 3**

<b>Total household expenditure</b>	<b>Review for 2020/21</b>	<b>Review for 2021/22</b>	<b>% change</b>
- 1-person	\$12,189	\$12,321	+1.1%
- 2-person	\$18,503	\$18,620	+0.6%
- 3-person	\$23,249	\$23,215	-0.1%
- 4-person	\$29,480	\$29,468	-0.04%
- 5-person	\$35,130	\$35,410	+0.8%
- 6-person	\$38,891	\$38,870	-0.1%
- 7-person	\$44,544	\$44,337	-0.5%
- 8-person	\$49,821	\$49,574	-0.5%
- 9-person	\$54,963	\$54,674	-0.5%
- 10-person or above	\$59,983	\$59,652	-0.6%



***Proposed PRH income limits for 2021/22***

10. Based on the above factors and adding in a contingency provision of 5% of household expenditure, the PRH income limits for 2021/22 as calculated according to the established formula are tabulated in Table 4 below –

**Table 4** <sup>Note 8</sup>

	<b>Existing PRH income limits for 2020/21</b>	<b>PRH income limits for 2021/22 as calculated according to established mechanism</b>	<b>% change</b>
- 1-person	\$12,800 (\$13,474)	\$12,940 (\$13,621)	+1.1%
- 2-person	\$19,430 (\$20,453)	\$19,550 (\$20,579)	+0.6%
- 3-person	\$24,410 (\$25,695)	\$24,380 (\$25,663)	-0.1%
- 4-person	\$30,950 (\$32,579)	\$30,940 (\$32,568)	-0.03%
- 5-person	\$36,890 (\$38,832)	\$37,180 (\$39,137)	+0.8%
- 6-person	\$40,840 (\$42,989)	\$40,810 (\$42,958)	-0.1%
- 7-person	\$46,770 (\$49,232)	\$46,550 (\$49,000)	-0.5%
- 8-person	\$52,310 (\$55,063)	\$52,050 (\$54,789)	-0.5%
- 9-person	\$57,710 (\$60,747)	\$57,410 (\$60,432)	-0.5%
- 10-person or above	\$62,980 (\$66,295)	\$62,640 (\$65,937)	-0.5%
			(Overall: +0.03%)

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Note 8 Statutory contributions under the Mandatory Provident Fund (MPF) Scheme are deductible from a household's income when applying for PRH. In other words, the PRH income limits should apply to their household income net of MPF contributions. For households contributing 5% of their income under the MPF, the effective income limits inclusive of their statutory MPF contribution (= income limits ÷ 95%) are shown in brackets in the table.

11. As shown in Table 4 above, the income limits for 1-person, 2-person and 5-person households will increase if adjustment is made according to the established formula, while that for households with 3 persons, 4 persons, 6 persons to 10 persons or above will reduce. On the other hand, in deriving the 2021/22 PRH income limits, special consideration may be warranted given the unprecedented COVID-19 pandemic and the resulting very challenging economic situation. In particular, the livelihood of low-income families, who are target groups for PRH, has been seriously affected. In light of the unique circumstances, we consider that exceptional treatment is justified. With reference to past practice <sup>Note 9</sup>, we recommend freezing the income limits for households with 3 persons, 4 persons, 6 persons to 10 persons or above at the existing levels, while adjusting the income limits for households with 1 person, 2 persons and 5 persons in accordance with the established mechanism.

12. If the proposed PRH income limits for 2021/22 are adopted, there will be an overall increase of 0.3% on average over the 2020/21 level. Detailed calculation of the proposed PRH income limits for 2021/22 is summarised at ----- **Annex A**. The proposed PRH income and asset limits for various household sizes as compared with the limits in 2020/21 are set out at **Annex B**.

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Note 9 SHC has endorsed freezing the PRH income limits for certain household sizes on several occasions in the past –

- (i) when reviewing the PRH income limits for 2012/13, the income limits for households with 1 and 2 persons as calculated according to the established mechanism (i.e. \$8,230 and \$12,790 respectively) were both lower than those in 2011/12 (i.e. \$8,740 and \$13,410 respectively). Taking into account various factors (such as the economic situation then), SHC agreed to freeze the PRH income limits for households with 1 and 2 persons at the 2011/12 level, rather than adjusting them downwards;
- (ii) when reviewing the PRH income limits for 2017/18, the income limit for 3-person households derived according to the established mechanism at the time (\$21,340) was lower than the respective limit in 2016/17 (\$22,390). Upon consideration, SHC agreed to freeze the existing income limit for 3-person households at the 2016/17 level (i.e. \$22,390); and
- (iii) when reviewing the PRH income limits for 2018/19, the income limit for 3-person households derived according to the established mechanism at the time (\$22,020) was lower than the respective limit in 2017/18 (\$22,390). With reference to the practice in the review for 2017/18, past experience in reviewing PRH income limits and the overall situation of the income limit adjustments, SHC endorsed freezing the income limit for 3-person households at the 2017/18 level (i.e. \$22,390).

## REVIEW OF THE ASSET LIMITS

### *Review mechanism*

13. Under the established mechanism, the PRH asset limits are adjusted with reference to the movements in CPI(A) over the year<sup>Note 10</sup>. In 2005, SHC agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. In 2006, SHC further endorsed that the asset limits for 2005/06 should be adopted as the basis for future annual adjustments with reference to the movements in CPI(A).

### *Proposed PRH asset limits for 2021/22*

14. Under the established mechanism, the existing PRH asset limits should be adjusted downwards by 0.3% in accordance with the change in CPI(A) over the year. The relevant parameter and the PRH asset limits for 2021/22 as calculated according to the established mechanism are summarised in Table 5 below –

**Table 5**

Parameter	Review for 2020/21	Review for 2021/22
	<u>4Q 2019</u>	<u>4Q 2020</u>
Change in CPI(A) as compared with the same quarter of previous year	+3.4%	-0.3%
	Existing PRH asset limits for 2020/21	PRH asset limits for 2021/22 as calculated according to established mechanism
- 1-person	\$266,000	\$265,000
- 2-person	\$360,000	\$359,000
- 3-person	\$469,000	\$468,000
- 4-person	\$548,000	\$546,000
- 5-person	\$609,000	\$607,000
- 6-person	\$659,000	\$657,000
- 7-person	\$703,000	\$701,000
- 8-person	\$737,000	\$735,000
- 9-person	\$815,000	\$813,000
- 10-person or above	\$878,000	\$875,000

(Overall : -0.3%)

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Note 10 In accordance with the established practice, the PRH asset limits are rounded to the nearest thousand.

15. In line with the considerations and the proposed exceptional treatment of the PRH income limits for households with 3 persons, 4 persons, 6 persons to 10 persons or above as set out in paragraph 11, we recommend freezing the PRH asset limits at the existing levels for all household sizes. The proposed PRH asset limits for various household sizes as compared with the limits in 2020/21 are set out at **Annex B**.

## **IMPLICATIONS**

16. The proposed income limits for 1-person, 2-person and 5-person households are higher than the existing levels, hence should theoretically cover more households. However, we are unable to estimate the number of additional households who will apply for PRH due to the new limits. Analysing only the income level based on the results of C&SD's General Household Survey as at the fourth quarter of 2020, some 164 400 non-owner occupier households living in private housing (33.2% of the total number of non-owner occupier households living in private housing) would meet the new income criterion<sup>Note 11</sup>. However, this number has included households who have already applied for PRH, as well as those who can meet the income criterion but not other eligibility criteria for PRH (e.g. the asset limits, domestic property ownership in Hong Kong, years of residence in Hong Kong, etc.)

## **INCOME AND ASSET LIMITS UNDER THE “WELL-OFF TENANTS POLICIES”**

17. At present, under the Housing Subsidy Policy and Policy on Safeguarding Rational Allocation of Public Housing Resources (collectively known as “well-off tenants policies”), households who have resided in PRH for ten years are required to declare their income and assets biennially. Households who have resided in PRH for ten years or above with an income level exceeding the prescribed limits need to pay additional rent<sup>Note 12</sup>; those with income or assets

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Note 11 In comparison with the existing income limits, about 700 more non-owner occupier households living in private housing would meet the proposed income limits for 2021/22.

Note 12 Those with household income equivalent to two to three times of the PRH income limits are required to pay 1.5 times net rent plus rates. Those with household income equivalent to three to five times of the PRH income limits are required to pay double net rent plus rates.

exceeding the prescribed limits (i.e. exceeding five times and 100 times of the PRH income limits respectively), or with private domestic property ownership in Hong Kong, need to move out of PRH <sup>Note 13</sup>. The income and asset limits under the “well-off tenants policies” are multiples of PRH income limits and will be adjusted according to the revised PRH income limits every year.

18. If the proposed PRH income limits for 2021/22 are endorsed, the income and asset limits under the “well-off tenants policies” will be adjusted accordingly.

## **PUBLIC REACTION AND PUBLICITY**

19. It is expected that the review of PRH income and asset limits will attract media and public attention. We consider that as the proposed PRH income and asset limits for 2021/22 are the results of a well-established review mechanism and careful consideration, and the proposal to freeze the PRH income limits for households with 3 persons, 4 persons, 6 persons to 10 persons or above as well as the PRH asset limits for all household sizes has taken into account the current economic situation, they should be generally acceptable to the public at large. A press release will be issued to announce the outcome of this review.

## **DISCUSSION**

20. At the SHC meeting to be held on 15 March 2021, Members will be invited to endorse the recommendation as set out in paragraph 2. In line with past practice, the Government aims to brief the Legislative Council Panel on Housing (the Panel) at its meeting on 1 March 2021 on the outcome of the review before the SHC meeting. We will submit a summary of the Panel’s views for Members’ consideration before the meeting on 15 March 2021.

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Note 13 Under the existing policy, households exceeding the prescribed income or asset limits, or with private domestic property ownership in Hong Kong, are required to vacate their PRH flats within 12 months, during which double net rent plus rates or market rent, whichever is the higher, is charged.

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(Strategy Division)  
Date of Issue : 22 February 2021

### Proposed PRH Income Limits for 2021/22 – Summary of Detailed Calculation

Household size	Reference flat sizes Note 1	Housing costs	Non-housing costs	Total household expenditure	Plus 5% contingency provision and rounded to nearest ten	Existing income limits	Proposed income limits	Change	
								(\$)	(\$)
1-person	15.0	6,135	6,186	12,321	12,940	12,800	<b>12,940</b>	<b>+140</b>	<b>+1.1</b>
2-person	22.4	8,198	10,422	18,620	19,550	19,430	<b>19,550</b>	<b>+120</b>	<b>+0.6</b>
3-person	30.1	10,806	12,409	23,215	24,380	24,410	<b>24,410</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
4-person	35.5	12,745	16,723	29,468	30,940	30,950	<b>30,950</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
5-person	38.2	13,714	21,696	35,410	37,180	36,890	<b>37,180</b>	<b>+290</b>	<b>+0.8</b>
6-person	44.2	15,868	23,002	38,870	40,810	40,840	<b>40,840</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
7-person	51.8	18,596	25,741	44,337	46,550	46,770	<b>46,770</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
8-person	59.2	21,253	28,321	49,574	52,050	52,310	<b>52,310</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
9-person	66.6	23,909	30,765	54,674	57,410	57,710	<b>57,710</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
10-person or above	74.0	26,566	33,086	59,652	62,640	62,980	<b>62,980</b> <sup>Note 2</sup>	<b>0</b>	<b>0.0</b>
Average	-	-	-	-	-	-	-	-	<b>+0.3</b>

Note 1 Reference flat sizes for 1-person to 6-person households are the average size of PRH units actually allocated to these households in the past three years. For households of 7 persons or above, there will be very large fluctuations in the reference flat sizes since the number of cases in each of these household sizes is relatively small. Therefore, starting from 2016/17, the respective reference flat sizes for households of 7 persons or above are obtained by multiplying the average size per person (calculated by grouping all PRH allocations to these households in the past three years) by the relevant household sizes.

Note 2 We propose to freeze the income limits for households with 3 persons, 4 persons, 6 persons to 10 persons or above. See paragraph 11 of the paper for details.

**Proposed PRH Income and Asset Limits for 2021/22**  
(as compared with 2020/21)

<b>Household size</b>	<b>Existing PRH income limits for 2020/21*</b>		<b>Proposed PRH income limits for 2021/22*</b>		<b>Existing PRH asset limits for 2020/21^</b>	<b>Proposed PRH asset limits for 2021/22^</b>
1-person	\$12,800	(\$13,474)	\$12,940	(\$13,621)	\$266,000	\$266,000
2-person	\$19,430	(\$20,453)	\$19,550	(\$20,579)	\$360,000	\$360,000
3-person	\$24,410	(\$25,695)	\$24,410	(\$25,695)	\$469,000	\$469,000
4-person	\$30,950	(\$32,579)	\$30,950	(\$32,579)	\$548,000	\$548,000
5-person	\$36,890	(\$38,832)	\$37,180	(\$39,137)	\$609,000	\$609,000
6-person	\$40,840	(\$42,989)	\$40,840	(\$42,989)	\$659,000	\$659,000
7-person	\$46,770	(\$49,232)	\$46,770	(\$49,232)	\$703,000	\$703,000
8-person	\$52,310	(\$55,063)	\$52,310	(\$55,063)	\$737,000	\$737,000
9-person	\$57,710	(\$60,747)	\$57,710	(\$60,747)	\$815,000	\$815,000
10-person or above	\$62,980	(\$66,295)	\$62,980	(\$66,295)	\$878,000	\$878,000

\* Figures in brackets denote the effective income limits inclusive of the statutory MPF contribution for households contributing 5% of their income under MPF.

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