

## Index Page

### Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2023-24

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 5

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Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
<a href="#">FSTB(Tsy)001</a>	0574	LEUNG Man- kwong	25	(2) Facilities Upkeep
<a href="#">FSTB(Tsy)002</a>	0332	WONG Ying-ho, Kennedy	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)003</a>	0335	WONG Ying-ho, Kennedy	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)004</a>	0634	SHIU Ka-fai	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)005</a>	0739	CHOW Man-kong	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)006</a>	0875	KWOK Wai-keung	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)007</a>	1428	LUK Hon-man, Benson	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)008</a>	1717	WONG Chun-sek, Edmund	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)009</a>	1745	KWOK Ling-lai, Lillian	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)010</a>	1746	KWOK Ling-lai, Lillian	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)011</a>	1945	LEUNG Hei, Edward	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)012</a>	2483	CHEN Chung-nin, Rock	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)013</a>	2558	LAM So-wai	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)014</a>	2662	CHU Kwok-keung	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)015</a>	2695	WONG Chun-sek, Edmund	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)016</a>	2871	CHAN Chun-ying	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)017</a>	3037	SHANG Hailong	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)018</a>	0216	TSE Wai-chuen, Tony	51	(1) Acquisition and Allocation
<a href="#">FSTB(Tsy)019</a>	0218	TSE Wai-chuen, Tony	51	(1) Acquisition and Allocation
<a href="#">FSTB(Tsy)020</a>	0350	CHAN Han-pan	51	(3) Estate Utilisation

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">FSTB(Tsy)021</a>	2581	TIEN Puk-sun, Michael	51	(3) Estate Utilisation
<a href="#">FSTB(Tsy)022</a>	3013	HO King-hong, Adrian Pedro	51	(3) Estate Utilisation
<a href="#">FSTB(Tsy)023</a>	0334	WONG Ying-ho, Kennedy	59	(2) Supplies Management
<a href="#">FSTB(Tsy)024</a>	0630	TSE Wai-chuen, Tony	59	(1) Procurement (2) Supplies Management
<a href="#">FSTB(Tsy)025</a>	0631	TSE Wai-chuen, Tony	59	(3) Land Transport (4) Printing Services
<a href="#">FSTB(Tsy)026</a>	0848	IP LAU Suk-yea, Regina	59	(3) Land Transport
<a href="#">FSTB(Tsy)027</a>	1167	LAM Kin-fung, Jeffrey	59	(1) Procurement (2) Supplies Management
<a href="#">FSTB(Tsy)028</a>	1357	CHAN Siu-hung	59	(3) Land Transport
<a href="#">FSTB(Tsy)029</a>	3120	LEUNG Hei, Edward	59	(3) Land Transport
<a href="#">FSTB(Tsy)030</a>	0025	LEUNG Mei-fun, Priscilla	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)031</a>	0337	WONG Ying-ho, Kennedy	76	(3) Investigation and Field Audit
<a href="#">FSTB(Tsy)032</a>	1732	WONG Chun-sek, Edmund	76	(3) Investigation and Field Audit
<a href="#">FSTB(Tsy)033</a>	1734	WONG Chun-sek, Edmund	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)034</a>	1737	WONG Chun-sek, Edmund	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)035</a>	1894	CHEN Chung-nin, Rock	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)036</a>	1895	CHEN Chung-nin, Rock	76	(3) Investigation and Field Audit
<a href="#">FSTB(Tsy)037</a>	1896	CHEN Chung-nin, Rock	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)038</a>	1897	CHEN Chung-nin, Rock	76	(2) Collection
<a href="#">FSTB(Tsy)039</a>	2692	WONG Chun-sek, Edmund	76	(1) Assessing Functions
<a href="#">FSTB(Tsy)040</a>	2693	WONG Chun-sek, Edmund	76	(3) Investigation and Field Audit
<a href="#">FSTB(Tsy)041</a>	0338	WONG Ying-ho, Kennedy	162	(1) Statutory Valuation and Assessment
<a href="#">FSTB(Tsy)042</a>	0339	WONG Ying-ho, Kennedy	162	(1) Statutory Valuation and Assessment
<a href="#">FSTB(Tsy)043</a>	0301	WONG Kwok, Kingsley	147	—
<a href="#">FSTB(Tsy)044</a>	0311	WONG Ying-ho, Kennedy	147	—
<a href="#">FSTB(Tsy)045</a>	0336	WONG Ying-ho, Kennedy	147	(2) Revenue and Financial Control

<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">FSTB(Tsy)046</a>	0622	LAU Ip-keung, Kenneth	147	—
<a href="#">FSTB(Tsy)047</a>	0628	LAU Ip-keung, Kenneth	147	—
<a href="#">FSTB(Tsy)048</a>	0808	CHEUNG Yu-yan, Tommy	147	—
<a href="#">FSTB(Tsy)049</a>	0953	TSE Wai-chun, Paul	147	—
<a href="#">FSTB(Tsy)050</a>	1256	CHAN Han-pan	147	—
<a href="#">FSTB(Tsy)051</a>	1563	TSE Wai-chun, Paul	147	—
<a href="#">FSTB(Tsy)052</a>	1607	YIM Kong	147	—
<a href="#">FSTB(Tsy)053</a>	1685	KAN Wai-mun, Carmen	147	—
<a href="#">FSTB(Tsy)054</a>	1883	TAN Sunny	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)055</a>	1921	CHEN Chung-nin, Rock	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)056</a>	1922	CHEN Chung-nin, Rock	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)057</a>	1923	CHEN Chung-nin, Rock	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)058</a>	1924	CHEN Chung-nin, Rock	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)059</a>	1925	CHEN Chung-nin, Rock	147	—
<a href="#">FSTB(Tsy)060</a>	1950	LEUNG Hei, Edward	147	—
<a href="#">FSTB(Tsy)061</a>	2100	KONG Yuk-foon, Doreen	147	—
<a href="#">FSTB(Tsy)062</a>	2101	KONG Yuk-foon, Doreen	147	—
<a href="#">FSTB(Tsy)063</a>	2238	LEE Tsz-king, Dominic	147	—
<a href="#">FSTB(Tsy)064</a>	2466	HONG Wen, Wendy	147	—
<a href="#">FSTB(Tsy)065</a>	2507	HONG Wen, Wendy	147	(2) Revenue and Financial Control
<a href="#">FSTB(Tsy)066</a>	2617	LAM So-wai	147	—
<a href="#">FSTB(Tsy)067</a>	2739	CHAN Wing-yan, Joephy	147	—
<a href="#">FSTB(Tsy)068</a>	3127	NGAN Man-yu	147	(3) Service Departments
<a href="#">FSTB(Tsy)069</a>	2069	KONG Yuk-foon, Doreen	184	—
<a href="#">FSTB(Tsy)070</a>	3467	TIK Chi-yuen	31	(4) Revenue Protection and Collection
<a href="#">FSTB(Tsy)071</a>	3533	TIEN Puk-sun, Michael	51	(3) Estate Utilisation
<a href="#">FSTB(Tsy)072</a>	3534	LEE Tsz-king, Dominic	51	(3) Estate Utilisation
<a href="#">FSTB(Tsy)073</a>	3516	TAN Yueheng	147	—

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)001****(Question Serial No. 0574)**Head: (25) Architectural Services DepartmentSubhead (No. & title): ()Programme: (2) Facilities UpkeepControlling Officer: Director of Architectural Services (Edward TSE)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Architectural Services Department (ArchSD) is responsible for the maintenance and repair works of market facilities. However, it has been learnt that an incident of serious water leakage occurred soon after acceptance of the repair works at a market, causing property loss for stall holders. In this connection, will the Government inform this Committee:

1. of the respective expenditures on maintenance and repair of market facilities in the past 2 years;
2. of the number of cases in which further repair works were required within one month upon the ArchSD's acceptance of the repair and maintenance works for markets in the past 2 years, the proportion of such cases to the repair and maintenance works for markets, and the expenditures involved; and
3. whether the Government has conducted regular reviews of acceptance standards for facilities upkeep; if so, of the details; if not, the reasons for that?

Asked by: Hon LEUNG Man-kwong (LegCo internal reference no.: 9)Reply:

1. The respective expenditures on maintenance and repair of market facilities incurred by the ArchSD in the past 2 financial years are set out below:

Maintenance and repair works of market facilities	Financial year	
	2021-22	2022-23 (as at end-February 2023)
Maintenance of facilities	about \$47.04 million	about \$38.88 million
Repair of facilities	about \$14.92 million	about \$10.42 million

2. According to our records, there were 6 cases and 1 case of minor repairs in 2021-22 and 2022-23 respectively where further repair works were required within one month upon acceptance of practical completion of the works. The aforesaid 6 cases and 1 case accounted for 0.14% and 0.03% of the total number of relevant works orders issued in the respective years. The amounts involved in such cases were \$1,625 (6 cases) and \$275 (1 case) respectively. Repair works for cases pertaining to recurrence of problems resulting from causes such as improper use or human damage after acceptance of practical completion of the works were excluded.
  
3. Projects under the ArchSD must comply with the required standards in accordance with the specifications for works and relevant requirements stipulated in works contracts, which are therefore taken as the acceptance standards by staff of the ArchSD. The ArchSD will keep under review its technical documents about general specifications for works, and update them timely. Technical requirements particularly set out in individual contracts will be formulated and updated to serve the needs of each contract.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)002**

**(Question Serial No. 0332)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

26. The Smoking (Public Health) (Amendment) Bill 2019 prohibiting electronic cigarettes and heated tobacco products, which came into operation on 30 April 2022 after passing through three readings, stipulates that no person may import, promote, manufacture, sell, or possess for commercial purposes alternative smoking products, including electronic smoking products, heated tobacco products and herbal cigarettes.

In respect of the work done by the Customs and Excise Department (C&ED) to combat alternative smoking products since the legislation came into operation, what is the quantity and total value of seizures? Has the number of responsible law enforcement officers been increased? If yes, how many officers have been added to the establishment and what is the amount of expenditure?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 23)

Reply:

Since the Smoking (Public Health) (Amendment) Ordinance 2021 came into operation on 30 April 2022, C&ED has rendered full support to the Tobacco and Alcohol Control Office of the Department of Health in enforcing the prohibitions on the import of alternative smoking products, flexibly deployed existing resources, and stepped up inspections at various entry and exit points to prevent such products from entering Hong Kong through inbound visitors, imported cargoes and postal items.

As at 31 December 2022, C&ED detected a total of 621 cases involving alternative smoking products and seized approximately 4.78 million pieces of relevant articles with a total value of approximately \$50.23 million.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)003**

**(Question Serial No. 0335)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The quantities of duty-not-paid cigarettes seized in 2020 and 2021 were 202 793 (thousand sticks) and 390 499 (thousand sticks) respectively, representing nearly a one-fold increase.

What was the quantity of duty-not-paid cigarettes lastly seized by the Customs and Excise Department (C&ED) in 2022? It is proposed in the Budget that the duty on cigarettes be increased by 60 cents per stick. Does C&ED anticipate illicit cigarette activities to be more rampant? Will staff establishment and resources for combating smuggling be increased? Will co-operation with the Mainland regarding enforcement actions and intelligence be strengthened to enhance effectiveness?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 24)

Reply:

The quantity of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in 2022 was around 690 million sticks. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes. In 2023-24, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities. Furthermore, front-line Customs officers deployed at various entry and exit points are involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end.

- End -



**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)004****(Question Serial No. 0634)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

As the Budget announced an increase in tobacco duty, there are comments pointing out that this may lead to more rampant sales activities of illicit cigarettes. In this connection, will the Government advise this Committee of:

1. the quantity of illicit cigarettes seized in each of the past 5 years;
2. the current manpower and expenditure involved in combating illicit cigarette activities; and
3. whether additional resources and manpower will be allocated to combat illicit cigarette activities. If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 1)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Quantity seized (million sticks)</b>	53	54	193	371	688

2. In 2023-24, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
3. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)005**

**(Question Serial No. 0739)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2022, the Customs and Excise Department (C&ED) seized 692 149 000 sticks of illicit cigarettes during anti-illicit-cigarette enforcement operations, representing a sharp increase of nearly 80% (over 300 million sticks) when compared with 390 499 000 sticks in 2021. It is proposed in paragraph 170 of the Budget Speech that the duty on cigarettes be increased by 60 cents per stick, and the duties on other tobacco products also be increased by the same proportion. Many retailers marked up the selling price of each pack of cigarettes immediately. In this connection, will the Government advise this Committee of:

1. the quantities of illicit cigarettes seized by C&ED in 2022 by month and origin, and the total market values of the seizures;
2. whether the Department has looked into the reasons for the significant increase of illicit cigarettes? If yes, what are the details? If not, what are the reasons?
3. the quantities of illicit cigarettes seized by C&ED in January and February 2023 by month and origin, and the total market values of the seizures;
4. It is understood that C&ED has all along adopted intelligence-led enforcement strategies and taken comprehensive enforcement actions to combat illicit cigarette activities on different fronts. In the past year, what were the manpower and expenditure involved in combating illicit cigarette activities;
5. In 2022, there were only 698 persons prosecuted for offences relating to illicit cigarettes. Has C&ED reviewed if the current efforts on enforcement and prosecution were insufficient? If yes, what are the details? If not, what are the reasons?
6. In view of the increase of tobacco duty proposed in the Budget, some reckon that C&ED should step up efforts to combat illicit cigarette activities. It is mentioned in the Matters Requiring Special Attention in 2023-24 that C&ED will take "enforcement actions against illicit cigarettes activities, especially in respect of cross-boundary smuggling and telephone-order peddling". What are the specific details, manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 30)

Reply:

1. The quantities and market values of illicit cigarettes seized by the Customs and Excise Department (C&ED) during anti-illicit-cigarette enforcement operations in 2022 by month are tabulated as follows:

	<b>Quantity (million sticks)</b>	<b>Market value (\$ million)</b>
January	52.62	144.61
February	0	0
March	0.06	0.15
April	13.75	37.88
May	51.7	142.11
June	11.48	29.03
July	166.54	465.43
August	45.81	125.19
September	65.26	183.87
October	86.18	234.36
November	108.14	295.53
December	90.62	249.17
<b>Total</b>	<b>692.15</b>	<b>1,907.35</b>

Note 1: Figures may not add up to the total due to rounding.

Note 2: Some enforcement operations were affected by the 5th wave of the COVID-19 epidemic in February and March 2022.

C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.

2. C&ED has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
3. The quantities and market values of illicit cigarettes seized by C&ED during anti-illicit-cigarette enforcement operations in January and February 2023 are tabulated as follows:

	<b>Quantity (million sticks)</b>	<b>Market value (\$ million)</b>
January	74.24	204.25
February	45.57	126.31
<b>Total</b>	<b>119.81</b>	<b>330.56</b>

C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.

4. In 2022-23, C&ED has an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
5. Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.
6. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely, and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

Apart from intercepting illicit cigarettes at various entry and exit points, C&ED is also committed to combating the storage, distribution and peddling (including telephone ordering) of illicit cigarettes. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)006****(Question Serial No. 0875)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Government has raised tobacco duty this year. In connection with the rather rampant illicit cigarette activities these days, will the Government inform this Committee of:

1. the expenditure and estimated expenditure on combating illicit cigarettes in the past three years and the current financial year?
2. the total quantity of illicit cigarettes seized and the amount of the duty payable in the past three years?

Asked by: Hon KWOK Wai-keung (LegCo internal reference no.: 9)Reply:

1. In the past 3 financial years, the Customs and Excise Department (C&ED) deployed a total of 61 officers each year dedicated to combating illicit cigarette activities. The salary expenditure involved are tabulated below:

<b>Financial year</b>	<b>Expenditure involved (\$ million)</b>
2020-21	26.27
2021-22	28.27
2022-23	28.98

In 2023-24, C&ED maintains an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

2. The quantities and duty payable of duty-not-paid cigarettes seized locally by C&ED in the past 3 years are tabulated below:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Quantity of seizure (million sticks)</b>	193	371	688
<b>Total amount of duty payable (\$ million)</b>	368	707	1,311

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)007**

**(Question Serial No. 1428)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the indicators for anti-illicit-cigarette enforcement actions, the quantity of illicit cigarettes seized by the Customs and Excise Department (C&ED) increased significantly by 77% from 390 499 000 sticks reported in 2021 to 692 149 000 sticks reported in 2022.

However, the number of persons prosecuted dropped from 934 in 2021 to 698 in 2022. In this regard, will the Department inform this Committee of:

- a) the reasons for the significant increase in the quantity of illicit cigarettes seized;
- b) the reasons for the drop in the number of persons prosecuted for offences relating to illicit cigarettes in 2022 compared with the previous year despite a significant increase in the quantity of illicit cigarettes seized;
- c) the major means of conveyance used to transport illicit cigarettes in 2022 and list the relevant data in table form;
- d) the major origin of the illicit cigarettes seized in 2022 and list the relevant countries or regions in table form; and
- e) the specific measures to be taken by C&ED to combat the increasingly serious crimes relating to illicit cigarettes.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 3)

Reply:

- a) The Customs and Excise Department (C&ED) has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
- b) Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.

- c) The quantities of illicit cigarettes seized by C&ED at sea, land, air, and downtown during anti-illicit-cigarette enforcement operations in 2022 are tabulated below:

	<b>By sea</b>	<b>By air</b>	<b>By land</b>	<b>In town</b>	<b>Total</b>
<b>Quantity (million sticks)</b>	591.7	2	0.6	97.8	<b>692.15</b>

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

- d) C&ED does not maintain breakdowns by origin in respect of the illicit cigarettes seized.
- e) C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. Meanwhile, C&ED will deploy its internal resources flexibly to tackle illicit cigarette activities.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)008**

**(Question Serial No. 1717)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2022, the Customs and Excise Department (C&ED) seized a record-breaking quantity of 692 million sticks of illicit cigarettes, representing an increase of over 301 million sticks compared with 390 million sticks in 2021. Following a 31% increase in tobacco duty proposed in the 2023-24 Budget, the price of cigarettes will rise from \$1.9 to \$2.5 per stick. Has C&ED made any assessment on whether the illicit cigarette problem will deteriorate after increasing the tobacco duty? If the problem deteriorates, how will C&ED step up law enforcement actions against illicit cigarettes? What are the specific measures and the expenditure involved? If it is not expected that the problem will deteriorate, what are the reasons?

Asked by: Hon Edmund WONG Chun-sek (LegCo internal reference no.: 1)

Reply:

In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other

clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)009**

**(Question Serial No. 1745)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Customs and Excise Department (C&ED) is responsible for combating illicit cigarette smuggling and distribution activities. According to the relevant statistics, nearly 700 million sticks of cigarettes were seized in anti-illicit-cigarette enforcement operations in 2022, representing an increase of 300 million sticks than that of 2021. In this connection, will the Government inform this Committee of the following:

- a) Apart from cigarettes, whether C&ED had seized any smuggled e-cigarettes and tobacco in the past 3 years? If yes, what were the quantities of seizures, the total values involved, and the numbers of persons prosecuted?
- b) According to the figures provided by the Government, the number of persons prosecuted for offences related to illicit cigarettes has overall decreased by 236 from 934 in 2021 to 698 in 2022. Please advise the reason for such decrease.

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 1)

Reply:

- a) Before the Smoking (Public Health) (Amendment) Ordinance 2021 (the Ordinance) came into effect on 30 April 2022, e-cigarettes not containing nicotine were not controlled articles. Therefore, C&ED does not have relevant figures on the law enforcement actions.

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 between 2020 and 29 April 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022 (up to 29 April)</b>
<b>Number of cases</b>	51	61	15
<b>Total value (\$ million) (Note)</b>	4	2.14	7.66
<b>Number of persons prosecuted #</b>	23	79	26

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.

# Cases prosecuted during the year

The figures on heat-not-burn (HNB) tobacco products seized by C&ED during law enforcement actions between 2020 and 29 April 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022 (up to 29 April)</b>
<b>Number of cases</b>	687	338	86
<b>Quantity (million sticks)</b>	6.3	8.56	3.17
<b>Total value (\$ million)</b>	17.81	23.79	8.98
<b>Number of persons prosecuted #</b>	81	79	30

# Cases prosecuted during the year

The Ordinance came into effect on 30 April 2022. From then on till 31 December 2022, C&ED detected a total of 621 cases that involved alternative smoking products, arrested 329 persons and seized approximately 4.78 million pieces of relevant articles (including e-cigarettes and HNB tobacco products) with a total value of approximately \$50.23 million.

The figures on tobacco seized by C&ED during law enforcement actions between 2020 and 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Number of cases</b>	68	129	133
<b>Quantity (kilogrammes)</b>	187	1 005	177
<b>Total value (\$ million)</b>	0.88	3.35	0.9
<b>Number of persons prosecuted #</b>	3	4	3

# Cases prosecuted during the year

- b) Crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)010**

**(Question Serial No. 1746)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the document that the Customs and Excise Department (C&ED) will continue to strengthen enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling during 2023-24. In this regard, please advise this Committee of:

- a) whether C&ED will strengthen enforcement actions against the rampant distribution of leaflets promoting the sale of illicit cigarettes by lawbreakers in public housing estates. If yes, what are the details? If not, what are the reasons?
- b) whether C&ED has stepped up education and publicity efforts in addition to law enforcement and combating illicit cigarette activities. If yes, what are the details? Please provide the details of relevant campaigns organised in the past 3 years, including the number of participants and expenditure involved.

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 9)

Reply:

- a) According to the Smoking (Public Health) Ordinance (Cap. 371) (the Ordinance), no person shall display or cause to be displayed, or publish or distribute for the purpose of display, any tobacco advertisement in any form. Enforcement actions pursuant to the Ordinance are mainly taken by the Tobacco and Alcohol Control Office of the Department of Health. Complaints received by the Customs and Excise Department (C&ED) regarding distribution of leaflets to promote the sale of illicit cigarettes will be referred to the Tobacco and Alcohol Control Office for follow-up.

C&ED will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. Currently, illicit cigarettes are mainly sold by lawbreakers through telephone ordering. C&ED has therefore set up a dedicated team to step up patrol at public housing estates in various districts to combat illicit cigarette activities.

- b) In order to further promote the message against illicit cigarettes across different levels of the community, C&ED collaborates with government agencies and relevant stakeholders from time to time, and enhances publicity by holding talks for schools and youth groups and displaying posters and banners, etc. The number of outreach and publicity campaigns organised by C&ED in the past 3 years are tabulated below:

<b>Year</b>	<b>Number of campaigns</b>
2020	239
2021	35
2022	69

The manpower and resources involved in the above work have been subsumed under the general operating expenditure. C&ED does not maintain a breakdown of the relevant figures.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)011**

**(Question Serial No. 1945)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

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. According to the information provided by C&ED, the quantity of illicit cigarettes seized in 2022 has increased by over 77% compared with 2021. As the Budget announced a more than 30% increase of tobacco duty, will C&ED allocate additional resources and manpower to combat relevant activities in the new financial year? If yes, what are the details? If not, what are the reasons?
2. Although the quantity of illicit cigarettes seized in 2022 has increased compared with 2021, the number of persons prosecuted for offences related to illicit cigarettes has decreased. What does C&ED make of this situation? Does it represent a change in the modus operandi of illicit cigarette offences? Does C&ED have any corresponding strategies? If yes, what are the details? If not, what are the reasons?
3. As reported by the media, since the Budget announced an increase of tobacco duty, many promotions and advertisements for selling cheap cigarettes (commonly known as “cheap whites”) have appeared. Some even advertise an “online order with home delivery” service. For instance, before the increase of tobacco duty, various types of “cheap whites” were sold at \$32 to \$38 at newspaper stalls, which were even lower than the cost of tobacco duty (\$38.12). How will C&ED cope with this mode of selling? If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 25)

Reply:

1. In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.
2. C&ED has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year. Meanwhile, crime syndicates usually smuggle illicit cigarettes through land and sea control points. As the number of persons passing through land and sea control points dropped during the epidemic, the number of persons prosecuted for bringing excessive quantities of cigarettes into Hong Kong in 2022 decreased correspondingly.
3. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions. Furthermore, C&ED will enhance its promotional and publicity work for newspaper hawkers and small traders to prevent them from falling foul of the law inadvertently. C&ED will continue to urge the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origin or at unusual prices, in order to avoid breaching the law inadvertently. If members of the public have doubts regarding the cigarette brands available on the market, they should enquire with the brand owner or relevant merchant directly.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)012**

**(Question Serial No. 2483)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. In 2021 and 2022, the quantities of illicit cigarettes seized by the Customs and Excise Department (C&ED) in anti-illicit-cigarette enforcement actions were 390 million sticks and 690 million sticks respectively. What are the main reasons for the rather large difference between the two figures?
2. Regarding anti-illicit-cigarette enforcement actions by C&ED, please provide the number of operations, the quantity of illicit cigarettes seized and the number of persons prosecuted in each of the past 5 years.
3. Please provide the total expenditure of C&ED on enforcement actions against illicit cigarette activities in each of the past 5 years, and a breakdown of the relevant expenditure items, including the expenditure involved in regional co-operation with other Customs administrations.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 40)

Reply:

1. The Customs and Excise Department (C&ED) has been strengthening intelligence analysis and adopted the enforcement strategy of tackling at source. It also made operational deployment in view of the switch to smuggling illicit cigarettes in large quantities into Hong Kong by sea in recent years by illicit cigarette syndicates. Such enforcement strategies have proved to be effective, resulting in a significant increase in the quantity of illicit cigarettes seized last year.
2. The quantity of duty-not-paid cigarettes seized locally and the number of persons prosecuted by C&ED in the past 5 years are tabulated below:

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Quantity of seizure (million sticks)	53	54	193	371	688
Number of persons prosecuted#	1 782	1 862	709	934	698

# Cases with prosecution instituted during the year.

C&ED does not maintain statistics on the number of operations conducted each year.

3. In the past 5 financial years, C&ED deployed a total of 61 officers each year to specifically combat illicit cigarette activities. The salary expenditure involved are tabulated below:

<b>Financial year</b>	<b>Expenditure involved (\$ million)</b>
2018-19	24.98
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98

Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)013**

**(Question Serial No. 2558)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The quantity of illicit cigarettes seized by the Customs and Excise Department (C&ED) rises continuously in recent years, where cigarettes are often smuggled by sea in large quantities. Smuggling activities through the passenger channel have also become more active as normal travel resumes. Moreover, in order to reduce the smoking prevalence rate, the duty on cigarettes has been increased by \$0.6 per stick and it is expected that the market for illicit cigarettes will be further expanded. How will C&ED strengthen its efforts, such as whether the resources allocated and staff establishment will be increased, in tracking down illicit cigarettes? If yes, what are the details?

Asked by: Hon LAM So-wai (LegCo internal reference no.: 14)

Reply:

The Customs and Excise Department (C&ED) will continue to step up risk assessment and intelligence analysis and adopt a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities in the lower end. In view of the increase in tobacco duty announced in the Budget, C&ED is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.

In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)014****(Question Serial No. 2662)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): ()Programme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please advise this Committee of:

1. the numbers of cases involving duty-not-paid cigarettes and the quantities and the dutiable values of illicit cigarettes detected by the Customs and Excise Department (C&ED) in the past 5 years;
2. the respective percentage of tobacco duty in the average retail price of each tobacco product upon increasing the tobacco duty by 60 cents per stick (set out in table form).

Asked by: Hon CHU Kwok-keung (LegCo internal reference no.: 12)Reply:

1. The relevant information on duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years is as follows:

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Number of cases</b>	13 573	17 351	3 111	3 917	3 192
<b>Quantity seized (million sticks)</b>	53	54	193	371	688
<b>Total amount of duty payable (\$ million)</b>	101	103	368	707	1,311

2. It is announced in the 2023-24 Budget that the duty on cigarettes would be increased by 60 cents per stick, raising the original rates of \$1,906 to \$2,506 per 1 000 cigarettes. Cigarettes sold in Hong Kong commonly come in packs of 20 sticks with the current payable duty at \$50.12 per pack. C&ED has observed that the current average retail price of a pack of cigarettes on the market is about \$65 to \$80, of which about 62% to 77% is tobacco duty. Given the relatively wide range of categories and retail prices on the market for other tobacco related products, including cigars, the relevant percentages cannot be assessed.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)015**

**(Question Serial No. 2695)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the estimated manpower and expenditure involved in conducting the assessment of provisional taxable values of vehicles in 2022-23?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 49)

Reply:

The valuation of the First Registration Tax is part of the duties carried out by the Motor Vehicles Valuation Group of the Customs and Excise Department. In 2022-23, its estimated number of staff was 32 and the expenditure involved was about \$19.59 million.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)016**

**(Question Serial No. 2871)**

Head: (31) Customs and Excise Department

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

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To safeguard public health, the Government has proposed to increase the duty on cigarettes by 60 cents per stick with immediate effect. Duties on other tobacco products will also be increased by the same proportion. With the increase of tobacco duty, the public may turn to the illicit cigarette market. Has the Government devoted additional resources to combat smuggling and distribution of illicit cigarettes? If yes, what are the manpower establishment and the estimated operating expenditure involved?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 18)

Reply:

In view of the increase in tobacco duty announced in the Budget, the Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely. In response to the potential impact of the increase in tobacco duty on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly.

In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)017**

**(Question Serial No. 3037)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

An increase of over 30% in tobacco duty with immediate effect is announced in the new Budget. This policy indirectly provides an incentive and causes an increase in both the price and popularity of smuggled duty-not-paid cigarettes. It is believed that quite a number of citizens and offenders would take the risk to obtain or smuggle illicit cigarettes, a problem that would be difficult to stop. Yesterday (23 February 2023), the Customs and Excise Department (C&ED) conducted a special law enforcement operation in the vicinity of Yau Ma Tei Anchorage and detected a large-scale illicit cigarette smuggling case. About 26.5 million sticks of suspected illicit cigarettes with an estimated market value of about \$89 million and a duty potential of about \$66 million were seized. This caused a substantial amount of loss in tax revenue for the Hong Kong Government. For the sake of 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 perspective 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 SHANG Hai-long (LegCo internal reference no.: 18)

Reply:

1. The Customs and Excise Department (C&ED) has all along been adopting a holistic enforcement strategy in combating illicit cigarette activities, namely intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling sales at the lower end. As the enforcement strategies of strengthening intelligence analysis and tackling at source have been effective, time and again, C&ED has intercepted smuggling activities by illicit cigarette syndicates when they replenished their supply. In 2022, the total quantity of duty-not-paid cigarettes seized by C&ED in local illegal activities and export or transshipment reached 732 million sticks. The number of illicit cigarettes involved in local illegal activities was approximately 688 million sticks, representing an increase of approximately 85% as compared with 2021.
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 7 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 illegally shall be guilty of an offence and liable to a maximum penalty of a fine of \$1 million and imprisonment for 2 years. C&ED may also invoke the Organised and Serious Crimes Ordinance (Cap. 455) to take prosecution actions as appropriate, and to freeze or confiscate the proceeds of crime involving illicit cigarette activities.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)018**

**(Question Serial No. 0216)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to setting, assessing and reviewing space and furniture standards for office and specialist and departmental buildings, it is learnt that the Government Property Agency (GPA) sets the government office space standards (including working space for individual staff and ancillary facilities such as meeting rooms, service counters, etc.) in accordance with the principles set out in the Accommodation Regulations to facilitate departments' estimation of office space requirements. In this connection, please advise this Committee on the following:

1. Have the Accommodation Regulations been reviewed and amended since the establishment of GPA in April 1990? If yes, what are the details?
2. After the allocation of office accommodation to government bureaux and departments, what measures will GPA take to timely review the use of such office accommodation by the relevant departments? What are the handling measures where the actual office space is below or above the relevant standards in the Regulations?
3. If departments require additional space for storing documents, drawings, etc., or the provision of new services, will GPA take the initiative to assist such offices in adjusting their required space standards? If yes, what is the implementation timetable for such improvement measures?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 2)

Reply:

1. & 2. In accordance with the guiding principles set out in the Accommodation Regulations (ARs) and taking into account the operational needs of bureaux/departments (B/Ds) and the grades & ranks of staff concerned, the Government Property Agency (GPA) formulates standards for government office space and furniture & equipment to facilitate B/Ds' estimation of office space requirements, in order to effectively meet the operational needs of B/Ds and to ensure the optimal use of government resources.

The ARs set out the policy and guiding principles on government accommodation and related matters for B/Ds. From time to time, the Government reviews the ARs and makes necessary amendments to keep up with the time. Since the establishment of GPA in April 1990, the ARs have been amended multiple times. Examples include the delegation of authority for heads of B/Ds to approve the space provision for specified types of minor building works projects; incorporation of the requirements of providing babycare rooms and lactation rooms in new government premises in the ARs; and introduction of the concept of modern office layout, which provides office space with enhanced operational efficiency and greater flexibility in changing office layouts through more use of natural lighting and reduced use of partitions, etc.

GPA will continue to review from time to time the standards for government office space and furniture & equipment in accordance with the policy and guiding principles of the ARs. After allocation of premises, B/Ds will manage their own office accommodation and can make minor adjustments to the office layouts in light of the operational needs to optimise the use of office space. GPA has no information on the details of individual B/Ds' actual usage after allocation of the premises.

3. If there is a genuine operational need for more office space, such as for storing files and drawing plans, or providing new services, B/Ds may apply to GPA for additional office space. Having regard to B/Ds' timing and other requirements, GPA will actively assist B/Ds in identifying suitable premises to meet their accommodation need as soon as possible.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)019**

**(Question Serial No. 0218)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (1) Acquisition and Allocation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the reprovisioning project of the three government office buildings at the Wan Chai waterfront, please inform this Committee:

1. of the existing utilisation (including vacancy rate) of the three government office buildings and whether the users have a definite vacation schedule; and
2. whether the Government has any plans or measures to shorten the period where the three government office buildings will be left idle before the demolition; if so, of the details.

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 5)

Reply:

- 1 & 2. The reprovisioning of the original user departments in the three government office buildings at the Wan Chai waterfront involves the construction of nine reprovisioning developments, four of which have been completed and progressively commissioned. To gainfully utilise the existing resources, the Government Property Agency (GPA) has arranged to allocate the vacated office spaces in the three government office buildings to user departments with additional needs for short-term uses. As at 28 February 2023, only about 1% of the floor area in the three government office buildings was temporarily vacant, pending allocation to new user departments for short-term uses.

The remaining five reprovisioning developments are under construction scheduled for completion in 2023 - 2026. The relevant user departments, which still operate in the three government office buildings in Wan Chai, will vacate the three government office buildings by phases subject to the completion schedules of the reprovisioning developments. GPA will continue to keep in view the relocation progress of user departments with a view to gainfully utilising the vacated office spaces.

– End –

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)020**

**(Question Serial No. 0350)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the work to assist government bureaux and departments in reviewing their under-utilised sites so as to release them for alternative uses or disposal as appropriate, please advise on the relevant projects, expenditures and staff establishment by category involved in the past 3 years. For the relevant measures to be implemented in 2023-2024, what are the locations and estimated expenditures involved as well as the evaluation of their effectiveness?

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 19)

Reply:

The work of Government Property Agency (GPA) includes reviewing under-utilised sites managed by bureaux/departments (B/Ds) and, where appropriate, assisting the relevant B/Ds in releasing their sites for suitable alternative uses or disposal. In the past 3 years, GPA assisted in arranging alternative uses or disposal for 4 government sites. Details are as follows:

Property / Site	Site Area (m <sup>2</sup> ) (Approx.)	New Use
2022		
Site at junction of Shanghai Street and Waterloo Road (Former Shanghai Street Temporary Refuse Collection Point, Street Sleepers' Services Units and Shanghai Street/Waterloo Road Public Toilet)	572	Cultural facilities
Ex-Kennedy Town Police Married Quarters Block B	2 500	Public housing
2021		
Yaumatei Carpark Building	6 380	Road works

Property / Site	Site Area (m <sup>2</sup> ) (Approx.)	New Use
2020		
Ex-Sai Kung Central Primary School	3 850	Social welfare facilities

In addition, GPA estimated that 1 government site would be released in 2023 for alternative uses or disposal. Details are as follows:

Property / Site	Site Area (m <sup>2</sup> ) (Approx.)	Proposed Use
Dills Corner Garden	24 900	Road works and Government, Institution or Community facilities

GPA has been carrying out the above work as well as other duties with the existing manpower and does not have the breakdown of expenditure and manpower for that.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)021**

**(Question Serial No. 2581)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The work of the Government Property Agency (GPA) involves assisting government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as appropriate, so as to optimise the utilisation of government sites and surplus properties with potential for alternative government uses or commercialisation. However, there are frequent reports that government properties have been left vacant for a prolonged period of time, and that community resources are not properly used as a result. In this year's Budget, the provision for estate utilisation is 9.7% higher than the revised estimate for 2022-23, amounting to around \$78 million. In this connection, will the Government inform this Committee of:

- (a) the gross area of vacant properties of government departments according to the records of the GPA;
- (b) the gross area of vacant properties resumed and revitalised each year; and
- (c) whether there are performance indicators on minimising the area of vacant government properties in the year. If yes, what are the details? If no, what are the reasons?

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

Reply:

Government properties are primarily used as offices for government departments and for the provision of public services. Relevant policy bureaux / departments are responsible for their management and possess the information on vacant properties (if any). When government properties become vacant, the relevant bureaux / departments will, in accordance with the established mechanism, review if they have continued needs for such properties in order to ensure their gainful use. If a government property is no longer required for its original use, the relevant policy bureau / department would review if the property could be deployed to meet other needs of itself. If in the negative, the Government Property Agency (“GPA”) would, upon the request of the relevant policy bureau / department, assist in consulting other user policy bureaux / departments as appropriate on a quarterly basis with a view to identifying suitable alternative use(s) for the surplus property. In 2021-22 and 2022-23, GPA assisted in handling 13 new cases of surplus government properties. Six of the properties were considered or are being considered by policy bureaux / departments for alternative government uses while suitable users are being identified for the remaining seven properties.

If it is confirmed that the property is surplus to the operational needs of the Government, the relevant policy bureau / department will, with the assistance of GPA, lease out the property through commercialisation, open the property for leasing to non-governmental organisations (“NGOs”), or dispose of the property by sale. Information on the surplus government properties for leasing out through commercialisation or for leasing to NGOs is available on GPA’s webpages at <https://www.gpa.gov.hk/en/our-services/government-properties-to-let/non-domestic-government-properties.html> and <https://www.gpa.gov.hk/en/our-services/government-properties-to-let/surplus-government-accommodation.html> for public access.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)022**

**(Question Serial No. 3013)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

For the car parks managed by the Government Property Agency (GPA), most of those in joint-user government buildings are opened up for public use during non-office hours only including night-time of weekdays, Saturdays, Sundays and public holidays. In this connection, will the Government inform this Committee of:

1. the numbers of car parking facilities and car parking spaces under GPA's purview as at February 2023 by 18 districts in tabular form;
2. the volume and utilisation rate of government vehicles in GPA-managed government car parks not opened up for public use during daytime on weekdays in the past 3 years by 18 districts in tabular form;
3. the usage, utilisation rate and charges of GPA-managed government car parks opened up for public use during night-time of weekdays, Saturdays, Sundays and public holidays in the past 3 years by 18 districts in tabular form; and
4. whether GPA has closely monitored the car parks currently not opened up for public use during daytime and, subject to their usage, re-considered opening up such car parks for public use round the clock; if yes, of the details; if no, the reasons for that.

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 20)

Reply:

1 – 3. The parking spaces in the car parks of government joint-user general office buildings (“JUBs”) managed by the Government Property Agency (“GPA”) are primarily used by the government user departments of the JUBs for official purpose. The user departments are responsible for allocating the parking spaces and approving the eligible vehicle lists, and bear the management responsibility. GPA does not have records on the utilisation rates of the user departments’ parking spaces in car parks of the relevant JUBs.

There are currently 13 car parks at JUBs and five car parks at other types of government properties leased out by GPA to contractors for operation of fee-paying public car parks. Six of the car parks were planned during the planning and design stage of the developments for all-day use (including daytime of weekdays) by the public. The number of parking spaces, the average utilisation rates during the operating hours and the current fees of the abovementioned car parks are listed at the Annex.

4. The primary purpose of car parks at JUBs is for use by vehicles of the user departments or vehicles related to official purpose during office hours. To optimise the use of land resources, GPA regularly consults user departments of JUBs on their operational requirements for parking spaces, for example, whether there are parking spaces surplus to the departments’ operational requirements during office hours, and whether there are more parking spaces surplus to the departments’ operational requirements during non-office hours (normally nighttime of weekdays and whole of Saturdays, Sundays and public holidays).

In general, the user departments would take into account whether any of their allocated parking spaces are surplus to their operational needs, and assess from security and operational perspectives the impact of leasing out such surplus parking spaces for operation of fee-paying public car parks on them. Subject to the user departments’ agreement and where feasible, GPA would consider issues including technicalities, management, operation and maintenance in leasing out the relevant surplus parking spaces to contractors for operation of fee-paying car parks for public use.

In order to explore the feasibility of making more parking spaces available for leasing out as fee-paying public car parks, GPA would continue to regularly consult the user or management departments of car parks leased out by GPA in government properties on the utilisation of their parking spaces.

- End -

**Fee-paying public car parks leased out by GPA**

**Table (1): Fee-paying public car parks open during non-office hours**

<b>District Council district</b>	<b>Car park location</b>	<b>Number of private car parking spaces</b>	<b>Current parking fees for private cars (per hour)</b>	<b>Average utilisation rate<sup>1</sup></b>
Central and Western District	Queensway Government Offices	159	\$25-\$28	12.6%
Wan Chai District	Wanchai Tower, Immigration Tower and Revenue Tower	157	\$26-\$30	24.9%
Eastern District	North Point Government Offices	95	\$10-\$20	41.0%
Kowloon City District	Tokwawan Market and Government Offices	29	\$12-\$16	36.8%
	Trade and Industry Tower	24	\$20	46.5%
Yau Tsim Mong District	West Kowloon Government Offices	50	\$10-\$14	38.1%
Sai Kung District	Sai Kung Government Offices	70	\$27-\$40	17.8%
Sha Tin District	Sha Tin Government Offices	122	\$18-\$30	41.8%
Tai Po District	Tai Po Government Offices	71	\$8-\$18	59.3%
Tuen Mun District	Tuen Mun Government Offices	42	\$5-\$20	22.8%
Yuen Long District	Yuen Long District Office Building	44	\$10-\$20	46.9%
North District	North District Government Offices	101	\$10-\$12	26.2%

**Table (2): Fee-paying public car parks open all day**

<b>District Council district</b>	<b>Car park location</b>	<b>Number of private car parking spaces</b>	<b>Current parking fees for private cars (per hour)</b>	<b>Average utilisation rate<sup>1</sup></b>
Eastern District	Chai Wan Municipal Services Building	39	\$20-\$22	90.9%
Sham Shui Po District	Cheung Sha Wan Government Offices	250 <sup>2</sup>	\$24-\$40	52.3%
Kwun Tong District	Shun Lee Disciplined Services Quarters	89	\$22-\$24	54.8%
Sha Tin District	New Territories (Sha Tin) Forensic Medicine Centre	50	\$5-\$18	Information not available
North District	Heung Yuen Wai Boundary Control Point	415	\$15	Information not available
Islands District	Hong Kong – Zhuhai – Macao Bridge Hong Kong Port	673	\$20-\$40	0.5%

**Notes:**

- <sup>1</sup> The average utilisation rates of the car parks during the operating hours for the period from April 2022 to December 2022 are provided by the contractors. GPA does not have the statistics on the utilisation rates of the car parks for the entire period of the past three years. As the car parks at New Territories (Sha Tin) Forensic Medicine Centre and Heung Yuen Wai Boundary Control Point have commenced operation in early 2023, information on their average utilisation rates during the period concerned is not available.
- <sup>2</sup> A portion of the fee-paying public car park provides 24-hour parking spaces. The remaining are parking spaces of user departments of the JUB, which are open for public use during non-office hours only.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)023****(Question Serial No. 0334)**Head: (59) Government Logistics DepartmentSubhead (No. & title): ()Programme: (2) Supplies ManagementControlling Officer: Director of Government Logistics (Carlson CHAN)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

How many surgical masks did the Government Logistics Department (GLD) procure, distribute and stockpile in each of the past 3 years? What was the respective expenditure involved in procuring masks? What is the estimated provision earmarked for procuring masks in the coming year? Did GLD help organisations other than government departments, such as the Hospital Authority and the Hong Kong Housing Authority, to procure masks in the past 3 years? If so, what are the details? As the epidemic subsides, what changes will be made to the arrangements for mask procurement this year? What is the estimated provision required and what are the details?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 26)Reply:

The quantity of surgical masks (masks) procured by the Government Logistics Department (GLD) using funds of the General Revenue Account, the value of masks procured and the quantity of masks distributed in the past 3 years till now are as follows:

<b>Year</b>	<b>Quantity of masks procured (Note 1) (pieces)</b>	<b>Value of masks procured (Note 1) (\$)</b>	<b>Quantity Distributed (Note 2) (pieces)</b>
2020	around 125 million	around 357 million	around 237 million
2021	around 20 million	around 10 million	around 474 million
2022 to February 2023	around 178 million	around 88 million	around 326 million

Note 1: Masks procured using funds of the General Revenue Account.

Note 2: The quantity of masks distributed as listed below includes masks procured using funds of the General Revenue Account and the Anti-epidemic Fund, as well as masks from the Local Mask Production Subsidy Scheme under the Anti-epidemic Fund. GLD does not have a breakdown of the quantity of masks distributed by their funding sources.

At the same time, GLD also procured masks using the Anti-epidemic Fund. The expenditure under the Anti-epidemic Fund is not related to the Appropriation Bill or the estimates of the General Revenue Account.

As at end February 2023, GLD has approximately 38.1 million masks in stock.

GLD procures supplies to meet the operational needs of government departments. Other than assisting the Hospital Authority to procure masks during the fifth wave of the COVID-19 epidemic in early 2022, GLD did not procure masks for organisations other than government departments in the past 3 years.

As the epidemic subsides, government departments' demand for masks will vary depending on the development of the epidemic situation. The Government will continue to closely monitor departments' demand for masks and review the relevant procurement strategies and stock level.

GLD has set aside about \$51.20 million in 2023 for procuring emergency items (e.g. masks) and essential items (e.g. national flag and national emblem, regional flag and regional emblem, and government general forms).

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)024**

**(Question Serial No. 0630)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

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

Controlling Officer: Director of Government Logistics (Carlson CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. What was the total amount of anti-epidemic items (e.g. masks, Rapid Antigen Test (RAT) kits and hand rubs) that the Government Logistics Department (GLD) procured centrally or assisted other departments in procuring in the past 3 years and what was the expenditure involved? What is the remaining stock level to date?
2. Has the Government compiled statistics on the quantity of relevant items directly procured by departments during the same period, the expenditure involved, and the latest remaining stock level? If so, what are the details?
3. In the past 3 years, how many anti-epidemic items with shelf-life (such as masks and RAT kits) have expired before use or will expire this year? What is the estimated expenditure involved?
4. Has the Government formulated policies or guidelines requiring departments to use such items as far as possible before the end of their shelf life, or to transfer the items to other departments in need or appropriate organisations and persons through GLD or other mechanisms?
5. Will the Government review its work on the procurement, distribution and stock management of anti-epidemic items during this epidemic to learn from experience and improve relevant procedures, so as to make the best use of public funds when encountering similar large-scale emergencies in future, and to ensure that departments can obtain necessary emergency items promptly and fairly?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 35)

Reply:

1. The quantities of surgical masks (masks), Rapid Antigen Test (RAT) kits and alcohol-based hand rubs procured by the Government Logistics Department (GLD) using funds of the General Revenue Account in the past 3 years till now (i.e. from 2020 to February 2023) and the expenditure involved are as follows:

Item	Quantity procured (pieces)	Expenditure involved (\$)
Masks	around 323 million	around 455 million
RAT kits	around 350 million	around 4.180 billion
Alcohol-based hand rubs	around 6.8179 million	around 146 million

At the same time, GLD also procured masks using the Anti-epidemic Fund. The expenditure under the Anti-epidemic Fund is not related to the Appropriation Bill or the estimates of the General Revenue Account.

As at end February 2023, GLD has approximately 38.1 million masks and 1 million alcohol-based hand rubs in stock. In addition, GLD has distributed all 350 million RAT kits in stock to bureaux/departments (B/Ds). Also, GLD has entered into bulk contracts for the procurement of RAT kits with suppliers (up to 100 million RAT kits available for procurement), allowing B/Ds to procure RAT kits directly from suppliers if necessary.

2. GLD does not have information on the quantity, expenditure involved and stock level of relevant anti-epidemic items procured by B/Ds on their own.
3. No masks or RAT kits had to be disposed of due to expiry of their shelf-life in the past 3 years. All masks currently in stock have an expiry date after 2023.
4. GLD has issued detailed guidelines to B/Ds on the management of stores. B/Ds are reminded to use stores with shelf-life (including various anti-epidemic items) in accordance with the "First Expired, First Out" principle, and to closely monitor the shelf-life of stores and arrange for their proper use before expiration. The Government's Stores and Procurement Regulations have also set out procedures and guidelines on handling surplus stores. B/Ds should try to make the best use of resources by disposing stores through various means and channels, including transferring to other government departments in need, donating to non-government organisations for non-profit-making purposes, or arranging a tender or an auction exercise.
5. To enable a more rapid response to various emergencies, GLD has been constantly reviewing and improving the procedures and methods for procuring, storing and distributing stores. Since the outbreak of the COVID-19 epidemic, GLD has taken a number of measures to expedite and improve the procedures for procuring anti-epidemic items, including updating the list of suppliers of anti-epidemic items (including personal protective equipment) to include about 550 new suppliers, and entering into Standing Offer Agreements with eligible suppliers to allow the Government to procure compliant anti-epidemic items within a specified price ceiling. This will streamline the process and enhance the efficiency and flexibility of procurement, so as to facilitate B/Ds in procuring anti-epidemic items promptly based on their actual needs.

GLD will continue to review its work on procuring, storing and distributing stores from time to time in order to respond to the Government's procurement needs in a more effective and efficient manner when emergencies arise in future.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)025**

**(Question Serial No. 0631)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport, (4) Printing Services

Controlling Officer: Director of Government Logistics (Carlson CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The estimated expenditure on land transport in 2023-24 is 53.5% higher than that in 2022-23, and the provision for procurement of general purpose vehicles is more than double that of the previous year. What are the reasons?
2. As Hong Kong becomes a smarter society and the Government continues to digitalise its services, the Government's printing demand should gradually decrease. Why has the Government Logistics Department's expenditure on "printing services" gone up instead of going down? Has the Government formulated any policies or guidelines to encourage or require departments to reduce the production of physical printed materials and the volume of printing?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 37)

Reply:

1. The estimated expenditure of the Government Logistics Department (GLD) on land transport in 2023-24 is higher than that in 2022-23, mainly due to the increased cash flow requirement for procurement of government vehicles. The estimated number of general purpose vehicles to be delivered in 2023-24 is about 350 more than that in 2022-23, of which 325 are replacement vehicles and the remaining some 25 are additional vehicles which include vans and medium trucks. These vehicles are procured after taking into account the operational needs of bureaux and departments and the actual condition of existing vehicles (including accumulated maintenance cost, vehicle age, mileage run and replacement cost, etc.).
2. The estimated expenditure of GLD on printing services in 2023-24 is higher than that in 2022-23, mainly due to the procurement of new equipment (including offset printing machine, gathering machine and computer-to-plate machine, etc.) for replacing aged and obsolete ones for enhancing the efficiency and quality of printing services. On the consumption of printing paper, GLD provides printing services based on the needs of bureaux/departments. All along the Government is committed to setting a "green" example by promoting waste avoidance and reduction at source and formulating various

green measures and guidelines for reference by bureaux and departments. These measures include those related to paper saving and paper waste reduction, e.g. making good use of electronic means in disseminating information, uploading publications onto website/homepage, encouraging staff and the public to access information via the Internet or other electronic means, reviewing the list and distribution of government publications, and limiting the number of paper publications to the absolute minimum. Relevant guidelines will also be circulated to bureaux and departments on a regular basis for implementing relevant green practices.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)026**

**(Question Serial No. 0848)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Carlson CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government Logistics Department renders advice to government departments on the efficient operation and management of their vehicle fleets. It vets requests for additional and replacement vehicles to ensure that their procurement is justified. In this connection, will the Government inform this Committee of the following:

1. List the number of replacement vehicles by government department in the past 5 years and the expenditure involved;
2. List the number of additional vehicles by government department in the past 5 years and the expenditure involved;
3. Whether the Government has set the replacement year for vehicles; if so, what are the details; and
4. How does the Government assess the need for replacement or additional vehicles, and whether there are any hard and fast rules; what are the mechanisms in place to ensure that the replacement or addition of vehicles will not be excessively frequent and cause a waste of public funds.

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 9)

Reply:

- 1 & 2. The Government Logistics Department (GLD) is responsible for procuring general purpose vehicles for bureaux/departments (B/Ds). The number of replacement and additional vehicles by B/D in the past 5 years and the expenditure involved are set out in Annex 1 and Annex 2 respectively.
- 3 & 4. In considering whether a vehicle should be replaced, GLD will take into account all relevant factors (including accumulated maintenance cost, vehicle age, mileage run, replacement cost and operational needs of the B/D concerned, etc.) instead of solely considering the vehicle's years of use.

When vetting B/Ds' requests for additional vehicles to meet their additional operational needs, GLD will consider whether the request submitted by the B/D is well justified; the utilisation rate of the B/D's existing vehicles; the feasibility of deploying existing vehicles to meet the additional operational needs; and whether there are other alternative means in meeting the additional operational needs, such as hiring of vehicles, so as to meet B/Ds' operational needs for vehicles in a cost-effective manner.

## Annex 1

The number of replacement general purpose vehicles arranged by GLD for departments and the expenditure involved in 2018 are as follows:

Bureau/Department/Organisation	2018	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Agriculture, Fisheries and Conservation Department	20	6,605,000
Buildings Department	14	1,625,000
Chief Executive's Office	3	961,000
Civil Aviation Department	1	282,000
Civil Engineering and Development Department	1	122,000
Civil Service Bureau	1	110,000
Correctional Services Department	11	17,400,000
Customs and Excise Department	37	9,853,000
Department of Health	12	9,180,000
Drainage Services Department	4	1,367,000
Electrical and Mechanical Services Department	19	4,766,000
Environmental Protection Department	12	2,678,000
Fire Services Department	55	11,741,000
Food and Environmental Hygiene Department	71	32,874,000
Government Logistics Department	12	4,119,000
Highways Department	3	660,000
Home Affairs Department	5	764,000
Hong Kong Monetary Authority	1	159,000
Hong Kong Police Force	98	18,924,000
Home and Youth Affairs Bureau	1	110,000
Housing Department	6	745,000
Immigration Department	7	3,787,000
Independent Commission Against Corruption	5	939,000
Innovation and Technology Commission	1	278,000
Judiciary	1	159,000
Labour Department	2	332,000
Lands Department	23	5,185,000
Leisure and Cultural Services Department	13	4,209,000
Marine Department	1	263,000
Office of the Communications Authority	1	247,000
Planning Department	1	159,000
Post Office	26	8,072,000
Radio Television Hong Kong	8	3,529,000
Transport Department	3	1,302,000

Bureau/Department/Organisation	2018	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Water Supplies Department	36	13,745,000
Total	515	167,251,000

\* Excluding specialised vehicles

The number of replacement general purpose vehicles arranged by GLD for departments and the expenditure involved in 2019 are as follows:

Bureau/Department/Organisation	2019	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Administration Wing	1	732,000
Agriculture, Fisheries and Conservation Department	23	3,435,000
Census and Statistics Department	1	274,000
Civil Engineering and Development Department	1	304,000
Correctional Services Department	3	497,000
Customs and Excise Department	6	1,239,000
Department of Health	4	2,054,000
Drainage Services Department	1	307,000
Electrical and Mechanical Services Department	11	3,489,000
Environmental Protection Department	2	474,000
Fire Services Department	8	1,990,000
Food and Environmental Hygiene Department	20	5,930,000
Government Logistics Department	1	325,000
Home Affairs Department	5	879,000
Hong Kong Police Force	112	11,383,000
Housing Department	3	512,000
Immigration Department	2	1,741,000
Lands Department	8	1,609,000
Marine Department	1	163,000
Post Office	15	3,293,000
Radio Television Hong Kong	1	325,000
Secretariat, Commissioner on Interception of Communications and Surveillance	1	577,000
Social Welfare Department	1	325,000
Transport Department	1	190,000
Water Supplies Department	5	1,603,000
Total	237	43,650,000

\* Excluding specialised vehicles

The number of replacement general purpose vehicles arranged by GLD for departments and the expenditure involved in 2020 are as follows:

Bureau/Department/Organisation	2020	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Administration Wing	1	125,000
Agriculture, Fisheries and Conservation Department	12	1,667,000
Buildings Department	3	762,000
Civil Aid Service	12	1,315,000
Civil Aviation Department	2	1,405,000
Civil Engineering and Development Department	4	1,394,000
Correctional Services Department	20	24,624,000
Customs and Excise Department	11	5,692,000
Department of Health	3	1,230,000
Drainage Services Department	1	401,000
Electrical and Mechanical Services Department	17	7,509,000
Environmental Protection Department	4	939,000
Fire Services Department	6	1,417,000
Food and Environmental Hygiene Department	17	5,711,000
Government Logistics Department	5	2,726,000
Highways Department	14	6,729,000
Home Affairs Department	1	218,000
Hong Kong Observatory	1	408,000
Hong Kong Police Force	122	32,747,000
Housing Department	7	4,668,000
Immigration Department	4	3,793,000
Independent Commission Against Corruption	1	207,000
Information Services Department	1	219,000
Labour Department	3	456,000
Lands Department	32	10,870,000
Leisure and Cultural Services Department	6	2,186,000
Office of the Communications Authority	1	209,000
Post Office	50	19,616,000
Rating and Valuation Department	1	125,000
Social Welfare Department	2	425,000
Trade and Industry Department	1	207,000
Transport Department	10	3,681,000
Water Supplies Department	20	8,831,000
Total	395	152,512,000

\* Excluding specialised vehicles

The number of replacement general purpose vehicles arranged by GLD for departments and the expenditure involved in 2021 are as follows:

Bureau/Department/Organisation	2021	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Administration Wing	1	319,000
Agriculture, Fisheries and Conservation Department	21	6,491,000
Architectural Services Department	2	720,000
Auxiliary Medical Service	2	704,000
Buildings Department	3	956,000
Census and Statistics Department	1	237,000
Civil Aviation Department	2	719,000
Civil Engineering and Development Department	6	2,167,000
Companies Registry	1	237,000
Correctional Services Department	3	1,384,000
Customs and Excise Department	7	2,546,000
Department of Justice	1	237,000
Drainage Services Department	4	1,698,000
Electrical and Mechanical Services Department	1	237,000
Environmental Protection Department	8	2,669,000
Fire Services Department	7	3,122,000
Food and Environmental Hygiene Department	37	13,329,000
Government Logistics Department	2	474,000
Highways Department	8	3,122,000
Home Affairs Department	2	436,000
Hong Kong Monetary Authority	1	232,000
Hong Kong Observatory	1	346,000
Hong Kong Police Force	42	12,078,000
Housing Department	10	2,290,000
Immigration Department	1	330,000
Independent Commission Against Corruption	1	209,000
Intellectual Property Department	1	237,000
Land Registry	1	237,000
Lands Department	17	4,507,000
Legal Aid Department	1	237,000
Leisure and Cultural Services Department	5	2,104,000
Office of the Communications Authority	1	324,000
Post Office	64	8,975,000
Radio Television Hong Kong	2	549,000
Rating and Valuation Department	2	444,000
Social Welfare Department	4	1,271,000



Bureau/Department/Organisation	2021	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Transport Department	9	4,457,000
Water Supplies Department	51	24,743,000
Working Family and Student Financial Assistance Agency	1	319,000
Total	334	105,693,000

\* Excluding specialised vehicles

The number of replacement general purpose vehicles arranged by GLD for departments and the expenditure involved in 2022 are as follows:

Bureau/Department/Organisation	2022	
	No. of replacement vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Administration Wing	2	828,000
Agriculture, Fisheries and Conservation Department	35	19,767,000
Buildings Department	1	284,000
Chief Executive's Office	2	1,143,000
Civil Aviation Department	4	1,385,000
Civil Engineering and Development Department	2	986,000
Correctional Services Department	4	2,474,000
Customs and Excise Department	30	13,569,000
Department of Health	3	979,000
Development Bureau	1	550,000
Drainage Services Department	8	3,363,000
Electrical and Mechanical Services Department	26	10,920,000
Environmental Protection Department	2	782,000
Fire Services Department	24	8,633,000
Food and Environmental Hygiene Department	34	19,432,000
Government Flying Service	1	462,000
Government Logistics Department	4	1,995,000
Highways Department	1	593,000
Home Affairs Department	1	522,000
Hong Kong Observatory	1	509,000
Hong Kong Police Force	72	21,788,000
Housing Department	4	1,945,000
Immigration Department	2	1,083,000
Independent Commission Against Corruption	3	922,000
Information Services Department	2	1,017,000
Judiciary	7	3,659,000

<b>Bureau/Department/Organisation</b>	<b>2022</b>	
	<b>No. of replacement vehicles* (general purpose vehicles)</b>	<b>Expenditure involved* (general purpose vehicles) (HK\$)</b>
Labour Department	3	1,119,000
Lands Department	20	10,027,000
Leisure and Cultural Services Department	11	8,800,000
Office of the Communications Authority	1	334,000
Post Office	13	10,819,000
Radio Television Hong Kong	4	2,113,000
Social Welfare Department	4	1,545,000
Transport Department	5	2,853,000
Water Supplies Department	15	6,057,000
<b>Total</b>	<b>352</b>	<b>163,257,000</b>

\* Excluding specialised vehicles

**Annex 2**

The number of additional general purpose vehicles arranged by GLD for departments and the expenditure involved in 2018 are as follows:

<b>Bureau/Department/Organisation</b>	<b>2018</b>	
	<b>No. of additional vehicles* (general purpose vehicles)</b>	<b>Expenditure involved* (general purpose vehicles) (HK\$)</b>
Buildings Department	1	110,000
Correctional Services Department	2	700,000
Customs and Excise Department	19	5,634,000
Fire Services Department	4	2,457,000
Lands Department	1	160,000
Total	27	9,061,000

\* Excluding specialised vehicles

The number of additional general purpose vehicles arranged by GLD for departments and the expenditure involved in 2019 are as follows:

<b>Bureau/Department/Organisation</b>	<b>2019</b>	
	<b>No. of additional vehicles* (general purpose vehicles)</b>	<b>Expenditure involved* (general purpose vehicles) (HK\$)</b>
Administration Wing	1	163,000
Constitutional and Mainland Affairs Bureau	1	163,000
Environmental Protection Department	1	163,000
Food and Environmental Hygiene Department	2	660,000
Hong Kong Police Force	31	20,047,000
Total	36	21,196,000

\* Excluding specialised vehicles

The number of additional general purpose vehicles arranged by GLD for departments and the expenditure involved in 2020 are as follows:

Bureau/Department/Organisation	2020	
	No. of additional vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Administration Wing	1	319,000
Audit Commission	1	206,000
Correctional Services Department	2	2,521,000
Customs and Excise Department	1	206,000
Department of Justice	1	207,000
Environmental Protection Department	3	621,000
Fire Services Department	26	11,251,000
Health Bureau	1	125,000
Hong Kong Police Force	12	3,524,000
Lands Department	2	415,000
Total	50	19,395,000

\* Excluding specialised vehicles

The number of additional general purpose vehicles arranged by GLD for departments and the expenditure involved in 2021 are as follows:

Bureau/Department/Organisation	2021	
	No. of additional vehicles* (general purpose vehicles)	Expenditure involved* (general purpose vehicles) (HK\$)
Buildings Department	2	441,000
Commerce and Economic Development Bureau	1	237,000
Customs and Excise Department	7	2,295,000
Environmental Protection Department	1	207,000
Fire Services Department	30	13,799,000
Food and Environmental Hygiene Department	4	826,000
Government Logistics Department	2	660,000
Home Affairs Department	1	402,000
Hong Kong Observatory	1	543,000
Hong Kong Police Force	190	48,024,000
Independent Commission Against Corruption	3	628,000
Lands Department	2	415,000
Social Welfare Department	1	519,000
Transport Department	1	377,000
Water Supplies Department	1	127,000
Total	247	69,500,000

\* Excluding specialised vehicles

The number of additional general purpose vehicles arranged by GLD for departments and the expenditure involved in 2022 are as follows:

<b>Bureau/Department/Organisation</b>	<b>2022</b>	
	<b>No. of additional vehicles* (general purpose vehicles)</b>	<b>Expenditure involved* (general purpose vehicles) (HK\$)</b>
Administration Wing	3	1,558,000
Department of Justice	1	424,000
Electrical and Mechanical Services Department	1	517,000
Fire Services Department	3	2,748,000
Food and Environmental Hygiene Department	2	2,434,000
Government Logistics Department	1	524,000
Hong Kong Police Force	5	6,611,000
<b>Total</b>	<b>16</b>	<b>14,816,000</b>

\* Excluding specialised vehicles

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)027****(Question Serial No. 1167)**Head: (59) Government Logistics DepartmentSubhead (No. & title): (100) Stores and equipmentProgramme: (1) Procurement, (2) Supplies ManagementControlling Officer: Director of Government Logistics (Carlson CHAN)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Procurement Division of the Government Logistics Department (GLD) assisted various bureaux and departments during the outbreak of the COVID-19 epidemic to procure various anti-epidemic items. Will the Government inform this Committee of the following:

1. The detailed breakdown, by type of item, of the quantities of anti-epidemic items (including masks, protective clothing, protective goggles, Rapid Antigen Test kits and cleaning alcohol) procured and distributed by GLD each year since the outbreak of the epidemic in 2020, and their remaining quantities;
2. The breakdown of the quantities of various anti-epidemic items that need to be destroyed due to damage or expiration;
3. How will the remaining anti-epidemic items be handled now that the society has resumed normalcy?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 22)Reply:

1&3. The quantities of masks, protective clothing, protective goggles, Rapid Antigen Test (RAT) kits and alcohol-based hand rubs procured by the Government Logistics Department (GLD) using funds of the General Revenue Account and the quantities distributed in the past 3 years till now, and the remaining stock level are as follows:

Item	Quantity procured (Note 1) (pieces)			Quantity distributed (Note 2) (pieces) (2020 to February 2023)	Remaining stock level (pieces) (as at end Februray 2023) (Note 3)
	2020	2021	2022 to February 2023		
Masks	around 125 million	around 20 million	around 178 million	around 1.037 billion	around 38.10 million
Protective clothing (Note 4)	around 570 500	---	around 32.3564 million	around 30.74 million	around 7.63 million

Item	Quantity procured (Note 1) (pieces)			Quantity distributed (Note 2) (pieces) (2020 to February 2023)	Remaining stock level (pieces) (as at end February 2023) (Note 3)
	2020	2021	2022 to February 2023		
Protective goggles	around 74 200	---	around 9.7644 million	around 7.80 million	around 2.63 million
RAT kits	---	---	around 350 million	350 million	- <b>(Note 5)</b>
Alcohol-based hand rubs	around 3.7659 million	around 180 000	around 2.8720 million	around 6.34 million	around 1 million

**Note 1:** Anti-epidemic items procured using funds of the General Revenue Account.

**Note 2:** The quantities of anti-epidemic items distributed as listed below includes items procured using funds of the General Revenue Account and the Anti-epidemic Fund, as well as masks from the Local Mask Production Subsidy Scheme under the Anti-epidemic Fund. GLD does not have a breakdown of the quantities of anti-epidemic items distributed by their funding sources. The expenditure under the Anti-epidemic Fund is not related to the Appropriation Bill or the estimates of the General Revenue Account.

**Note 3:** Such stock level (as at end February 2023) is not equal to the quantity procured minus the quantity distributed in the past 3 years. This is because the stock level includes the remaining stock before 2020, the anti-epidemic items procured using the Anti-epidemic fund, and those from the Local Mask Production Subsidy Scheme.

**Note 4:** Protective clothing includes gowns and protective coverall suits.

**Note 5:** GLD has distributed all 350 million RAT kits in stock to bureaux/departments (B/Ds). Also, GLD has entered into bulk contracts for the procurement of RAT kits with suppliers (up to 100 million RAT kits available for procurement), allowing B/Ds to procure RAT kits directly from suppliers if necessary.

GLD has issued detailed guidelines to B/Ds on the management of stores. B/Ds are reminded to use stores with shelf-life (including various anti-epidemic items) in accordance with the "First Expired, First Out" principle, and to closely monitor the shelf-life of stores and arrange for their proper use before expiration. The Government's Stores and Procurement Regulations have also set out procedures and guidelines on handling surplus stores. B/Ds should try to make the best use of resources by disposing stores through various means and channels, including transferring to other government departments in need, donating to non-government organisations for non-profit-making purposes, or arranging a tender or an auction exercise.

2. No anti-epidemic items had to be disposed of due to damage or expiry of their shelf-life in the past 3 years.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)028**

**(Question Serial No. 1357)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Carlson CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget, the Government Logistics Department will continue to explore the feasibility of using more environment-friendly vehicles in the government fleet, and give priority to environment-friendly vehicles when replacing vehicles in the government fleet subject to the availability of suitable models in the market as well as operational and resources considerations. In this connection, will the Government inform this Committee of the following:

- (1) What is the number of electric vehicles procured by government departments in the past 3 years? Please list the number of electric private cars and electric commercial vehicles procured by the respective departments. What is the proportion of electric private cars in the total number of private cars procured by the Government? What is the proportion of electric commercial vehicles in the total number of commercial vehicles procured by the Government?
- (2) Has the Government set a target on the proportion of electric vehicles to be procured in the next 3 years?
- (3) What is the estimated number of electric vehicles to be procured by departments and the estimated expenditure in 2023-24?

Asked by: Hon CHAN Siu-hung (LegCo internal reference no.: 38)



Reply:

- (1) The Government has procured 94 electric private cars and 1 electric commercial vehicle in the past 3 years. Details of the electric private cars procured are as follows:

Bureau/Department/Organisation	No. of electric private cars procured		
	2020	2021	2022
Agriculture, Fisheries and Conservation Department	-	6	1
Architectural Services Department	-	1	-
Buildings Department	2	3	1
Customs and Excise Department	-	1	9
Civil Aviation Department	-	2	2
Civil Engineering and Development Department	-	1	-
Correctional Services Department	-	1	-
Administration Wing	1	1	1
Electrical and Mechanical Services Department	1	-	-
Environment and Ecology Bureau/Environmental Protection Department	1	-	-
Food and Environmental Hygiene Department	-	1	-
Housing Department	-	2	1
Hong Kong Police Force	-	1	27
Post Office	5	2	-
Highways Department	-	1	-
Independent Commission Against Corruption	-	-	2
Lands Department	1	-	1
Leisure and Cultural Services Department	1	-	-
Labour Department	-	-	2
Office of the Communications Authority	-	1	-
Social Welfare Department	-	-	4
Transport Department	-	-	1
Working Family and Student Financial Assistance Agency	-	1	-
Water Supplies Department	-	2	3
Total	12	27	55

The proportion of electric private cars in the total number of private cars procured by the Government is as follows:

	2020	2021	2022
No. of electric private cars procured (a)	12	27	55
Total no. of private cars procured (b)	195	385	141
Proportion (a)/(b)	6.2%	7.0%	39.0%

In addition, the Government procured 526, 344 and 414 commercial vehicles (i.e. trucks, buses and specialised vehicles) in 2020, 2021 and 2022 respectively. Only one electric commercial vehicle was procured by the Department of Health in 2020.

(2)&(3) In July 2021, the Environmental Protection Department updated the green procurement practice for government vehicles, setting electric vehicles as standard for small and medium private cars to be procured or replaced, unless there are special circumstances such as operational needs that render the use of electric vehicles technically infeasible. GLD will continue to follow the above practice and take into account the operational needs of bureaux and departments as well as the market situation (including the future development and availability of electric vehicles) when deciding on the number and requirements of vehicles to be procured.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)029**

**(Question Serial No. 3120)**

Head: (59) Government Logistics Department

Subhead (No. & title): ()

Programme: (3) Land Transport

Controlling Officer: Director of Government Logistics (Carlson CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government Logistics Department (GLD) is responsible for the efficient and economical management and operation of the vehicle fleets of government bureaux and departments. Based on the current fleet establishment and management structure, will the Government inform this Committee of the following:

1. What is the procedure for fund application when government departments need to procure official vehicles? Do they submit applications to GLD centrally for budget estimation every year?
2. What was the provision in the Budget for transportation allocated to each department in the past 3 years?
3. What was the annual total expenditure for maintenance and repair of government vehicles in the past 3 years?
4. How many government vehicles had to be prematurely disposed of by year due to traffic accidents in the past 3 years?
5. What was the total amount of compensation paid by year in relation to traffic accidents involving government vehicles in the past 3 years?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 42)

Reply:

1. The Government Logistics Department (GLD) is responsible for vetting requests for additional and replacement vehicles submitted by bureaux/departments (B/Ds) every year. In general, GLD will consider whether the request submitted by the B/D is well justified; the utilisation rate of the B/D's existing vehicles; the feasibility of deploying existing vehicles to meet the additional operational needs; and whether there are other alternative means in meeting the additional operational needs, such as hiring of vehicles, so as to meet B/Ds' operational needs for vehicles in a cost-effective manner. GLD will procure general purpose vehicles for B/Ds based on the vetting results and manage the funding for procuring these vehicles through a block vote.

2. B/Ds are responsible for their own daily transportation expenses. GLD does not have the relevant information.
3. The maintenance costs and expenditure on services of the vehicles are borne by B/Ds. GLD does not have the relevant information.
4. In 2020, 2021 and 2022, there were 13, 16 and 6 government vehicles respectively that had to be prematurely disposed of due to traffic accidents.
5. Compensation matters on traffic accidents involving government vehicles are handled and followed up by relevant B/Ds. GLD does not have the relevant information.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)030**

**(Question Serial No. 0025)**

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 2021/22 and 2022/23? 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.: 25)

Reply:

As at 28 February 2023, about 340 000 taxpayers had applied for tax deductions for qualifying premiums paid under the Voluntary Health Insurance Scheme Policy (VHIS) for the year of assessment 2021/22, and about 327 000 of them had been allowed for the deductions. The total amount of premiums allowed is about \$2,339 million. The taxpayers in the remaining cases are not required to pay tax even without deducting the qualifying premiums paid under VHIS.

The Inland Revenue Department will issue the Tax Return - Individuals for the year of assessment 2022/23 later this year. The required statistical information for that year of assessment will only be available after taxpayers have filed the tax returns and the assessment work is completed.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)031**

**(Question Serial No. 0337)**

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:

1. Regarding the tax investigation conducted by the Inland Revenue Department (IRD) over the past 3 years, please provide the number of investigation cases which were carried out on the IRD's own initiative; through random-checking, and upon receipt of complaints or informers' reports. Please set out the numbers of demand notes and the amounts of tax involved by tax types (e.g. profits tax, salaries tax, etc.).

2. Did the Government deploy more manpower and resources to the investigation work relating to revenue collection over the past 3 years? If yes, what are the details? If no, will the Government consider increasing the relevant provision such that the effectiveness could be enhanced through active investigations? If not, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 28)

Reply:

1. The Inland Revenue Department (IRD) all along exerts efforts in combating tax evasion and countering tax avoidance schemes. In the financial years 2020-21 to 2022-23 (up to 28 February 2023), the total number of cases completed and the amount of back tax and penalties assessed by the IRD are as follows:

	2020-21	2021-22	2022-23 (Up to 28 February 2023)
Total number of cases completed	1 801	1 720	1 724
Back tax and penalties assessed	\$ 2.803 billion	\$ 2.897 billion	\$ 2.440 billion

The IRD does not maintain statistical breakdown by the types of investigation and tax. The IRD is therefore unable to provide the requested information.

2. One of the IRD's missions is to collect revenue efficiently and cost-effectively. During the past three financial years, the establishment of the Field Audit and Investigation Unit was broadly the same. According to the information available to the IRD, there is no indication that the number of tax evasion or avoidance cases is on a rising trend in recent years. Besides, the Field Audit and Investigation Unit has all along been making good use of information technology to enhance the efficiency and effectiveness of its investigation work. For example, computer-assisted data analyses are performed to identify high-risk cases for audit. The IRD will continue to explore measures to improve the efficiency of tax administration in future. Therefore, the IRD has no plan to increase the manpower and resources of the Field Audit and Investigation Unit at present.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)032****(Question Serial No. 1732)**

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:

Will the Government inform this Committee of the following:

- 1) Regarding the tax investigation conducted by the Inland Revenue Department (IRD) over the past 3 years, please provide the number of investigation cases which were carried out on the IRD's own initiative; through random-checking, and upon receipt of complaints or informers' reports. Please set out the numbers of demand notes and the amounts of tax and penalty involved by tax types (e.g. profits tax, salaries tax, etc.).
- 2) During the investigation process, how many cases were involved with auditors' reports signed by persons impersonating qualified practicing accountants over the past 3 years? What was the amount of tax involved?
- 3) Has the IRD been in discussion with other regulatory authorities on how to combat those impersonation cases? If so, what are the details? If no, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 37)

Reply:

- 1) The Inland Revenue Department (IRD) all along exerts efforts in combating tax evasion and countering tax avoidance schemes. In the financial years 2020-21 to 2022-23 (up to 28 February 2023), the total number of cases completed and the amount of back tax and penalties assessed by the IRD are as follows:

	2020-21	2021-22	2022-23 (Up to 28 February 2023)
Total number of cases completed	1 801	1 720	1 724
Back tax and penalties assessed	\$ 2.803 billion	\$ 2.897 billion	\$ 2.440 billion

The IRD does not maintain statistical breakdown by the types of investigation and tax. The IRD is therefore unable to provide the requested information.



- 2) During the past three years, the IRD did not discover any taxpayer submitting auditor's report signed by a non-qualified practicing accountant in the course of tax investigation.
  
- 3) The IRD is responsible for the administration of the Inland Revenue Ordinance. Its main duty is to assess and collect taxes. It has no authority to supervise practicing accountants. Further, the IRD did not discover any auditor's report signed by a non-qualified practicing accountant in the course of tax investigation. Therefore, there was no relevant follow-up matter. The IRD also has no plan to liaise with other regulatory authorities for any action in this regard.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)033**

**(Question Serial No. 1734)**

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 Inland Revenue Department (IRD) will continue to promote the use of electronic services, encourage taxpayers to make greater use of eTAX services, and promote the use of electronic payment services. Please inform this Committee of the following:

1. Regarding the situation of tax payments made by taxpayers for Salaries Tax and Profits Tax via electronic means such as eTAX, please set out by the two tax types the respective numbers of transactions of tax payments made via electronic means and the respective percentages to the total tax payment transactions in each of the past 5 years in a table;
2. whether the IRD has set any performance indicators in relation to encouraging members of the public and enterprises to make use of electronic means to file tax returns and make tax payments. If yes, what are the details? If no, what are the reasons?
3. whether the IRD has made any estimation on the annual cost savings that can be achieved if all tax return filings and tax payments are made via electronic means.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 21)

Reply:

1. The Inland Revenue Department (IRD) does not maintain statistical breakdown on the payment transactions for Salaries Tax and Profits Tax by electronic means. In the past 5 financial years, the number of transactions of tax payments made by electronic means and the percentage to the total tax payment transactions are set out in the table below.

Financial year	Tax payments made by electronic means	
	Number of transactions (Note)	Percentage to total tax payment transactions
2018-19	1 880 000	56%
2019-20	1 810 000	68%
2020-21	2 920 000	69%
2021-22	2 350 000	70%
2022-23 (As at 28 February 2023)	2 190 000	71%

Note: Rounded to the nearest ten thousand.

2. The IRD strives to promote electronic filing of Tax Return - Individuals. The performance indicator is to increase the number of electronic filing of Tax Return – Individuals by at least 5% each year for the financial years from 2022-23 to 2026-27. The IRD is also actively promoting the voluntary electronic filing of profits tax returns together with supporting documents by all corporations and businesses with effect from 1 April 2023.

Besides, making tax payments by electronic means has been widely adopted by taxpayers. The IRD has not set performance indicator for further encouraging members of the public and enterprises to pay taxes electronically.

3. Taxpayers may choose the means of filing tax returns and making tax payments. The IRD currently has no plan to mandate members of the public to file tax returns and pay taxes electronically, and needs to reserve certain resources to process tax returns filed in paper form and non-electronic tax payments made by taxpayers. In the circumstances, the IRD does not have relevant estimation.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)034**

**(Question Serial No. 1737)**

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 work of the Inland Revenue Department (IRD) in the coming year includes striving to expand Hong Kong's network of double taxation agreements. In this connection, please inform this Committee of the following:

1. Please list the countries and regions in respect of which negotiations are ongoing and give details of the progress of such negotiations.
2. Agreement has yet to be reached with some countries and regions after years of negotiations. What are the main reasons?
3. Has the Government set any indicators in the coming year for the newly commenced double taxation agreement negotiations? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 38)

Reply:

At present, Hong Kong is in negotiations for comprehensive avoidance of double taxation agreements (CDTAs) with 13 tax jurisdictions, namely Bahrain, Bangladesh, Cyprus, Germany, Israel, Kyrgyz Republic, Lithuania, Maldives, Nigeria, North Macedonia, Norway, Türkiye and Ukraine. The negotiation progress for CDTAs mainly depends on the internal work priorities and vetting procedures of the negotiation partners, the requirements for individual provisions, etc. Nevertheless, we will continue to negotiate with the tax jurisdictions concerned. As the pandemic has subsided and international exchanges have resumed normalcy, the Hong Kong Special Administrative Region Government will strive to conclude the negotiations with the tax jurisdictions concerned so as to sign the CDTAs as early as possible.

To attract more enterprises to Hong Kong and facilitate the overseas market development of Hong Kong's enterprises, the Government will continue to enhance efforts to accelerate the expansion of the CDTA network. Currently, the Inland Revenue Department (IRD) commences negotiations with an average of two to three tax jurisdictions every year. Subject to the willingness and plans of the negotiation partners, the IRD plans to increase the number of tax jurisdictions to four to six per year. In particular, the focus will be on tax

jurisdictions participating in the Belt and Road Initiative and emerging markets such as ASEAN, the Middle East, Central Asia and Africa.

- End -

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 1894)**

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:

As mentioned in the Budget Speech, the Government will implement the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development (OECD) to address base erosion and profit shifting (abbreviated as BEPS 2.0). Hong Kong plans to apply the global minimum effective tax rate on large multinational enterprise groups and implement the domestic minimum top-up tax starting from 2025 onwards.

I. Please advise on the relevant additional expenditures and costs involved for the implementation of the recommendations made by the OECD concerning the operation of Hong Kong's tax system; and

II. whether additional posts are required for handling the work involved. If yes, what are the details?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 1)

Reply:

At present, a Deputy Commissioner of the Inland Revenue Department ("IRD") is responsible for co-ordinating and leading the Research Team and Profits Tax Unit of the IRD to actively take forward the implementation of BEPS 2.0, including conducting the related consultation work and studying the legislative framework. To prepare for the implementation of BEPS 2.0, the IRD is creating by phases a total of 38 non-directorate posts (including 29 Assessor Grade posts and 9 Taxation Officer Grade posts) in the financial years of 2022-23 and 2023-24 to cope with the additional and heavy workload in respect of the enhancement of computer system arising from the implementation of BEPS 2.0, and to provide support to the multinational enterprise (MNE) groups under the scope of BEPS 2.0. The relevant work includes establishing a portal to facilitate the MNE groups concerned to submit tax returns and make enquiries on issues such as tax assessments and tax matters, as well as setting up a dedicated team to assist the relevant enterprises in filing tax returns, raise assessments, handle enquiries and provide technical support to the enterprises for using the portal. These initiatives will help the trade adapt to the new tax rules. The creation of 38 non-directorate posts is partly offset by the deletion of 13 non-directorate posts, resulting in a net increase of

25 non-directorate posts. The additional expenditure of the above-mentioned newly created posts is about \$36 million per year.

In addition, in order to strengthen the directorate support in the IRD for handling various tasks including the CDTAs, the Government will submit a proposal to the Finance Committee of the Legislative Council (LegCo) for the creation of one permanent Assistant Commissioner post in the IRD, and the proposal was presented to the LegCo Panel on Financial Affairs on 3 April this year. For 2023-24, the IRD will absorb the necessary cost of this proposal from within its existing resources.

- End -

**CONTROLLING OFFICER'S REPLY**

**(Question Serial No. 1895)**

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:

The Inland Revenue Department indicated that it would continue to exert determined efforts in combatting tax evasion and countering tax avoidance schemes. In recent years, the pandemic has driven the demand for online shopping. Among the product or service providers, a few of them hold a Business Registration Certificate while the rest may involve in operating unlicensed business. Will the Government need to deploy more resources including equipment and manpower to conduct tax evasion and tax avoidance investigations? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 2)

Reply:

The Business Registration Ordinance (Cap. 310) ("BRO") requires every person who carries on a business in Hong Kong to apply for business registration. Persons who carry on businesses, whether through the internet or a brick-and-mortar presence, have to comply with the relevant requirements.

Information regarding the business registration for online businesses as well as reminders to those operating business in Hong Kong through the internet to apply for business registration has been provided in the website of the Inland Revenue Department ("IRD") and displayed in the Business Registration Office. Besides, in order to ensure that the business operators have complied with the requirements of the BRO, a dedicated team has been assigned to conduct on-site inspections of the businesses and proactive sample checks on the business activities conducted online, and to follow up on related reported cases. For business operators who have failed to apply for the business registration, or possess valid business registration certificates, the IRD would follow up on non-compliance cases according to the established mechanism.



According to the information available to the IRD, there is no indication that the number of tax evasion or avoidance cases relating to online trading is on a rising trend. Nevertheless, the IRD will continue to monitor the situation closely and take appropriate actions where necessary.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)037****(Question Serial No. 1896)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (1) Assessing FunctionsControlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please set out for each of the past five years 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.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 4)Reply:

In the past 5 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 of residential properties	Proportion	Total amount of consideration involved (\$ billion)
2018-19	62 463	2 780	4.45%	51.79
2019-20	60 908	1 947	3.20%	32.48
2020-21	73 827	918	1.24%	21.21
2021-22	71 041	1 445	2.03%	30.18
2022-23 (As at 28 February 2023)	46 713	1 031	2.21%	15.02

Financial Year	Number of agreements for sale and purchase of non-residential properties (Note)	Individual buyers not holding HKIC and company buyers		
		Number of agreements for sale and purchase of non-residential properties	Proportion	Total amount of consideration involved (\$ billion)
2018-19	23 097	6 877	29.77%	110.68
2019-20	14 533	4 153	28.58%	54.05
2020-21	17 149	4 392	25.61%	54.91
2021-22	21 377	5 486	25.66%	99.96
2022-23 (As at 28 February 2023)	12 952	3 498	27.01%	55.46

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)038****(Question Serial No. 1897)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (2) CollectionControlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Inland Revenue Department has launched the electronic payment services for years. 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.

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 5)Reply:

1. The Inland Revenue Department does not maintain statistical breakdown on the payment transactions for Salaries Tax and Profits Tax by electronic means. In the past 5 financial years, the number of transactions of tax payments made by electronic means and the respective percentage to the total tax payment transactions are set out in the table below.

Financial year	Tax payments made by electronic means	
	Number of transactions (Note)	Percentage to total tax payment transactions
2018-19	1 880 000	56%
2019-20	1 810 000	68%
2020-21	2 920 000	69%
2021-22	2 350 000	70%
2022-23 (As at 28 February 2023)	2 190 000	71%

Note: Rounded to the nearest ten thousand.

2. In the past 5 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
2018-19	649 900 (24%)	8 500 (5%)	3 200 (1%)
2019-20	714 500 (25 %)	8 700 (6%)	2 200 (1%)
2020-21	785 500 (29 %)	9 700 (7%)	2 600 (1%)
2021-22	835 200 (31 %)	10 300 (7%)	2 500 (1%)
2022-23 (As at 28 February 2023)	864 300 (34%)	11 000 (8%)	3 200 (1%)

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

Financial Year	Number of enquiries (Note 3)
2018-19	4 420 000
2019-20	5 260 000
2020-21	7 060 000
2021-22	7 420 000
2022-23 (As at 28 February 2023)	7 710 000

(c) Request for documents (Note 2)

Financial Year	Number of cases (Note 1)
2018-19	9 900
2019-20	11 700
2020-21	16 800
2021-22	17 700
2022-23 (As at 28 February 2023)	25 300

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

Financial Year	Number of cases (Note 1)
2018-19	108 400
2019-20	120 900
2020-21	155 700
2021-22	281 500
2022-23 (As at 28 February 2023)	289 500

(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
2018-19	7 000 (19%)	9 400 (9%)	22 300 (36%)
2019-20	15 600 (30%)	9 500 (16%)	25 300 (48%)
2020-21	20 400 (20%)	20 300 (18%)	46 800 (46%)
2021-22	15 100 (29%)	19 900 (16%)	45 300 (52%)
2022-23 (As at 28 February 2023)	21 100 (40%)	22 600 (19%)	54 500 (59%)

Note 1: Rounded to the nearest hundred.

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

Note 3: Rounded to the nearest ten thousand.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)039****(Question Serial No. 2692)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (1) Assessing FunctionsControlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please inform this Committee of the following:

1. How many enterprises benefitted from the two-tiered profits tax rates regime in each of the past 3 financial years? Please set out the numbers of corporations and unincorporated businesses respectively and the revenue forgone resulting from the regime for each year.
2. Currently, the application of the two-tiered profits tax rates is restricted to only one enterprise nominated among connected entities. Does the Government have any plans to relax such requirement in order to benefit more small and medium enterprises? If yes, what are the details? If no, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 4)Reply:

1. In the financial years from 2020-21 to 2022-23, the number of enterprises that benefitted from the two-tiered profits tax rates regime and the amount of revenue forgone due to the implementation of the regime are as follows:

Financial year	Number of beneficiary enterprises		Amount of profits tax revenue forgone (\$billion)
	Corporations	Unincorporated businesses	
2020-21	76 500	15 400	5.862
2021-22	78 000	15 000	5.723
2022-23 (as at 28 February 2023)	83 600	16 100	6.367

2. The policy objective of the two-tiered profits tax rates regime is to reduce the tax burden on enterprises, especially small and medium enterprises (SMEs). The current practice of restricting the application of the two-tiered profits tax rates regime to only one enterprise nominated among connected entities is to prevent a vast number of entities within a multinational group or listed company from benefitting from the two-tiered tax regime, thereby ensuring that the beneficiary enterprises are mainly SMEs. We have no plan to relax the requirement at present.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)040****(Question Serial No. 2693)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (3) Investigation and Field AuditControlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide the following details in respect of salaries tax and profits tax for each of the past 3 years:

- 1) the number of tax evasion cases and the amount of tax involved;
- 2) the percentage of the amount of tax recovered after giving warnings and taking prosecution actions out of the amount of tax in default resulting in tax evasion;
- 3) the number of tax recovery cases in which legal actions were taken by the Inland Revenue Department in courts and the amount of tax involved.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 31)Reply:

The numbers of prosecution related to evasion of Salaries Tax and Profits Tax completed by the Field Audit and Investigation Unit of the Inland Revenue Department (IRD) in the 3 financial years from 2020-21 to 2022-23 (up to 28 February 2023) and the amounts of associated back tax and penalty are tabulated as follows:

	2020-21		2021-22		2022-23 (up to 28 February 2023)	
(Note : ST stands for Salaries Tax and PF stands for Profits Tax)	ST	PF	ST	PF	ST	PF
Cases completed	1	1	3	0	0	2
Total amount of back tax assessed (\$'000)	290	30	210	0	0	900
Total amount of penalty ordered by the Court (\$'000)	0	0	0	0	0	820

The back tax assessed in the above 3 financial years has been fully recovered by the IRD. The penalty ordered by the Court is payable to and recovered by the Court.

- End -



**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)041****(Question Serial No. 0338)**Head: (162) Rating and Valuation DepartmentSubhead (No. & title): ()Programme: (1) Statutory Valuation and AssessmentsControlling Officer: Commissioner of Rating and Valuation (Kevin SIU)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please inform the Committee of: 1. the change in manpower and expenditure involved in carrying out statutory valuation and assessments in the Rating and Valuation Department (RVD) in the past 3 years; 2. the number of domestic and non-domestic units in Hong Kong in each of the past 3 years, with breakdowns by floor area, rateable value or rates payable; and 3. the number of domestic and non-domestic units in Hong Kong in each of the past 3 years, with breakdowns by floor area, rateable value or Government rent payable.

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 29)Reply:

1. The staffing provision and expenditure of the Rating and Valuation Department (RVD) for carrying out the duties relating to the assessment of rates and Government rent in the past 3 years are tabulated below:

Financial Year	Number of Staff	Expenditure (\$ million)
2019-20	665	370.6
2020-21	692	384.6
2021-22	600	367.4

2. Statistics on the distribution of assessments in the Valuation List are published in the Annual Summary of the RVD available on RVD's website ([www.rvd.gov.hk/en/about\\_us/annual\\_summary.html](http://www.rvd.gov.hk/en/about_us/annual_summary.html)). Distribution of assessments in the past 3 years is shown below:

i. Domestic Assessments (by area and rateable value)

Year (as at 1 April of the year)	Classes A & B		Class C		Classes D & E	
	Number of Assessments	Rateable Value (\$ billion)	Number of Assessments	Rateable Value (\$ billion)	Number of Assessments	Rateable Value (\$ billion)
2020	1 583 594	212.13	157 839	43.53	109 918	64.48
2021	1 604 299	206.78	159 604	41.91	111 185	61.79
2022	1 630 870	212.85	161 802	42.81	112 108	62.69

Notes:

Class A - Saleable area less than 40 m<sup>2</sup>

Class B - Saleable area of 40 m<sup>2</sup> to 69.9 m<sup>2</sup>

Class C - Saleable area of 70 m<sup>2</sup> to 99.9 m<sup>2</sup>

Class D - Saleable area of 100 m<sup>2</sup> to 159.9 m<sup>2</sup>

Class E - Saleable area of 160 m<sup>2</sup> or above

The above statistics include subsidised sale flats and those former public rental housing units sold under the Tenants Purchase Scheme, but exclude public rental housing units.

ii. Non-domestic Assessments (by rateable value) (Note 1)

Year (as at 1 April of the year)	Number of Assessments	Rateable Value (\$ billion)
2020	664 146	356.65
2021	672 438	318.14
2022	680 350	319.52

Note 1: Non-domestic assessments include offices, shops and other commercial premises, factories, storage premises, industrial/office premises, car parking spaces and others.

3. Statistics on assessments in the Government Rent Roll published in the Annual Summary of the RVD in the past 3 years are as follows:

Year (as at 1 April of the year)	Number of Assessments Not Exceeding Minimum Rateable Value (Note 2)	Assessments Above Minimum Rateable Value	
		Number	Rateable Value (\$ billion)
2020	152 176	1 855 161	449.66
2021	151 822	1 884 016	425.97
2022	151 249	1 916 984	436.85

Note 2: Where the rateable value of a property does not exceed the current minimum rateable value of \$3 000, the rateable value for Government rent purposes is deemed by law to be \$1 and the Government rent payable would be \$0.03 per annum.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)042**

**(Question Serial No. 0339)**

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:

All of the performance measures in respect of statutory valuation and assessments have been achieved within the target time frames. Will the Department consider further raising the targets concerned in order to enhance the service quality? If yes, what is the expected increase in expenditure? If no, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 30)

Reply:

The Rating and Valuation Department (RVD) sets the work targets of each task having regard to the volume and complexity of cases involved as well as the available resources. As the volume and complexity of cases involved in these tasks vary from year to year, and the time required to obtain the necessary information to deal with the cases is not fully predictable, RVD has to redeploy, as appropriate, its internal manpower to meet the target set for each task as far as possible. The existing work targets have already reflected RVD's effective use of manpower in maintaining high-level performance standards.

RVD will review its work priorities from time to time, examine the workflow and flexibly redeploy existing resources and manpower with a view to providing quality services to members of the public.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)043**

**(Question Serial No. 0301)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that the Financial Services and the Treasury Bureau will update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles and other policy objectives of the Government. As regards the government outsourced service contracts that rely heavily on the deployment of non-skilled workers (service contracts), will the Government inform this Committee of:

1. the number of non-skilled workers involved under the service contracts of the 4 major procuring government departments, namely the Leisure and Cultural Services Department (LCSD), the Food and Environmental Hygiene Department (FEHD), the Housing Department (HD) and the Government Property Agency (GPA), as at February 2023, with a breakdown by 3 categories of service, namely security, cleansing and other services;
2. the range of monthly wages under the service contracts of the 4 major procuring government departments, namely LCSD, FEHD, HD and GPA, as at February 2023, with a breakdown by 3 categories of service, namely security, cleansing and other services;
3. the average number of daily working hours under the service contracts of the 4 major procuring government departments, namely LCSD, FEHD, HD and GPA, as at February 2023, with a breakdown by 3 categories of service, namely security, cleansing and other services; and
4. the average hourly wages under the service contracts of the 4 major procuring government departments, namely LCSD, FEHD, HD and GPA, as at February 2023, with a breakdown by 3 categories of service, namely security, cleansing and other services?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 3)

Reply:

As regards the existing government outsourced service contracts that rely heavily on the deployment of non-skilled workers awarded by the 4 major procuring departments (namely the Food and Environmental Hygiene Department (FEHD), the Leisure and Cultural Services Department (LCSD), the Government Property Agency (GPA) and the Housing Department (HD)) through tendering, figures (by category of service) on the number of non-skilled workers involved, the range of committed hourly wages, the average maximum number of working hours in a day and the average committed hourly wages are set out at **Annex**.

- End -

**Existing service contracts awarded by the 4 major procuring departments through tendering (as at January 31, 2023)**

	Security service				Cleansing service				Other services			
	LCSD	FEHD	HD	GPA	LCSD	FEHD	HD	GPA	LCSD Note 4	FEHD Note 5	HD Note 6	GPA Note 7
<b>Number of non-skilled workers</b>	3 968	506	2 941	-	6 988	11 812	2 241	-	1 175	31	9 861	2 744
<b>Range of committed hourly wages (\$)</b> <sup>Note 1</sup>	39.5 - 51.5	42.0 - 52.4	41.4 - 53.4	-	37.5 <sup>Note 2</sup> - 70.0	37.5 <sup>Note 2</sup> - 80.7	39.4 - 52.6	-	37.5 <sup>Note 2</sup> - 88.7	48.4 - 63.5	38.7 - 63.0	40.5 - 81.7
<b>Average maximum number of working hours in a day</b> <sup>Note 3</sup>	9.5	10	8	-	9.8	10	8.1	-	9.3	10	8	8.5
<b>Average committed hourly wage (\$)</b>	44.8	47.4	47.6	-	45.4	56.9	46.7	-	55.5	58.3	49.2	48.7

Note:

- <sup>1</sup> The statutory minimum wage rate will be increased from the current \$37.5 per hour to \$40 per hour with effect from 1 May 2023. Non-skilled workers currently receiving an hourly wage below \$40 will receive an hourly wage of no less than \$40 by then.
- <sup>2</sup> Committed hourly wage refers to the minimum hourly wage provided to a non-skilled worker as stated by a government service contractor in the relevant service contract. It is not necessarily the same as the actual hourly wage received by each non-skilled worker. For the non-skilled workers whose committed hourly wage is \$37.5 as indicated in the table above, the actual hourly wage they receive is over \$37.5.
- <sup>3</sup> “Maximum number of working hours in a day” refers to the maximum working hours for a non-skilled worker per day as stated by a government service contractor in the relevant service contract. It is not necessarily the same as the actual daily working hours of each non-skilled worker.
- <sup>4</sup> Other services refer to horticultural services and venue management services.
- <sup>5</sup> Other services refer to manual handling services and cemeteries/crematoria-related services.
- <sup>6</sup> Other services refer to property management services.
- <sup>7</sup> Other services refer to property/facility management services.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)044**

**(Question Serial No. 0311)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government will issue consumption vouchers of \$5,000 to each eligible person this year. What is the estimated total expenditure? Has the Government estimated the expenditure required for issuing vouchers in half value?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 2)

Reply:

Under the 2023 Consumption Voucher Scheme, electronic consumption vouchers with a total value of \$5,000 will be disbursed to each eligible Hong Kong permanent resident and new arrival aged 18 or above in two instalments. Eligible persons who have come to live in Hong Kong through different admission schemes or to study in Hong Kong will receive vouchers in half value, i.e. \$2,500 in total. According to the Government's estimation, the Scheme will benefit about 6.5 million persons (including some 100 000 people who will receive vouchers in half value, i.e. \$2,500), involving a financial commitment of about \$33 billion (including about \$250 million for disbursing vouchers in half value).

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)045**

**(Question Serial No. 0336)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2023-24, the Treasury Branch will continue to expand Hong Kong's network of comprehensive avoidance of double taxation agreements (CDTAs) with trading partners, in particular countries participating in the Belt and Road Initiative. In this regard, please inform this Committee of:

1. the number of tax jurisdictions that have entered into CDTAs with Hong Kong;
2. the objectives and details of the work plan on expanding the CDTAs network in the coming year; and
3. the manpower and expenditure required for the relevant work in the coming year and over the past 3 years.

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 27)

Reply:

1. Hong Kong has so far signed CDTAs with 46 tax jurisdictions. The CDTA with Mauritius signed in November 2022 will come into force after the completion of ratification procedures by both jurisdictions.
2. At present, Hong Kong is in CDTA negotiations with 13 tax jurisdictions, namely Bahrain, Bangladesh, Cyprus, Germany, Israel, Kyrgyz Republic, Lithuania, Maldives, Nigeria, North Macedonia, Norway, Türkiye and Ukraine. The Hong Kong Special Administrative Region Government will strive to conclude the negotiations with the tax jurisdictions concerned so as to sign the CDTAs as early as possible.

To attract more enterprises to Hong Kong and facilitate the overseas market development of Hong Kong's enterprises, the Government will continue to enhance efforts to accelerate the expansion of the CDTA network. Currently, the Inland Revenue Department (IRD) commences negotiations with an average of two to three tax jurisdictions every year. Subject to the willingness and plans of the negotiation

partners, the IRD plans to increase the number of tax jurisdictions to four to six per year. In particular, the focus will be on tax jurisdictions participating in the Belt and Road Initiative and emerging markets such as ASEAN, the Middle East, Central Asia and Africa.

3. The CDTA negotiations are mainly overseen by a Deputy Commissioner of the IRD, who leads the IRD's Tax Treaty Section to handle the related work. Since such work forms part of the regular duties of the IRD, the manpower and expenditure involved have been included in the overall establishment and expenditure of the IRD respectively. In order to strengthen the directorate support in the IRD for handling various tasks including the CDTAs, the Government will submit a proposal to the Finance Committee of the Legislative Council (LegCo) for the creation of one permanent Assistant Commissioner post in the IRD, and the proposal was presented to the LegCo Panel on Financial Affairs on 3 April this year. For 2023-24, the IRD will absorb the necessary cost of this proposal from within its existing resources.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)046**

**(Question Serial No. 0622)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in paragraph 38 of the Budget Speech that he would issue electronic consumption vouchers again this year with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above in two installments. In this connection, would the Government inform this Committee of the following:

1. What are the estimated amount of disbursement, administrative expenses to be involved, additional staff establishment required and number of persons to be benefited? Are persons admitted into Hong Kong under the Top Talent Pass Scheme eligible for the consumption vouchers? If yes, what is the expenditure to be involved?
2. The Government has disbursed consumption vouchers or cash for four consecutive financial years. Please set out the total amount of disbursement, administrative expenses involved/to be involved and number of persons benefited/to be benefited in each of the years.
3. The Government has disbursed consumption vouchers or cash for four consecutive financial years. Please set out the stimulus effect of the disbursement on the economy in each of the years.
4. Did cash payouts have a larger stimulus effect on the economy compared with the disbursement of consumption vouchers?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 20)

Reply:

1. Under the 2023 Consumption Voucher Scheme (CVS), electronic consumption vouchers with a total value of \$5,000 will be disbursed to each eligible Hong Kong permanent resident and new arrival aged 18 or above in two instalments. Eligible persons who have come to live in Hong Kong through different admission schemes or to study in Hong Kong will receive vouchers in half value, i.e. \$2,500 in total. The

scheme is expected to benefit about 6.5 million persons, involving a financial commitment of about \$33 billion (including administrative expenses). The administrative expenses for the CVS mainly involve deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS, including the creation/ retention of about 270 time-limited civil service and contract staff posts (Note). Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward the CVS in an orderly manner.

As the CVS is not linked up with any specific admission schemes for attracting talents, whether persons admitted to Hong Kong under these admission schemes can receive consumption vouchers depends on whether they can meet the overall eligibility criteria of the CVS. We are reviewing the relevant eligibility criteria under the 2<sup>nd</sup> instalment, and will generally make reference to the practice last year and specify a date on which registrants should meet the relevant eligibility criteria.

2. The numbers of persons benefited, total amount of disbursement and administrative expenses of the 2020 Cash Payout Scheme (CPS) and various rounds of CVS from 2021 to 2023 are set out below:

	Number of persons benefited	Total amount of disbursement	Administrative expenses
2020 CPS	About 6.6 million	About \$66 billion	About \$300 million
2021 CVS	About 6.3 million	About \$31.5 billion	About \$240 million
2022 CVS	About 6.43 million	About \$64 billion	About \$400 million
2023 CVS	About 6.5 million (Estimation)	About \$32.3 billion (Estimation)	About \$400 million (Estimation)

3. The Government launched the CPS in 2020 to encourage consumption and alleviate people's financial burden. Private consumption expenditure plunged in the first half of 2020 as the epidemic and corresponding social distancing measures dealt a serious blow to local consumption activities. Nevertheless, with the disbursement of cash payout in July that year, private consumption expenditure reverted to an increase in the third quarter on a seasonally adjusted quarter-to-quarter basis, and continued to register growth in the fourth quarter. This shows that the CPS has a stimulus effect on the economy.

Prior to the launch of CVS, the Government has roughly estimated that the stimulus effect of 2021 CVS on the economy would be equivalent to 0.7% of the Gross Domestic

Product, while that of the 2022 CVS would be 1.2%. The stimulus effect of the 2023 CVS is estimated to be 0.6%.

In 2021, with the disbursement of consumption vouchers starting from August, private consumption expenditure grew by 6.2% year-on-year in real terms in the second half of 2021, faster than the 4.9% increase in the first half of the year.

Private expenditure plunged in the first quarter of 2022, affected initially by the fifth wave of the local epidemic and subsequently by tightened financial conditions. However, since the disbursement of consumption vouchers in April 2022, private consumption expenditure has registered growth for three consecutive quarters on a seasonally adjusted quarter-to-quarter basis. This shows that CVS has helped support local consumer sentiment and stimulate demand.

4. The purpose of launching the CVS again this year at a time when our society is gradually returning to normal and our economy has become relatively stable is to expedite the overall recovery of the economy by stimulating local consumption, to alleviate the economic pressure on the public by providing financial support, and to consolidate the extensive use of electronic payment in Hong Kong. As consumption vouchers are subject to a validity period and the scope of usage, from the perspective of stimulating consumption, we consider that the disbursement of consumption vouchers would be more appropriate than cash payouts.

Note: The number of staff concerned has increased by about 160 (with most of them being short-term contract staff with a contract period of 3 to 5 months) as compared to last year. The main reason is that the departments concerned can no longer deploy their internal resources upon resumption of normalcy, and additional manpower is required to handle the work of CVS.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)047**

**(Question Serial No. 0628)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated by the Financial Secretary in paragraphs 182 and 199 of the Budget Speech, a deficit of \$140 billion will be recorded in 2022-23 and a deficit of \$54.4 billion is forecasted for 2023-24. In this connection, will the Government inform this Committee of the following:

1. How will the Government conform to the requirement of Article 107 of the Basic Law, namely the principles of keeping the expenditure within the limits of revenues, striving to achieve a fiscal balance and avoiding deficits?
2. How will the Government achieve a fiscal balance by exercising fiscal prudence, increasing government revenue and reducing expenditure, and maintaining an overall healthy fiscal position?
3. How will the Government balance its assets and liabilities and ensure that it will not slip into a structural deficit and drag down the local economy?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 26)

Reply:

1&2. The Government has a constitutional responsibility to exercise fiscal prudence and achieve, over time, a fiscal balance. The aim of the Government is to maintain adequate reserves in the long run. Despite the adversities encountered by Hong Kong in the past few years, our public finances have remained robust.

On controlling government expenditure, the ratio of total government expenditure to Gross Domestic Product (GDP) is expected to fall gradually from about 29 per cent in the revised estimates for 2022-23 to about 22 per cent for 2027-28. This demonstrates the Government's determination to strictly control expenditure, striving to keep the expenditure growth commensurate with the GDP growth rate. We will also continue to strictly control the growth of the civil service establishment. The Government's target of zero growth in the civil service establishment will remain unchanged in 2023-24.

On increasing revenue, the key direction is “growing the pie” with a view to driving up revenue through economic growth. We will strive to maintain our simple and low tax regime, the core competitiveness of Hong Kong, so as to attract more enterprises and talent to do business or pursue careers in Hong Kong. To increase government revenue in the short term, the Government proposes to impose a special football betting duty on the Hong Kong Jockey Club for five years starting from 2023-24. In addition, the Government will introduce a progressive rating system for domestic properties in 2024-25.

We will continue to adhere to the principles of exercising fiscal prudence, keeping expenditure within the limits of revenue and committing resources as and when justified and needed, as well as to strictly contain the growth of government expenditure and explore various ways to increase revenue.

3. The fiscal deficits recorded in 2019-20, 2020-21 and the revised estimates for 2022-23 were mainly due to an increase in expenditure resulting from the launching of a number of anti-epidemic and counter-cyclical measures to support the public and business operations by the Government in light of the epidemic and economic situations. However, it is projected in the Medium Range Forecast (MRF) that, when the epidemic has subsided and the economy is back on track, the Government’s Consolidated Account will turn to a surplus in four consecutive years starting from 2024-25 and the fiscal reserves will gradually rebound to \$983.7 billion by the end of March 2028, which is equivalent to approximately 14 months of government expenditure.

Through the issuance of bonds, the Government can foster the development of our bond market and attain other policy objectives such as financial inclusiveness and promoting green and sustainable development. The Government’s outstanding debts remain at a low level, currently accounting for only four per cent of GDP, far lower than most of the other advanced economies. Against this background, Hong Kong should make good use of the room for bond issuance to support and expedite economic development while creating capacity and investing for the future, with a view to enabling early sharing of the fruits of economic development with the public. Even with further bond issuance in future, we will still strive to keep the government debt-to-GDP ratio at a relatively low level, which is expected to remain below 10 per cent by the end of the MRF period in 2027-28. We will continue to adhere to the fiscal discipline of keeping expenditure within the limits of revenue. Proceeds from bond issuance will not be used for funding recurrent expenditure.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)048**

**(Question Serial No. 0808)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As the epidemic fades, Hong Kong's economy is in the early stage of recovery. A \$5,000 electronic consumption voucher will still be disbursed despite fiscal deficit. In this connection, please advise this Committee of the following:

1. What is the expenditure set aside by the Government for formulating the implementation details of the electronic consumption voucher scheme? What are the staff establishment and expenditure involved?
2. What were the economic benefits achieved from the \$10,000 electronic consumption vouchers last year? On this basis, what are the estimated benefits of the \$5,000 electronic consumption vouchers disbursed this year in boosting the economy?

Asked by: Hon CHEUNG Yu-yan, Tommy (LegCo internal reference no.: 3)

Reply:

1. The administrative expenses for the Consumption Voucher Scheme (CVS) mainly involve deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside an amount of about \$400 million, which is similar to last year, as the administrative expenses for 2023 CVS in the estimates, including the creation/ retention of about 270 time-limited civil service and contract staff posts (Note). Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year while taking forward the CVS in an orderly manner.



2. Prior to the launch of 2022 CVS, the Government roughly estimated that the stimulus effect of the scheme on economy was equivalent to 1.2 percentage points of the Gross Domestic Product (GDP). Due to the fifth wave of the local epidemic, private consumption expenditure plunged in the first quarter of 2022 and was also subsequently affected by tightened financial conditions. However, private consumption expenditure, on a seasonally adjusted basis, registered quarter-to-quarter growth for three quarters in a row since the disbursement of consumption vouchers in April 2022. This showed that the CVS had helped support local consumer sentiment and stimulate demand.

Based on rough estimation of the Government, it is expected that the 2023 CVS will have a stimulus effect equivalent to 0.6 percentage point of the GDP on the local economy.

Note: The number of staff concerned has increased by about 160 (with most of them being short-term contract staff with a contract period of 3 to 5 months) as compared to last year. The main reason is that the departments concerned can no longer deploy their internal resources upon resumption of normalcy, and additional manpower is required to handle the work of CVS

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)049**

**(Question Serial No. 0953)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary has pointed out that in the face of pressure on public finances, we have to reduce expenditure. However, due to financial difficulties, a local airline was provided with funding injection from the Government earlier, and deferred payment of preference share dividends for the fifth time, with the cumulative amount of dividends in arrears totalling \$1.4 billion. At the same time, the number of non-civil service contract staff, such as political assistants and those working under the Chief Executive's Policy Unit, has increased significantly. Members of the public are doubtful about the effectiveness of the attempts made by the Government to "reduce expenditure".

Regarding the above instances, what are the measures in place for the Financial Secretary to boost the confidence of taxpayers (in particular the middle class who are shouldering heavier tax burden due to less tax rebate and rates concession every year) in the attempts made by the Government to "reduce expenditure"?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 30)

Reply:

In 2022-23, the Government launched an expenditure reduction programme, under which government departments were required to cut recurrent expenditure allocation by one per cent without affecting livelihood-related spending, and maintained zero growth in the civil service establishment. As shown in the Medium Range Forecast, the estimated total government expenditure will drop by 6 per cent to \$761 billion in 2023-24. The ratio of total government expenditure to the nominal gross domestic product (GDP) will reduce by 4 percentage points to around 25 per cent, and will further decline gradually to around 22 per cent in 2027-28. From 2023-24 to 2027-28, the trend growth rate of total government expenditure is estimated to be about 2.8 per cent, far lower than the trend growth rate of the nominal GDP at 6 per cent over the same period. All these demonstrate the Government's determination to strictly contain expenditure while striving to keep the growth of expenditure commensurate with the growth rate of GDP.

The Government will continue to strictly control the growth of the civil service establishment and its target of zero growth in the civil service establishment will remain unchanged in 2023-24. Meanwhile, we will continue to adhere to the principles of exercising fiscal prudence, keeping expenditure within the limits of revenue, committing resources as and when justified and needed, strictly containing the growth of government expenditure and exploring various ways to increase revenue.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)050****(Question Serial No. 1256)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government implemented 2 rounds of consumption voucher scheme in the past 2 years, under which electronic consumption vouchers of \$5,000 and \$10,000 were disbursed respectively to over 6 million eligible residents. What were the relevant details, expenditure involved and staff establishment by rank? How many people did not use up the full value of their consumption vouchers within the validity period? What was the unspent amount involved?

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 35)

Reply:

Breakdown of the total expenditures for the two rounds of the Consumption Voucher Scheme (CVS) in 2021 and 2022 is set out as below:

	2021 CVS	2022 CVS (as at 28 February 2022)
Amount of consumption vouchers disbursed	About \$31.5 billion	About \$64 billion
Administrative expenses	About \$0.24 billion	About \$0.4 billion
Total expenditure	About \$31.74 billion	About \$64.4 billion

To implement the two rounds of CVS in 2021 and 2022, about 100 and 110 time-limited civil service and contract staff posts were created/retained respectively in different departments to assist in the preparation and implementation of the scheme, and enhancing related computer systems and other ancillary facilities. As some of the posts were involved in several categories of work, we are unable to provide a breakdown.

Under 2021 CVS, electronic consumption vouchers with a total value of \$5,000 were disbursed to each eligible person by instalments starting from 1 August 2021. Up to the expiry date or collection deadline (only applicable to Octopus) of the vouchers concerned, about 99.7% of the voucher value had been used or collected by the relevant people, while only about 0.3% of the voucher value was unused or uncollected by the deadlines and returned to the Government. There are two phases under 2022 CVS and electronic consumption vouchers were disbursed by instalments to each eligible person starting from 7 April and 7 August 2022 respectively. The total value of vouchers under the two phases was \$10,000. As at end-February this year (Note), about 99.5% of the voucher value had been used or collected by the people concerned.

Note: For vouchers disbursed under 2022 CVS, a small portion of them has not yet reached the expiry date or collection deadline.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)051**

**(Question Serial No. 1563)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 103 of the Budget that the Government will issue no less than \$50 billion of Silver Bond and \$15 billion of retail green bonds in the new financial year, and the idea of setting up an Infrastructure Bond Scheme is proposed. There are comments that increasing government "revenue" by means of massive bond issuance and hence treating "borrowing" as "revenue" are tantamount to misinterpreting the provision on "keeping the expenditure within the limits of revenues" in Article 107 of the Basic Law.

Will the Financial Secretary inform this Committee of the following:

- 1) What is the actual amount of fiscal deficit of the Treasury without the bond issuance?
- 2) Has the Government assessed whether the above-mentioned opinions, i.e. treating bond issuance as "revenue" may cause Hong Kong's public finances to deviate from the principle of "keeping the expenditure within the limits of revenues" as stipulated in Article 107 of the Basic Law, would invite negative comments from international credit rating agencies on our public finances?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 40)

Reply:

- 1) As shown in Consolidated Account under the Medium Range Forecast (MRF) (see Section II of Appendix A in the 2023-24 Budget for details), the consolidated surplus/(deficit) before issuance and repayment of bonds from 2023-24 to 2027-28 is estimated as follows:

(\$ billion)	2023-24	2024-25	2025-26	2026-27	2027-28
Consolidated surplus/(deficit) before issuance and repayment of bonds	(118.6)	(32.3)	6.1	20.7	48.6

- 2) Proceeds from issuance of government bonds are not classified as revenue in the Consolidated Account. In fact, as shown in Consolidated Account under the MRF (see Section II of Appendix A in the 2023-24 Budget for details), proceeds from issuance of government bonds are set out separately after the consolidated surplus/(deficit) before issuance and repayment of bonds, and not included under government revenue.

As shown in the table in part (1) of the reply, the Consolidated Account is expected to record a surplus before issuance and repayment of bonds for the three financial years from 2025-26 to 2027-28. In addition, the Government's outstanding debts remain at a low level, currently accounting for only four per cent of GDP, far lower than most of the other advanced economies. We will continue to adhere to the fiscal discipline of keeping expenditure within the limits of revenue. Proceeds from bond issuance will not be used for funding recurrent expenditure. Even with further bond issuance in future, we will still strive to keep the government debt-to-GDP ratio at a relatively low level, which is expected to remain below 10 per cent by the end of the MRF period in 2027-28. The Government will continue to observe fiscal discipline and Article 107 of the Basic Law by following the principle of keeping expenditure within the limits of revenues, as well as making every effort to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the GDP growth rate.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)052**

**(Question Serial No. 1607)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government disburses consumption vouchers with the main policy objective of stimulating local consumption. However, as there is no geographical restriction on the use of consumption vouchers at some electronic payment platforms, overseas transaction of goods and services can be paid with consumption vouchers. This will undermine the effectiveness of such measure in boosting local consumption.

In this connection, please inform this Committee of whether the Government will explore imposing geographical restriction on the use of consumption vouchers, and work out the technicalities of implementing the arrangement with the electronic payment platforms concerned.

Asked by: Hon YIM Kong (LegCo internal reference no.: 5)

Reply:

Consumption vouchers can be used at local retail, catering and service outlets or their online platforms which accept payments by the various stored value facilities participating in the Consumption Voucher Scheme (i.e. AlipayHK, BoC Pay, Octopus, PayMe from HSBC, Tap & Go and WeChat Pay HK).

Consumption vouchers cannot be used for direct purchase of goods and services from non-local merchants (including non-local outlets and online platforms). However, Hong Kong being a small and highly externally-oriented economy, many of the goods or services provided by local merchants in the retail and services industry involve importing, as well as services provided by local merchants which contribute to the local economy. If restriction is imposed to prohibit the use of consumption vouchers for purchasing imported goods or services through local merchants, local merchants and members of the public will be seriously affected, and it is infeasible for technical execution and operation.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)053**

**(Question Serial No. 1685)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the disbursement of consumption vouchers, please advise:

- 1) whether the Government has information on the usage of different stored value facilities (SVFs) in the last 2 rounds of Consumption Voucher Scheme (CVS); if so, please set out the names of the SVFs with their respective numbers and age distributions of users;
- 2) whether measures will be taken to encourage citizens to transfer their registration data to "iAM SMART" in order to increase the download rate, registration rate and usage rate of "iAM SMART" and promote the development of e-Government;
- 3) what mechanisms are in place to evaluate and analyse the effectiveness of the policy, and conduct studies using big data analytics for the sake of formulating related policies in future; and
- 4) whether the Government has explored the disbursement of electronic consumption vouchers in e-HKD in future rounds of CVS, if any.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 10)

Reply:

- 1) The Government implemented the Consumption Voucher Scheme (CVS) twice in 2021 and 2022 respectively. There were 4 participating stored value facility (SVF) operators in 2021, namely AlipayHK, Octopus, Tap & Go and WeChat Pay HK. The number of participating SVF operators in 2022 (Phase II) CVS increased to 6, including the newly joined BoC Pay and PayMe from HSBC.

There were about 6.3 million successful registrants for the scheme in 2021 and 6.43 million in 2022. In view of the commercial sensitivity of the information involved, the Government will not disclose information such as the numbers or distribution of registrants in respect of individual SVF in order not to affect their business operations. Besides, we have not collected information such as age profile of the registrants.

- 2) “iAM Smart” has been used by CVS as one of the electronic platforms for people to register, amend registration records or make enquiry on successfully registered SVF and the relevant account. The Office of the Government Chief Information Officer will continue to actively encourage more people to use “iAM Smart” for handling relevant matters of 2023 CVS.
- 3) SVF operators participating in the CVS will submit CVS-related data including the amount of the vouchers spent, the rate of vouchers usage, the sectors benefitted, etc to the Government on a regular basis. We will also make reference to relevant economic data, such as the value of total retail sales and private consumption expenditure during the vouchers disbursement period to evaluate the effectiveness of the CVS.
- 4) Before launching any measures similar to the CVS, the Government will take into account the respective policy objectives and prevailing social, economic and livelihood situations when considering various implementation details, such as channels and means of disbursement with a view to enabling smooth implementation and achieving the best results.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)054**

**(Question Serial No. 1883)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In order to encourage departments to adopt innovative suggestions and facilitate the participation of start-ups and small and medium-sized enterprises in government procurement, the Government introduced in April 2019 the pro-innovation government procurement policy for non-works procurement, under which, inter alia, procuring departments have to raise the weighting of technical marks and goods quality in tender assessment. With regard to the Government's procurement policy, will the Bureau inform this Committee of the following:

- (1) According to Programme (2), in the coming year, the Bureau will continue to oversee the Government's procurement policy, and update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles and other policy objectives of the Government. In this connection, will the Bureau explore and consider further enhancements to the policy concerned, including requiring departments to try using or procure more services which are locally developed, designed and produced, with a view to pressing ahead the development of "new industrialisation"?
- (2) I have been urging the Government to reform its procurement system and take the lead actively in using the products and services of local enterprises, procuring more local products to a certain extent, and promoting this principle to more departments, public organisations and statutory bodies (including the Hospital Authority and the Mass Transit Railway Corporation Limited). For instance, more outfits or functional clothing which are locally designed, developed and produced can be procured as the uniforms of departments or organisations, so as to support the commercialisation and wider use of local products, and press ahead the development of "new industrialisation". Will the Government consider accepting this suggestion so that more local products will be used by government departments or public organisations?

- (3) It is suggested that when procuring local products, the Government should allow for the trial use and even actual application of local products as long as they can meet the quality and safety standards in Hong Kong, without the need to meet additional international standards or technical certification requirements, so that the threshold for product procurement can be lowered. Will the Government consider accepting this suggestion? If yes/no, what are the reasons?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 19)

Reply:

It is the Government's procurement policy to encourage participation of local and non-local bidders and obtain goods and services at the best value for money in support of the Government's programmes and activities through fair, open and competitive bidding procedures and in compliance with the principles of the Agreement on Government Procurement of the World Trade Organization. The Government introduced the pro-innovation government procurement policy in April 2019, under which the procuring departments would need to increase the weighting of technical marks in tender assessment, and reserve at least 20% for assessing innovative suggestions, including those related to technology application, environmental protection and social well-being.

Government bureaux and departments procure various goods and services to meet their operational needs and always welcome local enterprises to participate in bidding. For example, local and Mainland contractors and local consultant firms comprised about 80% of the total value of public works procurement of the Development Bureau in the past 3 financial years. For departments under the purview of the Innovation, Technology and Industry Bureau, local or Mainland enterprises accounted for about 95% of the total value of the professional services procured. As for public organisations, the Hospital Authority procured locally developed and manufactured personal protection equipment (including surgical respirators and face shields) for frontline healthcare staff during the pandemic. The MTR Corporation Limited has also devoted substantial resources to support the goods and services of local small and medium enterprises (SMEs), including an allocation of over \$300 million for investing in start-ups, and has actively collaborated with research institutes, start-ups and universities on the continuous development of smart railway.

Meanwhile, the Government has strived to support the commercialisation and wider use of local products and press ahead the development of "new industrialisation" through various means. They include the measures to promote the realisation and commercialisation of R&D results through the Public Sector Trial Scheme (PSTS) under the Innovation and Technology Fund, the Smart Government Innovation Lab, and the E&M InnoPortal of the Electrical and Mechanical Services Department, as well as through organising the Innovation and Technology (I&T) Solution Day. Some of the projects under the PSTS, for instance, aim at developing occupational safety and health shoes and uniforms for street cleansing service staff and designing duty uniforms for disciplinary services.

Regarding product certification, provided that the procurement policy principles of fair, open and competitive bidding are complied with, procuring departments may draw up the requirements and tender specifications for their specific procurements having regard to their respective needs, including the relevant standards and technical certifications. Under the robust accreditation system in Hong Kong, the Hong Kong Accreditation Service under the

Innovation and Technology Commission offers official recognition to competent laboratories, certification bodies and inspection bodies which meet international standards through 3 voluntary accreditation schemes, namely the Hong Kong Laboratory Accreditation Scheme, Hong Kong Certification Body Accreditation Scheme and Hong Kong Inspection Body Accreditation Scheme. These schemes help upgrade the standard of operation of testing and certification bodies and enhance the credibility and recognition of the testing and certification results issued by accredited bodies of the sector, thereby allowing the sector to serve as a gate-keeper to ensure the quality and safety standards of local products.

In fact, to facilitate enterprises (including local SMEs and start-ups) to participate in government procurement, the Government has endeavoured to encourage competition and minimise entry barrier for participating in government procurement. Under the existing procurement policy, for non-works procurement, regardless of the value of the procurement, tenderers' experience should not be set as an essential requirement unless with prior approval.

- End -

**C CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)055**

**(Question Serial No. 1921)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During the year, the Bureau will continue to oversee the implementation of the Organisation for Economic Co-operation and Development (OECD) standard for automatic exchange of financial account information in tax matters and the measures to tackle base erosion and profit shifting (BEPS) of enterprises. Meanwhile, it will continue to oversee the legislative amendments for implementing measures to tackle the tax challenges arising from the digitalisation of the economy (BEPS 2.0) in the context of the OECD's BEPS Project. Please inform this Committee of the following:

1. Following an agreement reached at their meeting, the Group of Seven (G7) finance ministers announced the adoption of a two-pillar global solution to implement the fair distribution of tax revenues and a minimum tax rate. Among other things, a global minimum corporate tax rate of 15% will be introduced. Regarding the requirement on global minimum corporate tax, does Hong Kong have to make relevant legislative amendments this year for applying the global minimum effective tax rate on large multinational enterprise groups and implementing the domestic minimum top-up tax? If yes, what are the details?
2. As mentioned in the Budget, the Government estimates that the said development will bring in tax revenue of about \$15 billion per year. In this connection, has there been any estimation of the quantifiable negative impacts on Hong Kong's business environment and external competitiveness?
3. Apart from the global minimum corporate tax requirement, are there any other issues that Hong Kong needs to take care of, which may involve legislative amendments, in order to comply with international requirements?
4. What are the estimated amounts of manpower and funding resources involved in the relevant work for the year?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 32)

Reply:

1. In the Budget Speech, the Financial Secretary stated that Hong Kong would implement the global minimum effective tax rate under BEPS 2.0 in accordance with international consensus so as to safeguard our taxing rights and maintain the competitiveness of our tax regime. The Government has been closely liaising with the trade in this regard while closely monitoring the implementation plan of other tax jurisdictions. We plan to apply the global minimum effective tax rate on large multinational enterprise (MNE) groups and implement the domestic minimum top-up tax starting from 2025 onwards. We will launch a consultation exercise to allow MNE groups to make early preparation.
2. As the global minimum effective tax rate only targets large MNE groups with global turnover of at least 750 million euros, it will not affect local small and medium-sized enterprises. Since BEPS 2.0 is an international tax standard, large MNE groups, regardless of their places of operation, will be affected by the requirements of the global minimum effective tax rate and the domestic minimum top-up tax implemented by various tax jurisdictions to the effect that their effective tax rates in the jurisdictions concerned should at least be 15 per cent. Therefore, the trade generally understands the necessity for the Government to implement relevant measures to safeguard Hong Kong's taxing rights. In addition, the headline tax rate of Hong Kong's profits tax at 16.5 per cent is competitive internationally, while the simple and transparent tax regime in Hong Kong is well received by investors. Following the implementation of BEPS 2.0, the effectiveness for tax jurisdictions to introduce tax exemption or extremely low preferential tax rate as a means to increase their competitiveness will be reduced in future. We believe that Hong Kong will be able to reinforce its competitive advantages under a more level playing field in terms of taxation.
3. Hong Kong has been actively participating in initiatives related to international tax co-operation, including exchanging tax information and combating BEPS of enterprises. We will continue to keep track of the latest development of international tax standards to ensure compliance with international requirements while striving to maintain the key advantages of our tax regime in terms of simplicity, certainty and transparency, and continue to improve the business environment and competitiveness of Hong Kong.
4. The Financial Services and the Treasury Bureau (FSTB) will deploy its existing manpower to formulate relevant legislative proposals for the implementation of BEPS 2.0 and conduct the relevant consultation exercise while handling their regular duties. The resources involved have been included in the overall establishment and expenditure of FSTB.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)056**

**(Question Serial No. 1922)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the coming year, the Bureau will continue to expand Hong Kong's network of comprehensive avoidance of double taxation agreements (CDTAs) with trading partners, in particular countries participating in the Belt and Road Initiative. In this regard, please advise on the following:

1. What are the manpower and resources to be involved by the relevant work in the coming year? What are the changes when compared with those in recent years?
2. Which countries and regions is Hong Kong currently negotiating with on CDTAs? What is the position of the respective negotiations so far? What is the estimated progress?
3. Among those Belt and Road countries that Hong Kong has not yet started negotiations with, which ones will the Government plan to contact with a view to concluding CDTAs? What are the specific objectives and details?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 33)

Reply:

At present, Hong Kong is in CDTA negotiations with 13 tax jurisdictions, namely Bahrain, Bangladesh, Cyprus, Germany, Israel, Kyrgyz Republic, Lithuania, Maldives, Nigeria, North Macedonia, Norway, Türkiye and Ukraine. The Hong Kong Special Administrative Region Government will strive to conclude the negotiations with the tax jurisdictions concerned so as to sign the CDTAs as early as possible.

To attract more enterprises to Hong Kong and facilitate the overseas market development of Hong Kong's enterprises, the Government will continue to enhance efforts to accelerate the expansion of the CDTA network. Currently, the Inland Revenue Department (IRD) commences negotiations with an average of two to three tax jurisdictions every year. Subject to the willingness and plans of the negotiation partners, the IRD plans to increase the number of tax jurisdictions to four to six per year. In particular, the focus will be on tax



jurisdictions participating in the Belt and Road Initiative and emerging markets such as ASEAN, the Middle East, Central Asia and Africa.

The CDTA negotiations are mainly overseen by a Deputy Commissioner of the IRD, who leads the IRD's Tax Treaty Section to handle the related work. Since such work forms part of the regular duties of the IRD, the manpower and expenditure involved have been included in the overall establishment and expenditure of the IRD respectively. In order to strengthen the directorate support in the IRD for handling various tasks including the CDTAs, the Government will submit a proposal to the Finance Committee of the Legislative Council (LegCo) for the creation of one permanent Assistant Commissioner post in the IRD, and the proposal was presented to the LegCo Panel on Financial Affairs on 3 April this year. For 2023-24, the IRD will absorb the necessary cost of this proposal from within its existing resources.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)057**

**(Question Serial No. 1923)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Bureau will continue to oversee the implementation of the proposals arising from the review of the rating system. In this regard, please advise this Committee of the following:

1. What are the manpower and resources involved in the relevant work of the Bureau?
2. It is expected that the revised rating system will be implemented in 2024-25. What are the latest progress and the specific implementation table of the initiative?
3. Will the Government actively consider introducing an initiative to exempt retired elders from payment of rates for their domestic properties so as to relieve the financial burden on them, thereby enhancing the revision of the rating system and the effectiveness of the revised system? If no, is it because the Government does not consider it necessary? What are the reasons for that?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 34)

Reply:

1. The Bureau will continue to oversee the implementation of the proposals arising from the review of the rating system. Relevant work will be absorbed by the Bureau's existing resources and manpower.
2. The Legislative Council Panel on Financial Affairs was consulted on the relevant proposals in April 2022, which received general support from Members. The Government is carrying out the preparatory work in full swing, which mainly includes the relevant legislative amendments and enhancement to the core computer systems, in a bid to implement the progressive rating system in the fourth quarter of 2024-25. On the other hand, the actual implementation schedule of the new rates concession mechanism for domestic properties will depend on whether any rates concession measures will be introduced in subsequent financial years.

3. Under the new rates concession mechanism, eligible owners may apply for rates concession for one domestic property held. Therefore, elderly owners can benefit from it. If self-occupied properties of the elderly are to be exempted from payment of rates, they will be required to declare whether the property is for self-occupation. Given that occupancy status of properties may change any time, this will complicate the rates concession arrangement.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)058**

**(Question Serial No. 1924)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the coming year, the Bureau will continue to oversee the Government's procurement policy, and update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles and other policy objectives of the Government (e.g. promotion of pro-innovation government procurement, protection of non-skilled workers engaged under government service contracts, socially caring leasing arrangements, and the "single site, multiple use" initiative). In this regard, please advise on the following:

1. What are the details of the updating or streamlining of procurement procedures and guidelines in light of the experience gained during the pandemic? What is the progress of other updating or streamlining efforts?
2. Will the Government provide quantitative information on the effectiveness of the streamlining of procurement procedures and guidelines in the past 3 years, on areas such as prices, technology transfer and social benefits?
3. Are there any performance indicators set for the Government's policy objectives, such as promotion of pro-innovation government procurement, protection of non-skilled workers engaged under government service contracts, socially caring leasing arrangements, and the "single site, multiple use" initiative? If so, what are the details?
4. Does the Government have any specific key performance indicators to measure the cost effectiveness, technology transfer and social benefits of its procurement procedures and relevant work? If so, what the details? If not, will the Government consider setting a series of indicators to further enhance its policy on the procurement of stores and services?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 35)

Reply:

Over the past 3 years or so, the Government has implemented measures to streamline its procurement procedures to facilitate and enhance government procurement:

- a) The Financial Services and the Treasury Bureau (FSTB), together with the Development Bureau (DEVB), launched the pilot e-Tendering System (the System) in 2022 to assist procuring departments in handling non-works tenders (with an estimated purchase value exceeding \$60 million) and works tenders (with an estimated purchase value exceeding \$200 million) that require the approval of the Central Tender Board, as well as tenders under the ambit of the Public Works Tender Board. The System provides an electronic option for tendering so as to further streamline the procedures and facilitate tender submissions, enabling tenderers to download tender documents and submit tenders online round-the-clock in a convenient and efficient manner. The System is now in the pilot stage, and the FSTB has set a goal that all relevant procuring departments join in the System by the end of 2023.

For non-works tenders with a value at or below \$60 million, the Government Logistics Department (GLD) has also enhanced the e-Tender Box system to enable tenderers to download electronic tender documents and submit tender proposals online.

- b) To keep enterprises abreast of the latest government procurement information and enhance the effectiveness of procurement, GLD has adopted an updated arrangement since 2020 to publish and update monthly government departments' procurement plans in the coming 2 years on its website, with a view to facilitating prospective bidders' early planning and preparation, thereby encouraging more enterprises to participate in bidding, and enabling the Government to obtain goods and services at the best value for money.
- c) As enterprises may have a greater need for cashflow in the midst of the challenges brought by the epidemic and the uncertainties in the economic outlook, during the epidemic, the Government has encouraged procuring departments to exercise flexibility under the procurement system to handle payment terms of goods or services contracts flexibly where appropriate, and adopt a phased approach in settling payments within a reasonable timeframe where possible, so as to relieve the pressure on small and medium enterprise (SME) contractors' cashflow and facilitate enterprises to address their needs for cashflow.

In addition, the Government attaches great importance to promoting innovation in government procurement and has been actively implementing the pro-innovation government procurement policy. Since 2019, the technical weighting in the marking scheme has been raised significantly from 30-40% in the past to 50-70%. The pro-innovation government procurement policy also requires that around 20% of the technical marks should be assigned in the marking scheme for assessing innovative suggestions, which would include suggestions that promote social well-being and environmental protection, bring about positive values to the public or relate to technology application.

As regards the protection of non-skilled workers engaged by government service contractors, the Government has implemented a package of measures to improve the remuneration of non-skilled workers, including increasing the technical weighting in marking schemes of the relevant tenders to no less than 50%, with the marks assigned to wage level being increased to at least 25% in the technical assessment.

Under the “Socially Caring Leasing Arrangements”, when leasing out government premises, the Government Property Agency (GPA) would continue to give priority to non-government organisations (NGOs) and social enterprises (SEs) with policy support in leasing appropriate premises, invite NGOs and SEs to bid for leasing of commercial premises, and incorporate tenancy provisions that facilitate business operations of SME, so as to support non-government organisations and social enterprises in providing social services.

DEVB and GPA have fostered the implementation of “single site, multiple use” model which accommodates and consolidates different public facilities into multi-storey buildings. The Government has set aside approximately \$22 billion in the 2019-20 Budget to take forward the projects under the “single site, multiple use” initiative, with a view to optimising the use of land resources and providing public services to meet the needs of local communities. Among them, the funding for the former Anderson Road Quarry project has been approved by the Legislative Council.

The procurement policy of the Government is to meet the operational needs at the best value for money through receiving competitive tender proposals under open and fair competition and transparent procedures. Government procurements are conducted in accordance with these principles and manner. Tender specifications drawn up by government departments are output- or performance-based, rather than input-based, and in the procurement process these are adopted as the performance indicators.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)059**

**(Question Serial No. 1925)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the coming year, the Bureau will plan, co-ordinate and oversee the implementation of a new round of Consumption Voucher Scheme (CVS). In this regard, please advise on the following:

1. As regards the last 2 rounds of CVS, what were the respective numbers of registrants, the stored value facilities used, the numbers of people who did not collect the vouchers eventually and the value of the vouchers so voided, the administrative expenses and the total expenditures?
2. How many newly arrived Hong Kong residents have registered for and collected the consumption vouchers in the last 2 rounds of CVS? What were the respective total amounts involved?
3. Under the 2022 CVS, how many eligible people working or studying in Hong Kong with a valid permission to remain in the territory have collected the electronic consumption vouchers? What was their percentage share in the total number of the people in Hong Kong who were under this category? What was the amount involved?
4. The estimated provision for the 2023 CVS is \$32.518 billion. How much of which is expected to be administrative expenses?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 36)

Reply:

- 1) There were 6.3 million and 6.43 million eligible registrants in the two rounds of the Consumption Voucher Scheme (CVS) launched in 2021 and 2022 respectively. In view of the commercially sensitive nature of such information, the Government will not disclose information on the numbers or distribution of registrants in respect of individual stored value facilities (SVFs) etc. to avoid affecting the business operations of these SVF operators.

Under the 2021 CVS, electronic consumption vouchers with a total value of \$5,000 were disbursed to each eligible person by instalments starting from 1 August 2021. With

regard to the consumption vouchers disbursed, about 99.7% of the voucher value was used or collected by the registrants concerned by the end of the relevant validity periods or collection deadlines (applicable to Octopus cards only), while only about 0.3% of the voucher value remained unused or uncollected by the deadlines and was returned to the Government. The 2022 CVS was implemented in two phases starting from 7 April and 7 August 2022 respectively, consumption vouchers with a total value of \$10,000 were disbursed to each eligible person by instalments. As at end-February 2023 (Note), about 99.5% of the voucher value was used or collected by the registrants concerned.

A breakdown of the total expenditures under 2021 and 2022 CVS is as follows:

	<b>2021 CVS</b>	<b>2022 CVS (as at 28 February 2022)</b>
Amount of consumption vouchers disbursed	About \$31.5 billion	About \$64 billion
Administrative expenses	About \$0.24 billion	About \$0.4 billion
<b>Total expenditure</b>	<b>About \$31.74 billion</b>	<b>About \$64.4 billion</b>

- 2) Under the two rounds of CVS in 2021 and 2022, each eligible new arrival (under the CVS, “new arrival” is defined as a person holding a valid Hong Kong Identity Card who has come to Hong Kong on a Permit for Proceeding to Hong Kong and Macao (commonly known as “One-way Permit”)) or has valid permission to remain in Hong Kong as a dependant sponsored by a Hong Kong permanent resident would receive consumption vouchers in full value respectively, i.e. \$5,000 (in 2021) and \$10,000 (in 2022) in the same manner as an eligible Hong Kong permanent resident. We do not have a breakdown of the number of new arrivals registered under the CVS.
- 3) Under 2022 (Phase II) CVS, eligible persons also included those who have come to live in Hong Kong through different admission schemes for talents, professionals and entrepreneurs, and to study in Hong Kong. These persons were disbursed with vouchers in half value, i.e. \$5,000 in total. During the registration period for 2022 (Phase II) CVS, around 120 000 persons under the above category successfully registered and received the vouchers, involving a financial commitment of about \$600 million. As the statistics of the total population of these persons in Hong Kong are not available, we are unable to provide the relevant percentage figures.
- 4) The administrative expenses for the CVS mainly involve deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the SVF operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS. Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward the CVS in an orderly manner.

Note: A small portion of consumption vouchers disbursed under 2022 CVS have not yet reached the end of the validity periods or collection deadlines.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)060**

**(Question Serial No. 1950)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Consumption Voucher Scheme (CVS) launched in the past and CVS to be launched in the coming year, please advise this Committee on the following:

1. the staff establishment and administrative expenses involved in the CVS in 2022;
2. the numbers of applications received, the numbers of approved applications and the means of payment that people have chosen for each of the two phases of the CVS in 2022;
3. the numbers of persons who have unspent balance of consumption vouchers after the validity period has expired for each of the two phases of the CVS in 2022 and the amount involved;
4. the number of cases received by the Government concerning the fraudulent use of identity for registration or amendments to registration records for the CVS in 2022 and the follow-up actions taken; whether or not any cases concerned have been referred to law enforcement agencies for investigation and if so, the prosecutions eventually initiated, if any, and the number of convictions; and whether or not the Government has reviewed the existing procedures for verifying identity having regard to the above, if so, of the details, if not, the reasons for that;
5. whether or not any cases concerning erroneous information of the stored value facility accounts and resulting in loss of the money have been received by the Government for the CVS in 2022, and whether or not the Government has a plan to review the verification mechanism, if so, of the details, if not, the reasons for that;
6. the staff establishment and administrative expenses to be involved in the CVS in 2023; whether or not there will be room for administrative expense reduction in view of the

fact that the CVS has been implemented for three consecutive years, if so, of the details, if not, the reasons for that;

7. given that some elderly people who used their Elder Octopus cards for receiving the consumption vouchers last year have switched to JoyYou cards this year, whether or not the Government has made an assessment on the number of elderly involved so as to make arrangements for staff deployment for the new round of consumption voucher registration work, if so, of the details, if not, the reasons for that.

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 31)

Reply:

- (1) & (6) The administrative expenses for implementing 2022 Consumption Voucher Scheme (CVS) were about \$400 million. The sum mainly involved deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS, including the creation/retention of about 270 time-limited civil service and contract staff posts (Note 1). Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward CVS in an orderly manner.
- (2) Under 2022 CVS, electronic consumption vouchers with a total value of \$10,000 were disbursed to each eligible registrant in two phases. We disbursed consumption vouchers of \$5,000 under Phase I to eligible persons who had successfully registered under 2021 CVS starting from 7 April 2022, benefiting about 6.3 million persons. Consumption vouchers were disbursed under Phase II starting from 7 August 2022, benefiting about 6.43 million persons (including about 270 000 new eligible registrants). In view of the commercially sensitive nature of such information, the Government will not disclose information on the numbers or distribution of registrants in respect of individual SVF etc. to avoid affecting the business operations of these SVF operators.
- (3) Under 2022 CVS which was implemented in two phases starting from 7 April and 7 August 2022 respectively, electronic consumption vouchers with a total value of \$10,000 were disbursed to each eligible person in instalments. As at end-February 2023 (Note 2), about 99.5% of the voucher value was used or collected by the registrants concerned.
- (4) Under the 2022 CVS, the Secretariat received a total of about 900 cases of suspected fraudulent use of identity for registration or amending registration records. All the registrants concerned have reported to the Police for assistance, and around 400 cases have been detected with a total of 60 persons arrested so far.

The Government attaches great importance to the system security of the CVS electronic registration portal. The registration system will authenticate the registrants' identity during the process of registration/amending registration records, and the authentication procedure has passed the security risk and privacy assessment conducted by an independent consultant. The Secretariat has also put in place a mechanism, under which when a registrant amends his/her registered telephone number via the electronic registration portal, the Secretariat will send an SMS notification simultaneously to both his/her old and new telephone numbers, informing him/her of the amendment.

Drawing on the experience gained last year, we have taken appropriate measures to further enhance the authentication procedure. For instance, registrants who wish to amend their registration records via the online registration portal requires a one-time password issued via SMS for authentication; registrants making amendment by using paper forms have to provide additional information for identity authentication, in addition to copies of their identity cards as in last year.

Furthermore, we have launched an online enquiry function for people to inquire about information of their SVF accounts registered for receiving consumption vouchers. Registrants may contact the Secretariat and the Police for assistance should they discover that their accounts have been amended without their knowledge.

- (5) According to our record, there were less than 10 cases in which registrants failed to receive their 2022 consumption vouchers due to the provision of erroneous information regarding their SVF accounts. The Secretariat has followed up the relevant cases and arranged for re-disbursement of consumption vouchers to these registrants via their correct SVF accounts.

We have adopted suitable measures, such as requesting each SVF operator to add a check digit to the specific identifier of each SVF account, and requiring registrants to enter the specific identifiers of their SVF accounts twice during the registration process etc., so as to minimise the chance of providing erroneous information. We will continue to adopt these measures for the CVS this year.

- (7) For those who have applied for JoyYou Cards, they may continue to use their Octopus cards registered for CVS last year to receive consumption vouchers if their registered Octopus cards are still valid. They do not need to change to JoyYou card to receive the voucher. If they have returned the Octopus cards, and wish to use the JoyYou Cards to receive the vouchers under 2023 CVS, they may call the Octopus hotline at 2969 5588 to amend their registration record. According to the information provided by the Octopus Cards Limited, as at early March this year, there were around 33 000 registrants who have applied for JoyYou Cards and have returned their CVS-registered Octopus cards, and these registrants need to amend their registration records. They may amend their account information through the CVS website, or by sending application forms by post to the Secretariat or visiting the eight temporary service centres in person. Besides, the Secretariat has sent SMS notifications to remind the registrants who have

returned their CVS-registered Octopus cards but have yet to update their accounts to amend their registration record as soon as possible before the deadline. The Secretariat will also call to remind them again.

- Note 1: The number of staff concerned has increased by about 160 (with most of them being short-term contract staff with a contract period of 3 to 5 months) as compared to last year. The main reason is that the departments concerned can no longer deploy their internal resources upon resumption of normalcy, and additional manpower is required to handle the work of CVS.
- Note 2: A small portion of consumption vouchers disbursed under the 2022 CVS have not yet reached the end of the validity periods or collection deadlines.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)061****(Question Serial No. 2100)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Future Fund has been used effectively in recent years since the Government brought back the return arising from the Fund to the Land Fund. As the Government has started to receive the cumulative return of the Future Fund starting from 2022 and has drawn from such return a provision of \$100 billion to set up a dedicated fund for the development of the Northern Metropolis, please inform this Committee of:

1. the annual investment income arising solely from the Future Fund;
2. the Government expenditure and investment projects funded by such income and the amount involved;
3. the approach taken by the Government to evaluate and examine the effectiveness of the use of the Future Fund and its cumulative return.

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 3)

Reply:

This question is not directly related to Head 147.

1. The investment return of the Future Fund for the past 3 years is set out below:

Year	Investment Return (\$ billion)
2019	24.4
2020	37.1
2021	58.6

Note: The investment return for 2022 will be announced later in 2023.

2. The Future Fund is now mainly placed with the Exchange Fund for investment purpose, and the investment return so arising during the course of the placement shall be retained in the Exchange Fund for reinvestment. To enhance the transparency of public finance, the Financial Secretary has, starting from 2021-22, reflected the cumulative investment return of the Future Fund in the Operating Account on a progressive basis. Since then, a total of \$60 billion has been brought back and forms part of the fiscal reserves. The investment return brought back will continue to be used for the investment of the Future Fund, with a view to securing better returns for the fiscal reserves.

The Government will set aside \$100 billion from the cumulative return of the Future Fund to set up a dedicated fund under the Capital Works Reserve Fund. The fund will be used to expedite the implementation of infrastructure works relating to land, housing and transportation within the Northern Metropolis. Subject to the actual utilisation of the dedicated fund, we will transfer in due course out of the amount earmarked in the cumulative return of the Future Fund to the Capital Works Reserve Fund to replenish the balance.

3. As the fund administrator of the Future Fund, the Hong Kong Monetary Authority regularly reports the financial position of the Fund to the Government. The composite rate of investment return of the Future Fund will also be disclosed by the Government in the government accounts. During the period from 2016 to 2021, the average composite rate of investment return of the Future Fund was around 9.8%.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)062**

**(Question Serial No. 2101)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

This year's Budget again highlights the proposed progressive rating system for domestic properties to be introduced in 2024-25. Please advise on the following:

1. Has the Government taken into account the impact of the system on "affordable users" purchasing properties and making investments in Hong Kong? Will corresponding measures be introduced?
2. As property owners may pass on the increased rates to their tenants, will the Government implement any supportive measures to relieve the burden of tenants?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 5)

Reply:

1. According to the proposed progressive rating system for domestic properties, for domestic properties with rateable value over \$550,000, rates will be charged at the present level of 5% of the rateable value on the first \$550,000 and at 8% of the rateable value on the next \$250,000, and then at 12% on rateable value exceeding \$800,000. It is expected that about 42 000 domestic properties will be subject to the progressive rating scale, accounting for only around 2% of the total number of private domestic properties.

In setting the above rates percentage charges, consideration has been given to the affordability of domestic ratepayers, including the market rents as reflected by the rateable values, number of ratepayers affected and additional rates payable. Take a domestic property valued at \$40 million as an example. Based on the yield of about 2.2% in the private residential property market in 2022 (i.e. an annual rent of \$880,000), the property will only be subject to additional annual rates of \$13,100 under the progressive rating system.

2. Terms of tenancy agreements of domestic properties have all along been determined by property owners and their tenants. According to our statistics, most domestic tenancy agreements stipulate that rent is inclusive of rates, i.e. the rates shall be paid by the property owners.

- End -



**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)063**

**(Question Serial No. 2238)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To stimulate the economy, the Government launched the Consumption Voucher Scheme (CVS) in 2021 and 2022 and will issue consumption vouchers of \$5,000 again this year. In this connection, would the Government inform this Committee of:

- 1) the number and percentage of people who chose to receive the consumption vouchers through AlipayHK, BoC Pay, PayMe from HSBC, Tap & Go and WeChat Pay HK in each phase of CVS;
- 2) the total expenditure for implementing the CVS in 2021 and 2022 respectively;
- 3) the fees charged by the electronic payment platforms participating in the 2 rounds of CVS;
- 4) the administrative expenses, publicity expenses, etc. involved in implementing the CVS in 2021 and 2022 respectively;
- 5) the estimated administrative expenses, manpower deployment and expenditure required for disbursing consumption vouchers this year;
- 6) the number of people who failed to use up the consumption vouchers within the time limit where the unspent balance has been taken back and the amount involved in the 2 rounds of CVS respectively;
- 7) the number of registrations that remained unsuccessful after being processed by the temporary service centres, the number of people who were disqualified from receiving the consumption vouchers due to “permanent departure from Hong Kong” and the number of successful appeals in the 2 rounds of CVS respectively.

Asked by: Hon LEE Tsz-king, Dominic (LegCo internal reference no.: 4)

Reply:

- 1) Under the 2021 and 2022 Consumption Voucher Scheme (CVS), there were 6.3 million and 6.43 million eligible registrants respectively. In view of the commercially sensitive nature of such information, the Government will not disclose information on the numbers or distribution of registrants in respect of individual stored value facilities (SVFs) etc. to avoid affecting the business operations of these SVF operators.
- 2) to 4) A breakdown of the total expenditures under 2021 and 2022 CVS is as follows –

	<b>2021 CVS</b>	<b>2022 CVS (as at 28 February 2023)</b>
<b>Amount of consumption vouchers disbursed</b>	About \$31.5 billion	About \$64 billion
<b>Administrative expenses</b>	About \$240 million	About \$400 million
Including:		
Service fee to SVF operators	About \$100 million	About \$100 million
Publicity and promotional activities	About \$10 million	About \$7 million
Others	About \$130 million	About \$300 million
<b>Total expenses</b>	<b>About \$31.74 billion</b>	<b>About \$64.4 billion</b>

- 5) The administrative expenses for the CVS mainly involve deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS, including the creation/ retention of about 270 time-limited civil service and contract staff posts (Note 1). Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward the CVS in an orderly manner.
- 6) Under 2021 CVS, electronic consumption vouchers with a total value of \$5,000 were disbursed to each eligible person by instalments starting from 1 August 2021. With regard to the consumption vouchers disbursed, about 99.7% of the voucher value was used or collected by the registrants concerned by the end of the relevant validity periods or collection deadlines (applicable to Octopus cards only), while only about 0.3% of the voucher value remained unused or uncollected before the deadlines and was returned to the Government. The 2022 CVS was implemented in two phases starting from 7 April and 7 August 2022 respectively, consumption vouchers with a

total value of \$10,000 were disbursed to each eligible person by instalments. As at end-February 2023 (Note 2), about 99.5% of the voucher value was used or collected by the registrants concerned.

- 7) “Not having permanently departed from Hong Kong nor having such intention” was not an eligibility criterion under 2021 CVS. When rolling out 2022 (Phase II) CVS, the Government included “not having permanently departed from Hong Kong nor having such intention” as a criterion, with whether the registrants have submitted valid claim requests for early withdrawal of their Mandatory Provident Fund (MPF) or benefits under occupational retirement schemes on the grounds of "permanent departure from Hong Kong" as one of the considerations. According to the assessment result, about 250 000 registrants were ruled ineligible due to the above-mentioned reason under Phase II. As at end February 2023, the Secretariat received a total of some 180 000 applications for review (excluding duplicate applications). Of the applications received, some 170 000 were ruled successful upon review after providing documents to prove that they had not permanently departed from Hong Kong (e.g. having returned to Hong Kong afterwards), and were then disbursed with consumption vouchers.

Note 1: The number of staff concerned has increased by about 160 (with most of them being short-term contract staff with a contract period of 3 to 5 months) as compared to last year. The main reason is that the departments concerned can no longer deploy their internal resources upon resumption of normalcy, and additional manpower is required to handle the work of CVS.

Note 2: A small portion of consumption vouchers disbursed under the 2022 CVS has not yet reached the end of the validity periods or collection deadlines.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)064**

**(Question Serial No. 2466)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 38 of the Budget Speech that electronic consumption vouchers of \$5,000 will be issued this year. In this connection, will the Government inform this Committee of the following:

- 1) the respective effectiveness of the 2 rounds of Consumption Voucher Scheme in 2021 and 2022 in boosting the Hong Kong economy; and
- 2) whether the Government will consider issuing industry-oriented consumption vouchers in the future, i.e. issuing consumption vouchers for specific industries, such as the cultural, sport, arts, innovation and technology as well as environmental industry, so as to provide specific support to the development of local strategic industries which have potential for development?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 18)

Reply:

- 1) Prior to the launch of the Consumption Voucher Scheme (CVS), the Government has broadly estimated that the stimulus effect of 2021 CVS on the economy would be equivalent to 0.7% of the Gross Domestic Product, while that of 2022 CVS would be 1.2%. In 2021, with the disbursement of consumption vouchers starting from August, private consumption expenditure grew by 6.2% year-on-year in real terms in the second half of 2021, faster than the 4.9% increase in the first half of the year. Due to the fifth wave of the local epidemic, private consumption expenditure plunged in the first quarter of 2022 and was also subsequently affected by tightened financial conditions. Yet, private consumption expenditure, on a seasonally adjusted basis, registered quarter-to-quarter growth for three quarters in a row since the disbursement of consumption vouchers in April. This showed that the CVS had helped support local consumer sentiment and stimulate demand.

- 2) Before launching any measures similar to the CVS, the Government will take into account the respective policy objectives and prevailing social, economic and livelihood situations when considering various implementation details, such as channels and means of disbursement with a view to enabling smooth implementation and achieving the best results. The purpose of launching the CVS again this year, when the society is gradually returning normal and our economy has begun to stabilise, is to expedite the overall recovery of the economy by stimulating local consumption. The early disbursement of consumption vouchers will alleviate the economic pressure on the public by providing financial support and at the same time consolidate the extensive use of electronic payment in Hong Kong. As for supporting and promoting the development of specific industries, the relevant policy bureaux have been introducing various support measures and will continue to work on different proposals.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)065**

**(Question Serial No. 2507)**

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) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 152 of the Budget Speech and the supplement to the Budget that the ad valorem stamp duty (AVD) will be reduced to ease the burden on first-time home buyers. It is anticipated that this measure will benefit 37 000 buyers and cost the Government approximately \$1.9 billion per year. Will the Government inform this Committee of the following:

1. whether assessments have been made on the percentages of various types of persons among buyers to be benefited? What is the percentage of young buyers? What are the details?
2. as there is a strong demand in the market to fully abolish special stamp duty (SSD), whether assessments have been made on the different impacts of full abolition of SSD and reduction of AVD on boosting the property market? What are the reasons for choosing the latter eventually?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 13)

Reply:

1. It is proposed in the 2023-24 Budget that adjustments will be made to the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties (Rates at Scale 2) (“the measure”), with a view to easing the burden on ordinary families of purchasing their first residential properties, particularly small and medium residential units. Based on the statistics in 2022, we anticipate that the measure will benefit around 37 000 property buyers, with residential and non-residential property buyers accounting for about 88% and 12% respectively. Since individual buyers are not required to provide their age when presenting property transaction instruments for stamping, we are unable to provide data on the percentage of young buyers.

2. The main objective of the measure is to ease the burden on ordinary families of purchasing their first residential properties. For a property with an amount or value of consideration lying between \$2 million and \$10.08 million and acquired by a buyer who does not own any other residential property in Hong Kong at the time of acquisition, the stamp duty applicable to the property transaction can be reduced by a maximum of \$67,500. The impact on the property market is not believed to be significant.

The Special Stamp Duty (SSD) is one of the prevailing demand-side management measures for residential properties which is under the purview of the Housing Bureau. Introduced in 2010, the SSD is mainly applicable to the resale of residential properties within 3 years of acquisition, with the aim of suppressing short-term speculative demand.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)066**

**(Question Serial No. 2617)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As the society is returning to normality in the post-COVID era, the introduction of a new round of electronic consumption vouchers with a value of \$5,000 can expedite economic revival and stimulate local consumption. In this connection, please inform this Committee of the following:

1. What are the implementation expenses of the Government for formulating the electronic consumption voucher scheme and the staff establishment involved?
2. How effective were the economic benefits brought by last year's disbursement of \$10,000 electronic consumption vouchers as a stimulus to the economy? What were the effects on people of different income groups and on various trades?

Asked by: Hon LAM So-wai (LegCo internal reference no.: 15)

Reply:

1. The administrative expenses for the Consumption Voucher Scheme (CVS) mainly involve deploying manpower in different departments to assist in the preparation and implementation of the scheme, enhancing related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks etc.), and conducting publicity and promotional activities etc. We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS, including the creation/ retention of about 270 time-limited civil service and contract staff posts (Note). Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward the CVS in an orderly manner.



2. Prior to the launch of the CVS, the Government roughly estimated that the stimulus effect of 2022 CVS on Hong Kong's economy would be equivalent to 1.2 percentage point of the Gross Domestic Product. Private consumption expenditure plunged in the first quarter of 2022 due to the fifth wave of the local epidemic and was subsequently affected by tightened financial conditions. Yet, private consumption expenditure, on a seasonally adjusted basis, registered quarter-to-quarter growth for three quarters in a row since the disbursement of consumption vouchers in April 2022. As for the impact on the trades, the total value of retail sales and restaurant receipts generally rebounded in the rest of 2022, after a sharp quarter-to-quarter decline in the first quarter. The labour market situation also improved continuously following the disbursement of consumption vouchers, with the unemployment rates of most major sectors and various skill segments falling notably from the peak in February to April last year. This shows that the CVS has helped support local consumer sentiment and stimulate demand.

Note: The number of staff concerned has increased by about 160 (with most of them being short-term contract staff with a contract period of 3 to 5 months) as compared to last year. The main reason is that the departments concerned can no longer deploy their internal resources upon resumption of normalcy, and additional manpower is required to handle the work of CVS.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)067**

**(Question Serial No. 2739)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Government is planning to disburse consumption vouchers again this year to boost the current economic situation. In this connection, would the Government inform this Committee of the following:

- 1) the administrative costs involved in the consumption voucher scheme in the past 2 years;
- 2) the estimated administrative costs involved in the consumption voucher scheme this year; and
- 3) whether the Government would consider allowing members of the public to pay public expenses such as public rental housing rents, rates and gas bills in this round of consumption voucher scheme to meet the needs of our people's livelihood? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHAN Wing-yan, Joephy (LegCo internal reference no.: 21)

Reply:

- 1) The administrative expenses for implementing the 2021 and 2022 Consumption Voucher Scheme (CVS) were about \$240 million and \$400 million respectively. The sum mainly involved deploying manpower for assisting various departments in the preparation and implementation of CVS, upgrading related computer systems and other ancillary facilities, paying service fees to assisting agencies (including the stored value facility (SVF) operators, agency providing enquiry hotline service and contractor conducting random checks), and conducting publicity and promotional activities etc.
- 2) We have set aside about \$400 million in the estimates, which is similar to that of last year, as the administrative expenses for 2023 CVS. Drawing on past experience, we should have more room to reduce and compress the administrative expenses this year, while taking forward CVS in an orderly manner.

- 3) The purpose of launching CVS again this year at a time when our society is gradually returning to normal and our economy has become relatively stable is to expedite the overall recovery of the economy by stimulating local consumption, to alleviate the economic pressure on the public by providing financial support, and to consolidate the extensive use of electronic payment in Hong Kong. Drawing on the experience gained last year, we will continue the practice adopted in the previous rounds of CVS. Apart from a few transaction items such as payments to the Government and public utilities/organisations and person to person payments, in general consumption vouchers can be used at local retail, catering and service outlets or their online platforms which accept payments by selected SVFs under the scheme. If members of the public are allowed to use consumption vouchers to pay public expenses such as public rental housing rents, rates and gas bills, the effectiveness of consumption vouchers will be undermined as the amount involved cannot be injected into the local consumer market.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)068**

**(Question Serial No. 3127)**

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

Subhead (No. & title): ()

Programme: (3) Service Departments

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Policy Address that the Government would “set a good example and further review the arrangement relating to the employment of non-skilled workers under government outsourced service contracts, including remuneration of workers, as well as relevant monitoring mechanism. We aim to conclude the review by the first quarter of 2023”. Please inform this Committee of the implementation progress and the specific details of the review, including the scope of the review, the numbers of workers and departments to be covered by the review, as well as the expenditure and staff establishment to be involved. Upon completion of the review, will the Government plan to conduct a public consultation exercise to gauge the views from different sectors in the community on the welfare and remuneration of workers employed under government outsourced service contracts?

Asked by: Hon NGAN Man-yu (LegCo internal reference no.: 48)

Reply:

To further review the arrangement relating to the employment of non-skilled workers under government outsourced service contracts, the Financial Services and Treasury Bureau (FSTB) has worked with the Labour and Welfare Bureau, the four major procuring departments (namely the Leisure and Cultural Services Department, Housing Department, Food and Environmental Hygiene Department, and Government Property Agency), and other relevant departments to examine the remuneration of non-skilled workers as compared to the past, as well as the relevant monitoring mechanism. The Government plans to brief the Legislative Council on the review findings in the second quarter of this year.

As the FSTB uses existing manpower to conduct the review and the officers concerned also perform routine duties at the same time, the breakdown of manpower and expenditure involved in conducting the review is not available.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)069**

**(Question Serial No. 2069)**

Head: (184) Transfers to Funds

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury  
(Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision for the transfers to various funds will decrease by nearly 100 times as compared with 2022-23. In this regard, please inform this Committee of the following:

- (1) What are the reasons for increasing the provision for the Disaster Relief Fund? In what areas will the additional provision be mainly used?
- (2) What are the reasons for scrapping the provision for the Innovation and Technology Fund despite the fact that the Government has been encouraging innovation? In what areas will the reduced amount be used?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 23)

Reply:

The expenditure under Head 184 is in respect of transfers from the General Revenue Account to the various Funds established by resolution of the Legislative Council under Section 29 of the Public Finance Ordinance (Cap. 2). The level of transfers to Funds is assessed with regard to the balance and commitments of each Fund and its forecast cash flow.

- (1) The Disaster Relief Fund is established to enable Hong Kong to respond swiftly to international appeals for humanitarian aid. As calls on the Fund in relief of disasters cannot be predicted at the beginning of each financial year, the funds required will be transferred from the General Revenue Account to the Fund to ensure that sufficient funds are available for meeting such calls promptly. Given that the revised estimate of the balance of the Disaster Relief Fund in 2022-23 is \$44 million, together with the \$3 million estimated investment income and the \$53 million transfer from the General Revenue Account in 2023-24, it is estimated that the Fund will have \$100 million in 2023-24 to meet the relevant expenditure on humanitarian aid.

- (2) Regarding the Innovation and Technology Fund, as the Innovation and Technology Commission projects that the revised estimate of the balance of the Fund in 2022-23 will reach approximately \$27.8 billion, which will be sufficient to meet the resource needs of existing projects in 2023-24 under the Fund, there is no need to transfer funds from the General Revenue Account to the Fund at the present stage.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)070**

**(Question Serial No. 3467)**

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (4) Revenue Protection and Collection

Controlling Officer: Commissioner of Customs and Excise (Ms Louise HO)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. With the lifting of cross-border restrictions and the increase of tobacco duty, illicit tobacco trade may increase. Has the Government assessed the impact of the above two factors on illicit tobacco trade, such as quantifying the estimated growth of illicit tobacco trade in the coming year? If yes, what is the estimation? If not, what are the reasons?
2. In face of the possible upsurge in demand for illicit cigarettes, has the Government allocated more resources specifically for combating illicit tobacco trade to the Customs and Excise Department and/or other departments? If yes, what is the amount? If not, what are the reasons?

Asked by: Hon TIK Chi-yuen (LegCo internal reference no.: 320)

Reply:

1. The Customs and Excise Department (C&ED) is monitoring the entry and exit points and illicit cigarette activities on the market closely and has strengthened intelligence exchange with the Mainland and overseas law enforcement agencies. There has not been indication of significant increase in illicit cigarette activities. Meanwhile, in response to the potential impact of the relevant factors on illicit cigarette activities, C&ED has immediately deployed its internal resources flexibly and mounted territory-wide large-scale special operations against illicit cigarettes.
2. In 2023-24, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$28.98 million of salary expenditure. Furthermore, front-line Customs officers deployed at various entry and exit points are also involved in the interception of illicit cigarette activities. Since they are tasked with other clearance duties at the same time, it is difficult to separately quantify the number of officers involved. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- End -

**CONTROLLING OFFICER'S REPLY****FSTB(Tsy)071****(Question Serial No. 3533)**Head: (51) Government Property AgencySubhead (No. & title): ()Programme: (3) Estate UtilisationControlling Officer: Government Property Administrator (Eugene FUNG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please set out in tabular form:

- (a) the current numbers of parking spaces, charges and locations of the car parks at Hong Kong's boundary control points, with a breakdown by type of parking space; and
- (b) taking private car parking spaces as an example, the current numbers of parking spaces in closed areas and non-closed areas, as well as the current numbers of parking spaces for daytime parking and overnight parking of the car parks at Hong Kong's boundary control points.

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 30)Reply:(a) & (b)

The Government Property Agency is currently responsible for managing two fee-paying public car parks in the non-closed areas of the Hong Kong – Zhuhai – Macao Bridge Hong Kong Port and the Heung Yuen Wai Boundary Control Point, which have been leased out to car park contractors for operation. The types of parking spaces, number of parking spaces and parking charges of the car parks concerned are tabulated as follows:

<b>Fee-paying public car parks at Hong Kong – Zhuhai – Macao Bridge Hong Kong Port (Total: 733 parking spaces)</b>							
<b>Types of parking spaces</b>	<b>No. of parking spaces</b>	<b>Parking charges</b>					
		<b>With pre-booking</b>			<b>Without pre-booking</b>		
		<b>Hourly</b>	<b>Day parking (any 24 hours)</b>	<b>Night parking</b>	<b>Hourly</b>	<b>Day parking</b>	<b>Night parking</b>
Private car	673	\$20 Overtime parking charge: \$40 per hour	\$160 Overtime parking charge: \$320	N/A	1 <sup>st</sup> & 2 <sup>nd</sup> hours: \$20 3 <sup>rd</sup> hour: \$30 4 <sup>th</sup> hour and thereafter: \$40	N/A	N/A



**Fee-paying public car parks at Hong Kong – Zhuhai – Macao Bridge Hong Kong Port (Total: 733 parking spaces)**

Types of parking spaces	No. of parking spaces	Parking charges					
		With pre-booking			Without pre-booking		
		Hourly	Day parking (any 24 hours)	Night parking	Hourly	Day parking	Night parking
Motorcycle	25	\$8 Overtime parking charge: \$16 per hour	\$45 Overtime parking charge: \$90	N/A	1 <sup>st</sup> & 2 <sup>nd</sup> hours: \$8 3 <sup>rd</sup> hour: \$12 4 <sup>th</sup> hour and thereafter: \$16	N/A	N/A
Light goods vehicle	14	\$16 Overtime parking charge: \$32 per hour	\$125 Overtime parking charge: \$250	N/A	1 <sup>st</sup> & 2 <sup>nd</sup> hours: \$16 3 <sup>rd</sup> hour: \$24 4 <sup>th</sup> hour and thereafter: \$32	N/A	N/A
Taxi	21	\$16 Overtime parking charge: \$32 per hour	\$125 Overtime parking charge: \$250	N/A	1 <sup>st</sup> & 2 <sup>nd</sup> hours: \$16 3 <sup>rd</sup> hour: \$24 4 <sup>th</sup> hour and thereafter: \$32	N/A	N/A

**Fee-paying public car park at Heung Yuen Wai Boundary Control Point\* (Total: 466 parking spaces)**

Types of parking spaces	No. of parking spaces	Parking charges		
		Hourly	Day parking (any 24 hours)	Night parking (18:00 to 08:00 the next day)
Private car	415	\$15	\$150	\$80
		Overtime parking charges: First two hours : \$60 per hour Thereafter : \$75 per hour		
Motorcycle	36	\$5	\$40	\$25
		Overtime parking charges: First two hours : \$20 per hour Thereafter : \$25 per hour		
Van-type light goods vehicle	15	\$15	N/A	N/A
		Overtime parking charges: First two hours : \$60 per hour Thereafter : \$75 per hour		

\*The fee-paying public car park at Heung Yuen Wai Boundary Control Point is currently only available for parking by vehicles with online pre-booking.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)072**

**(Question Serial No. 3534)**

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Upon the commissioning of Heung Yuen Wai Control Point, several bus routes have been in service alongside the provision of car parks with more than 400 parking spaces. In view of the change that the car parks are now for parking by vehicles with prior booking only, please advise this Committee on the following:

1. As booking arrangements have been fully adopted at the car parks, have provisions been earmarked for enhancing the online booking system, such as showing the booking situations of different types of parking spaces for at least seven days ahead and the public transportation accessible to the Control Point to facilitate members of the public to plan their trips?
2. Given that the clearance time at the Control Point hinges on the passenger volume of the day, car owners may return to their cars beyond their reserved time slots. However, prior booking for two consecutive time slots for the same vehicle is not allowed and the overtime hourly parking charge is even as high as \$75. Will there be any relaxation to allow car owners to extend their parking time slot for one time?

Asked by: Hon LEE Tsz-king, Dominic (LegCo internal reference no.: 10)

Reply:

- 1 & 2. The public car park at the Heung Yuen Wai Boundary Control Point commenced operation in February 2023. The Government Property Agency (GPA) has been implementing enhanced measures starting from 17 February 2023. Only vehicles with online booking will be allowed to park and vehicles without prior booking are not accepted. The current online booking system allows the public to reserve parking spaces from two hours to seven days prior to entry, and the parking period is a minimum of two hours to a maximum of seven days. Drivers can flexibly make arrangement to suit their travel plans.

In order to alleviate the situation of vehicles parking beyond their reserved time slots, the parking fees including overtime parking charges (for vehicles leaving later than the estimated departure time as reserved) have also been adjusted. In addition, to

avoid the same vehicle occupying the parking space for too long, the same vehicle cannot reserve two consecutive parking time slots.

Since the implementation of the enhancement measures, the car park is operating smoothly in general. GPA will continue to monitor and review the operation of the car park especially during weekends or peak period of passenger traffic through the control point. GPA will also review the operation mode of the car park and the functions of the online booking system from time to time, and arrange enhancement as necessary, so as to facilitate the public to use the Heung Yuen Wai/Liantang Port to travel between the Mainland and Hong Kong.

- End -

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)073**

**(Question Serial No. 3516)**

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

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Miss Cathy CHU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that the Government is providing an additional allowance to eligible social security recipients, equal to one half of a month of the respective kinds of allowances. Please inform this Committee of the following:

Apart from measures such as rental waiver for public rental housing tenants and extending the electricity charge subsidy scheme, will a reasonable amount of electricity charge subsidy be also included in the Living Subsidy for Low-income Households Not Living in Public Housing and Not Receiving Comprehensive Social Security Assistance?

Asked by: TAN Yueheng (LegCo internal reference no.: 20)

Reply:

The Financial Secretary has announced in this year's Budget a series of one-off measures to alleviate the economic pressure faced by the public, including granting each eligible residential electricity account a subsidy of \$1,000. Each residential electricity account holder (including those not living in public housing and receiving neither Comprehensive Social Security Assistance nor allowances for low-income households) will receive the \$1,000 subsidy. This will benefit around 2.9 million residential households in Hong Kong.

- End -