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Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2024-25

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 6

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)001

(Question Serial No. 3216)

Head: (25) Architectural Services Department

Subhead (No. & title): ()

Programme: (2) Facilities Upkeep

Controlling Officer: Director of Architectural Services (Michael LI Kiu-yin)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in Matters Requiring Special Attention in 2024-25 under Programme (2), the Architectural Services Department (ArchSD) will ensure a safe and healthy working environment for maintenance and refurbishment works through promoting site safety and maintaining ISO 45001:2018 certification. In this connection, will the Government inform this Committee:

- 1) of the numbers of fatal and non-fatal industrial accidents occurred during the progress of the maintenance and refurbishment works undertaken by the ArchSD in each of the past 3 years (2021-22 to 2023-24), as well as the details of the causes of accidents and the names of contractors involved;
- 2) of the non-fatal industrial accident rate per 1 000 workers in each of the past 3 years (2021-22 to 2023-24); and
- 3) of the ArchSD's plan to promote awareness of site safety in 2024-25?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 42)

Reply:

- 1) The requested information on the maintenance and refurbishment works undertaken by the ArchSD in the past 3 financial years is tabulated below:

	Financial year		
	2021-22	2022-23	2023-24 (as at February 2024)
Fatal industrial accident (number of accidents)	0	0	1
Non-fatal industrial accident (number of accidents)	11	11	4

Financial year	Contractor	Fatal or non-fatal industrial accident	Incident/Cause
2021-22	Cheung Hing Construction Co., Ltd CM Geotechnics Ltd CWED JV Kwan Shing Construction Ltd Lo Hing Kwong (1995) and Co., Ltd Sun Fook Kong Construction Ltd Yau Lee Construction Co., Ltd. Wan Chung Construction Co., Ltd	Non-fatal	Injured by hand tool; injured whilst lifting or carrying; fall of person from height; striking against fixed or stationary object; struck by falling object; and slip, trip or fall on same level
2022-23	Cheung Hing Construction Co., Ltd. Cityscape (HK) Ltd CWED JV CWJV Kam Wui Decoration Ltd Kinsway Construction Co., Ltd Sun Fook Kong Construction Ltd Yau Lee Construction Co. Ltd Wan Chung Construction Co., Ltd	Non-fatal	Injured by hand tool; injured whilst lifting or carrying; fall of person from height; striking against fixed or stationary object; and slip, trip or fall on same level
2023-24 (as at February 2024)	Cheung Hing Construction Co., Ltd Yau Lee Construction Co., Ltd	Non-fatal	Injured whilst lifting or carrying; fall of person from height; and striking against fixed or stationary object
	Wan Chung Construction Co., Ltd	Fatal	Fall of person from height

- 2) The requested information on the maintenance and refurbishment works undertaken by the ArchSD in the past 3 financial years is tabulated below:

	Financial year		
	2021-22	2022-23	2023-24 (As at February 2024)
Non-fatal industrial accident rate (per 1 000 workers)	4.06	4.32	2.18

- 3) In 2024-25, the ArchSD will continue to promote awareness of site safety and health, including conducting routine and surprise site inspections, performing independent site safety audits, providing safety training and on-site safety briefings, organising and participating in safety promotional schemes such as site safety forums, the Site Safety Model Worker Award Scheme, Construction Safety Week and Considerate Contractors Site Award Scheme. Moreover, the ArchSD is committed to fostering wider adoption of innovative construction methods/technology and smart site for maintenance and refurbishment works to enhance site safety performance and improve the site working environment. In addition, the ArchSD also provides advice to contractors of maintenance and refurbishment works on site safety performance, and promotes awareness of occupational safety and health among the relevant parties. Project officers in charge of works contracts, including the ArchSD staff and those of its consultants and contractors, will also supervise and monitor the implementation of occupational safety and health measures in maintenance and refurbishment works sites.

The ArchSD always accords high priority to the provision of a safe and healthy working environment for those involved in public works projects and has been implementing various policies and measures to promote awareness of safety and health among the relevant parties through, inter alia, maintaining ISO 45001:2018 certification.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)002

(Question Serial No. 0068)

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 under the Programme that the Customs and Excise Department (C&ED) is responsible for the collection and protection of duties derived from dutiable commodities stipulated in the Dutiable Commodities Ordinance. It administers a licensing and permit system to control the manufacture, import, export, storage and movement of dutiable commodities. In this connection, will the Government inform this Committee of the following:

- a. What measures will the Government take to combat the current rampant sale of illicit cigarettes on the Internet?
- b. According to the information, there is an upward trend in the number of persons prosecuted for offences relating to illicit cigarettes. What measures will the Government take to address the situation?
- c. Please provide a breakdown, by year, of the number of persons aged 21 or below who were prosecuted for offences relating to illicit cigarettes in the past 5 years. How will C&ED strengthen publicity and education?

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 5)

Reply:

- a. The Customs and Excise Department (C&ED) has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow up, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. 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 smoking product advertisement in any form (including flyers or online advertisements).

TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- b. Following the full resumption of normal travel in early 2023 and the increase in tobacco duty announced in the Budget, C&ED has stepped up enforcement against illicit cigarette activities at various entry and exit points and across the territory, including the smuggling of illicit cigarettes by offenders using the mode of “ants moving home” after the resumption of normal travel, thereby leading to an increase in the number of persons prosecuted in the year.

C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points and in the market, and has strengthened intelligence exchange with Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to combat illicit cigarette activities.

- c. The number of persons aged 21 or below prosecuted by C&ED for offences relating to duty-not-paid cigarettes in the past 5 years are tabulated below:

Year	2019	2020	2021	2022	2023
Number of persons	39	20	50	38	49

In order to further promote the message against illicit cigarettes across different levels of the community, C&ED will continue to collaborate with government agencies and relevant stakeholders, and enhance publicity by holding talks for schools and youth groups, displaying posters and banners, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)003

(Question Serial No. 0144)

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:

This year's Budget announced an increase in tobacco duty for the second consecutive year. In response to the potential impact of the increase in tobacco duty on illicit cigarette activities, the Customs and Excise Department (C&ED) indicated last year that it would mount territory-wide large-scale special operations against illicit cigarettes, send officers to other regions for field visits and arrange experience sharing with Mainland and overseas law enforcement agencies, with a view to studying similar policies and the effectiveness of their implementation and stepping up enforcement against illicit cigarette activities at retail level. In this connection, will the Government inform this Committee of:

- (1) the quantities of duty-not-paid cigarettes seized locally by C&ED in each of the past 5 years;
- (2) whether any assessment has been conducted as to why the year 2023 saw an increase of 50% in the number of cases involving seizure of illicit cigarettes but a decrease of 30% in the number of cigarette sticks seized, as compared with 2022; if yes, what are the assessment results?
- (3) whether any assessment has been conducted as to why the number of persons compounded for offences relating to illicit cigarettes surged from 2 107 in 2022 to 9 837 in 2023; if yes, what are the assessment results?
- (4) the figures by rank on the establishment, strength, expenditure on emoluments and total expenditure of C&ED incurred by officers dedicated to combating illicit cigarette activities in the past 3 years and in 2024-25;
- (5) the number of large-scale special operations against illicit cigarettes mounted by C&ED last year and their effectiveness; and the number of large-scale special operations against illicit cigarettes to be mounted in the coming year; and
- (6) the number and details of field visits to other regions arranged by C&ED last year; and the number of field visits to other regions to be arranged in the coming year?

Asked by: Hon LAI Tung-kwok (LegCo internal reference no.: 31)

Reply:

- (1) The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

- (2) Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in spite of an increase in the number of cases involving illicit cigarettes in 2023.
- (3) During the epidemic, passenger clearance services at most control points were suspended, and the number of arrivals and departures via land and sea control points reduced, resulting in a corresponding decrease in the number of persons “paying penalty instead of prosecution for bringing in cigarettes exceeding the duty-free concessions” in 2022. As normal travel between Hong Kong and the Mainland has fully resumed in early 2023, the numbers of cross-boundary passengers and vehicles successively rebounded, resulting in a surge in the number of relevant cases.
- (4) In the past 3 financial years, C&ED deployed 61 officers each year to specifically combat illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2021-22	28.27
2022-23	28.98
2023-24	30.23

In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points will also be 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.

- (5) In 2023, C&ED mounted 4 large-scale special operations against illicit cigarettes, in which C&ED detected a total of 258 relevant cases, seized approximately 74 million sticks of illicit cigarettes with a total market value of approximately \$273 million and

dutiable value of approximately \$185 million, and arrested 220 persons. C&ED mounted another round of large-scale special operation against illicit cigarettes in mid-February 2024 and the operation is still underway. C&ED will continue to mount targeted anti-illicit-cigarette operations as appropriate in a timely manner.

- (6) C&ED has been maintaining close liaison and exchange with Mainland and overseas law enforcement agencies on cross-boundary illicit cigarette smuggling and related control issues. Last year, C&ED visited the Mainland Customs and relevant intelligence units as well as the Singapore Customs.

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)004

(Question Serial No. 0379)

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 Government inform this Committee of the following:

1. the quantities and total market values of illicit cigarettes seized by the Customs and Excise Department (C&ED) by month in 2023 and from January to February in 2024;
2. the manpower and expenditure involved in combating illicit cigarette activities in the past year;
3. Given that there was a significant decrease in the quantity of illicit cigarettes seized in the anti-illicit-cigarette enforcement actions last year as compared with the previous figures (a decrease of 23% from around 690 million sticks in the year before last year to around 530 million sticks last year), can the current strategy in combating illicit cigarettes be regarded as effective?
4. Further to the above, if the strategy is effective, how will C&ED further enhance the relevant strategy in the coming year, so as to step up efforts in combating illicit cigarette activities following the increase in tobacco duty, and what are the respective manpower and expenditure involved?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 14)

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 2023 and from January to February in 2024 by month are tabulated as follows:

2023	Quantity (million sticks)	Market value (\$ million)
January	74.24	204.25
February	45.71	127.40
March	52	192.39
April	37.92	140.28
May	71.74	265.42
June	21.19	78.40
July	28.69	106.14
August	35.17	130.10
September	63.08	233.39
October	24.90	92.14
November	50.94	188.49
December	24.96	92.36
Total	530.53	1,850.77

2024	Quantity (million sticks)	Market value (\$ million)
January	16.34	60.45
February	20.83	79.42
Total	37.17	139.87

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

2. In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.
3. Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant

increase in the quantity of duty-not-paid cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in 2023.

4. C&ED will continue to strengthen its risk assessment and intelligence analysis, and combat illicit cigarette activities under a holistic enforcement strategy i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. In view of the increase in tobacco duty announced in the Budget, C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland, and overseas law enforcement agencies. In 2024-25, C&ED will continue to deploy 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. C&ED will flexibly deploy its internal resources as appropriate to mount targeted anti-illicit-cigarette operations in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)005

(Question Serial No. 0627)

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 illicit cigarettes seized by the Customs and Excise Department (C&ED) have been increasing in recent years. There is a need for the Government to combat illicit cigarettes to protect revenue.

- i. Please provide the quantities of illicit cigarettes seized by C&ED in 2023 by month and origin, and the total market values of the seizures.
- ii. Did the Government look into the reasons for the surge in illicit cigarettes? If yes, please provide the relevant information. If not, please explain the reasons.
- iii. Will the Government consider making reference to the successful practices of other countries and adopting feasible measures which are relatively easier to implement, such as adding a label on each stick of duty-paid cigarette for identification?
- iv. Does the Government have any plan to allocate additional resources to step up efforts in combating illicit cigarette smuggling and distribution activities? Is there any plan to increase the staff establishment and the estimated operational expenses? If yes, please provide the specific details and plans.

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

Reply:

- i. The quantities and market values of illicit cigarettes involving duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in 2023 by month are tabulated as follows:

	Quantity (million sticks)	Market value (\$ million)
January	98.96	272.22
February	72.2	216
March	51.37	189.97
April	76.09	281.46
May	76.29	282.23
June	16.95	62.65
July	23.32	86.23
August	34.03	125.84
September	48.82	180.58
October	20.74	76.62
November	50.68	187.44
December	23.71	87.65
Total	593	2,049

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

C&ED does not maintain any breakdown of the illicit cigarettes seized by origin.

- ii. Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by C&ED has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in 2023.
- iii. C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.
- iv. 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 established procedures when necessary.

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CONTROLLING OFFICER'S REPLY

FSTB(Tsy)006

(Question Serial No. 1686)

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, the quantity of illicit cigarettes seized decreased from 690 million sticks reported in 2022 to only 530 million sticks in 2023. On the contrary, the number of persons prosecuted for offences relating to illicit cigarettes increased from 698 in 2022 to 1 060 in 2023. In this regard, please inform this Committee of:

- a) the reasons for the increase in the number of persons prosecuted for offences relating to illicit cigarettes in spite of a drop in the quantity of illicit cigarettes seized;
- b) the statistics on illicit cigarettes seized and the number of persons prosecuted in the past 5 years; and
- c) the number of officers in the Department responsible for tracing and investigating illicit cigarettes and the financial provision for the related work.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 19)

Reply:

- a) Since the outbreak of the COVID-19 epidemic, cross-boundary transport and logistics supply chain had been affected and illicit cigarette syndicates had switched to smuggling large quantities of illicit cigarettes into Hong Kong by sea each time. The enforcement strategy of tackling at source adopted by the Customs and Excise Department (C&ED) has proved to be effective in successfully intercepting the inflow of illicit cigarettes into Hong Kong, resulting in a significant increase in the quantity of illicit cigarettes seized in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, illicit cigarette syndicates resorted to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, thus resulting in a decrease in the quantity of illicit cigarettes seized in spite of an increase in the number of cases involving illicit cigarettes and the number of persons prosecuted in 2023.

- b) The quantities of duty-not-paid cigarettes seized locally and the numbers of persons prosecuted by C&ED in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593
Number of persons prosecuted (Note)	1 862	709	934	698	1 060

Note: Cases with prosecution instituted during the year.

- c) In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)007****(Question Serial No. 1753)**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:

It is mentioned in paragraph 193 of the Budget Speech that the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. In this connection, will the Government inform this Committee of the quantities of illicit cigarettes successfully seized by the Customs and Excise Department in the past 3 years?

Asked by: Hon LAM Shun-chiu, Dennis (LegCo internal reference no.: 32)Reply:

The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 3 years are tabulated below:

	2021	2022	2023
Quantity of seizure (million sticks)	371	688	593

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)008****(Question Serial No. 1921)**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 Budget announced an increase in the duty on cigarettes by 80 cents per stick. There are comments pointing out that this may lead to more rampant sales activities of illicit cigarettes in Hong Kong. In this connection, will the Government inform this Committee of the following:

1. the quantity of illicit cigarettes seized in each of the past 5 years;
2. the current manpower establishment and operating 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 LEE Chun-keung (LegCo internal reference no.: 5)Reply:

1. The quantities of duty-not-paid cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

2. In 2023-24, C&ED had an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points were also involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure 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)009****(Question Serial No. 2164)**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:

Regarding the work carried out by the Customs and Excise Department (C&ED) to combat the smuggling of duty-not-paid cigarettes, will the Government inform this Committee of the following:

1. the numbers of cases involving the smuggling of duty-not-paid cigarettes in which reports have been received and items successfully seized by C&ED in each of the past 5 years, as well as the respective quantity and value of the duty-not-paid tobacco products involved in the cases; and
2. the expenditure involved in publicity and education on the work to combat the smuggling of duty-not-paid cigarettes in the coming year?

Asked by: Hon LEUNG Man-kwong (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:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity seized (million sticks)	54	193	371	688	593
Market value (\$ million)	147	530	1,022	1,896	2,049
Total amount of duty payable (\$ million)	103	368	707	1,311	1,401

2. The manpower and resources involved in publicity and education 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)010****(Question Serial No. 2467)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (000) Operational expensesProgramme: (4) Revenue Protection and CollectionControlling Officer: Commissioner of Customs and Excise (Ms Louise HO)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding controlled items, will the Government inform this Committee of:

- The Budget of the new financial year further increases tobacco duty. With regard to actions against illicit cigarettes, how many cases involving the smuggling of tobacco products and illegal trade in duty-not-paid tobacco products were detected by C&ED in 2023; what were the quantities of tobacco and the total value involved? ;
- What are the enforcement plans and goals of C&ED on combating illicit cigarettes in the coming year?

Asked by: Hon CHAN Hak-kan (LegCo internal reference no.: 9)Reply:

The relevant figures of illicit tobacco seized by the Customs and Excise Department (C&ED) in 2023 are as follows:

	2023
Number of cases	387
Quantity (kilogrammes)	9 475
Total value (\$ million)	49.75

C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)011

(Question Serial No. 2788)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement, (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 number of persons compounded for offences relating to illicit cigarettes substantially rose from 2 107 in 2022 to 9 837 in 2023, representing an increase of 3.6 times (7 730 persons). The 2024-25 Budget announced an increase in tobacco duty of \$0.8 per stick of cigarette. In response to the situation, will the Customs and Excise Department (C&ED) step up random checks at various entry and exit points in the new financial year?

Will C&ED adopt new policy measures to combat illicit cigarettes in the new financial year? If yes, what are the details? If not, what are the reasons?

Currently, there are some so-called “cheap whites” in the market, the retail price of which is far lower than legally sold duty-paid cigarettes. Is C&ED aware of such situation? If yes, what measures will C&ED take to combat and outlaw “cheap whites”? If not, what are the reasons?

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

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various control points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies, and also enhanced detection at boundary control points. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

Apart from proceeding with stringent law enforcement actions, C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)012

(Question Serial No. 2854)

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 this financial year, the Customs and Excise Department (C&ED) will continue to take enforcement actions against illicit cigarette activities, especially in respect of cross-boundary smuggling and telephone-order peddling.

1. Does C&ED expect illicit cigarette smuggling activities to go up upon the increase in tobacco duty? If yes, will C&ED strengthen manpower and anti-smuggling operations and what are the estimated expenditures involved? If not, what are the reasons?
2. At present, "cheap whites" are flooding the market. How many sticks of "cheap whites" were seized by C&ED last year? Will C&ED step up enforcement actions against such illegal acts and plug the loopholes in the existing legislation? If yes, what are the details? If not, what are the reasons?
3. Illicit cigarette activities are obviously run by syndicates, providing one-stop services from conveyance, promotion, purchase to delivery, and even coupled with online promotion that offers convenient contact means and coupon rebate. What measures have been taken by C&ED to combat these rampant promotion activities? How effective were they? Will C&ED step up efforts to combat the activities this year? If yes, what are the details? If not, what are the reasons?

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

Reply:

1. The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette

operations in a timely manner. In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emoluments. 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.

2. C&ED does not maintain statistics on the quantity of “cheap whites”. C&ED has been closely monitoring the latest development in the market. Whenever retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions regardless of whether “cheap whites” are involved.

Apart from proceeding with stringent law enforcement actions, C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

3. C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. 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 smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)013

(Question Serial No. 3215)

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 Matters Requiring Special Attention in 2024-25 under Programme (4) 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. In this connection, will the Government inform this Committee of the following:

- 1) the quantities of illicit cigarettes seized in local illegal activities in each of the past 3 years (2021-22 to 2023-24), with a breakdown by smuggling channel;
- 2) the numbers of cases of illicit cigarette activities detected by C&ED, the numbers of persons arrested and the age distribution of the arrested persons in each of the past 3 years (2021-22 to 2023-24);
- 3) the estimate and staff establishment of C&ED for combating illicit cigarette activities in the past 3 years (2021-22 to 2023-24); and
- 4) whether additional manpower and estimated expenditure will be allocated to combat illicit cigarette activities in 2024-25?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 41)

Reply:

- 1) The quantities of duty-not-paid illicit cigarettes seized locally by the Customs and Excise Department (C&ED) in the past 3 years, with a breakdown by smuggling channel, are tabulated as follows:

	Quantity of seizure (million sticks)		
	2021	2022	2023
Inbound smuggling cases	190	590	493
Storage, distribution and peddling cases	180	98	98
Cases of incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding	0.6	0.4	1.7
Total	371	688	593

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

- 2) The relevant information on duty-not-paid cigarettes seized locally by C&ED in the past 3 years is as follows:

	2021	2022	2023
Number of cases	3 917	3 192	11 658
Number of persons arrested	3 536	2 808	10 992

The age distribution of the aforesaid arrested persons is as follows:

Age	2021	2022	2023
Aged under 21	59	66	165
Aged 21 and above	3 477	2 742	10 827
Total	3 536	2 808	10 992

- 3) In the past 3 financial years, C&ED deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2021-22	28.27
2022-23	28.98
2023-24	30.23

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

- 4) 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)014

(Question Serial No. 0704)

Head: (51) Government Property Agency

Subhead (No. & title): ()

Programme: (2) Property Management

Controlling Officer: Government Property Administrator (Eugene FUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On major festivals, the Government will arrange for festive decorations for various government buildings (including government offices, government office buildings and government quarters). In this connection, will the Government inform this Committee of:

- the numbers of festivals and government buildings that the Government arranged for festive decorations, as well as the expenditure for each festive decoration (including the procurement and disposal of flowers and plants, as well as other ornaments) in each of the past 3 years;
- the details of the disposal method currently in use and the expenditure thus incurred in respect of non-reusable festive decorations and ornaments; and
- any plan to discontinue the procurement of non-reusable festive ornaments and the estimated expenditure to be saved annually.

Asked by: Hon NGAN Man-yu (LegCo internal reference no.: 21)

Reply:

In the past 3 years, Government Property Agency (“GPA”) has arranged small-scale festive decorations in government properties (Note) under its purview during Lunar New Year and Christmas. As the costs incurred from the said festive decorations are subsumed in the costs of property management services contracts, GPA does not have the itemised information. Starting from 2022, GPA has arranged festive decorations in government properties under its purview during National Day of the People’s Republic of China and Hong Kong Special Administrative Region Establishment Day, with a view to enhancing the sense of ‘love the country and Hong Kong’ and enhancing the festive atmosphere. Details are as follows:

Year	Festival	Government properties involved	Expenditure on festive decorations
2022	The 25th Anniversary of the Establishment of the Hong Kong Special Administrative Region	Two joint-user general office buildings (JUBs)	Approximately \$1.4 million
	The 73rd Anniversary of the Founding of the People's Republic of China	Three JUBs	Approximately \$1.6 million
2023	The 26th Anniversary of the Establishment of the Hong Kong Special Administrative Region	46 JUBs and two boundary control points (BCPs)	Approximately \$5.1 million
	The 74th Anniversary of the Founding of the People's Republic of China	46 JUBs and two BCPs	Approximately \$5.5 million

As for government quarters, the festive decorations for National Day of the People’s Republic of China and Hong Kong Special Administrative Region Establishment Day are in general arranged by the residents and their respective departments. Hence, GPA does not have the requested information.

In general, contractors will use reusable materials for festive decorations as far as possible for the sake of environmental protection and cost saving except for those decoration materials with anniversary theme or were damaged and unable to be reused. GPA requires the contractors to categorise the used decoration materials before disposal and hand over the recyclable materials to collectors for recycling. GPA will continue to strive for adopting reusable or recyclable materials for future festive decorations. GPA does not have the information on the expenditure on non-reusable decoration materials.

Note: Including 46 joint-user general office buildings, Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and Heung Yuen Wai Boundary Control Point.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)015

(Question Serial No. 0862)

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 car parks in joint-user government buildings managed by the Government Property Agency (GPA) are mostly opened up for public use during non-office hours only, including weekday evenings, 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 the purview of GPA as at February 2024 by 18 districts in tabular form;
2. the usage and utilisation rates by government vehicles of GPA-managed government car parks not opened up for public use during daytime on weekdays over the past 3 years by 18 districts in tabular form;
3. the usage in terms of vehicle trips and utilisation rates, as well as the total user charges of GPA-managed government car parks opened up for public use during weekday evenings, Saturdays, Sundays and public holidays over the past 3 years by 18 districts in tabular form; and;
4. whether the GPA has closely monitored the car parks currently not opened up for public use during daytime and, subject to their usage, considered opening up some of the car parking spaces for public use round the clock; if yes, the details; if not, the reasons?

Asked by: Hon HO King-hong, Adrian Pedro (LegCo internal reference no.: 17)

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 night-time 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 departments of car parks leased out by GPA in government properties on the utilisation of their parking spaces.

Information on Fee-paying public car parks leased out by GPA (up to February 2024)**Table (1): Fee-paying public car parks open during non-office hours**

District Council district	Car park location	Number of private car parking spaces	Current parking fees for private cars (per hour)	Average utilisation rate¹
Central and Western District	Queensway Government Offices	155	\$28-\$32	13.5%
Wan Chai District	Wanchai Tower, Immigration Tower and Revenue Tower	157	\$26-\$30	17.8%
Eastern District	North Point Government Offices	95	\$12-\$22	40.3%
Kowloon City District	Tokwawan Market and Government Offices	29	\$13-\$18	36.4%
	Trade and Industry Tower	24	-	42.1% ²
Yau Tsim Mong District	West Kowloon Government Offices	50	\$16	38.4%
Sai Kung District	Sai Kung Government Offices	70	\$27-\$40	14.7%
Sha Tin District	Sha Tin Government Offices	122	\$18-\$30	46.0%
Tai Po District	Tai Po Government Offices	69	\$8-\$18	61.4%
Tuen Mun District	Tuen Mun Government Offices	42	\$10-\$20	23.1%
Yuen Long District	Yuen Long District Office Building	43	\$11-\$22	46.6%
North District	North District Government Offices	96	\$11-\$13	32.0%

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

District Council district	Car park location	Number of private car parking spaces	Current parking fees for private cars (per hour)	Average utilisation rate¹
Eastern District	Chai Wan Municipal Services Building	39	\$20-\$22	83.6%
Sham Shui Po District	Cheung Sha Wan Government Offices	250 ³	\$24-\$40	50.5%
Kwun Tong District	Shun Lee Disciplined Services Quarters	89	\$22-\$24	77.0%
Sha Tin District	New Territories (Sha Tin) Forensic Medicine Centre	50	\$5-\$18	12.9% ⁴
North District	Heung Yuen Wai Boundary Control Point	415	\$15	45.1% ⁵
Islands District	Hong Kong – Zhuhai – Macao Bridge Hong Kong Port	673	\$26-\$52	14.9%

Notes:

- 1 The average utilisation rates of the car parks during the operating hours for the period from April 2022 to December 2023 are provided by the contractors. GPA does not have the statistics on the utilisation rates of the car parks for the period before April 2022.
- 2 As the fee-paying public car park at Trade and Industry Tower has ceased operation temporarily since October 2023, only information on the average utilisation rates for the period from April 2022 to September 2023 of the car park during the operating hours are available.
- 3 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.
- 4 As the fee-paying public car park at New Territories (Sha Tin) Forensic Medicine Centre has commenced operation in February 2023, only information on the average utilisation rate for the period from February 2023 to December 2023 of the car park during the operating hours is available.
- 5 As the car park at Heung Yuen Wai Boundary Control Point has commenced operation in February 2023, only information on the average utilisation rate for the period from February 2023 to December 2023 of the car park during the operating hours is available.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)016****(Question Serial No. 3040)**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:

Regarding the land boundary control points (BCPs) where parking spaces are available for booking, please provide the following information:

BCPs	No. of parking spaces	Average utilisation rate of parking spaces	Parking charges	No. of parking spaces available for booking	Booking cancellation rate
Car parks at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port					
Car parks at the Heung Yuen Wai Boundary Control Point					
Others (if yes, please specify)					

Does the Government have any plans to expand the car parking facilities or increase the supply of other ancillary transport facilities at the BCPs in response to the demands in future? If yes, please provide the details.

Asked by: Hon CHAN Han-pan (LegCo internal reference no.: 40)

Reply:

The Government Property Agency (GPA) is currently responsible for managing 2 fee-paying public car parks in the non-closed areas of the Hong Kong-Zhuhai-Macao Bridge (HZMB) Hong Kong Port and the Heung Yuen Wai (HYW) Boundary Control Point, which have been leased out to car park contractors for operation. With regard to the above-mentioned car parks, the information required is tabulated as follows:

Fee-paying public car park at HZMB Hong Kong Port (Total: 733 parking spaces)						
Type of parking spaces	No. of parking spaces	Average utilisation rate of parking spaces⁽¹⁾	Parking charges			No. of parking spaces available for booking
			With pre-booking		Without pre-booking	
			Hourly	Day parking (any 24 hours)	Hourly	
Private car	673	25.7%	\$26 Overtime parking charge: \$52 per hour	\$208 Overtime parking charge: \$416	1 st & 2 nd hours: \$26 3 rd hour: \$39 4 th hour and thereafter: \$52	314
Motorcycle	25	33.1%	\$8 Overtime parking charge: \$16 per hour	\$45 Overtime parking charge: \$90	1 st & 2 nd hours: \$8 3 rd hour: \$12 4 th hour and thereafter: \$16	13
Light goods vehicle	14	53.8%	\$16 Overtime parking charge: \$32 per hour	\$125 Overtime parking charge: \$250	1 st & 2 nd hours: \$16 3 rd hour: \$24 4 th hour and thereafter: \$32	7
Taxi	21	36.8%	\$16 Overtime parking charge: \$32 per hour	\$125 Overtime parking charge: \$250	1 st & 2 nd hours: \$16 3 rd hour: \$24 4 th hour and thereafter: \$32	11

Fee-paying public car park at HYW Boundary Control Point (Total: 466 parking spaces)							
Type of parking spaces	No. of parking spaces	Average utilisation rate of parking spaces ⁽³⁾	Parking charges ⁽²⁾			No. of parking spaces available for booking	Booking cancellation rate ⁽³⁾
Private car	415	45.1%	Hourly	Day parking (any 24 hours)	Night parking (18:00 to 08:00 the next day)	415	1.4%
			\$15	\$150	\$80		
			Overtime parking charges: First 2 hours: \$60 per hour Thereafter: \$75 per hour				
Motorcycle	36	34.8%	\$5	\$40	\$25	36	0.1%
			Overtime parking charges: First 2 hours: \$20 per hour Thereafter: \$25 per hour				
Van-type light goods vehicle	15	24.3%	\$15	N/A	N/A	15	1.6%
			Overtime parking charges: First 2 hours: \$60 per hour Thereafter: \$75 per hour				

Note:

- (1) The average utilisation rates/average booking cancellation rates of various types of parking spaces provided by the car park operator covered the operation period from January to December 2023.
- (2) From 17 February 2023 to 2 July 2023, only vehicles with online booking were allowed to park at the fee-paying public Car Park 1 and Car Park 2 at HYW Boundary Control Point. Starting from 3 July 2023, on-site booking is available for parking at Car Park 1 subject to the availability of parking spaces, except for weekends, public holidays and the preceding working day. The parking charges for vehicles with online booking and on-site booking are the same.
- (3) The average utilisation rates/average booking cancellation rates of various types of parking spaces provided by the car park operator covered the operation period from February to December 2023.

The current number of parking spaces at the fee-paying public car park at HZMB Hong Kong Port is sufficient to meet the demand during peak periods (including festival days). Therefore, upon consultation with relevant departments, the Government currently has no plan to expand the car park at HZMB Hong Kong Port. The utilisation rate of the fee-paying public car park at HYW Boundary Control Point during peak periods (such as festival days) is relatively high. A number of private car parks in the proximity of

the Boundary Control Point have come into operation. According to our observation, these parking spaces in general are able to meet the demand during weekends and public holidays. The Government will continue to keep in view the parking demand at the above-mentioned boundary control points, make plans for and implement appropriate ancillary transport facilities and services in a timely manner, with a view to facilitating the use of these cross-boundary facilities by members of the public and passengers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)017

(Question Serial No. 0199)

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:

It is mentioned in the programme that the Inland Revenue Department (IRD) raises revenue through taxes, duties and fees in accordance with the relevant legislation in a cost-effective manner. In this regard, please advise this Committee on:

- a. the estimated expenditure for the development and continuous maintenance of the electronic service platform, eTAX;
- b. the respective numbers of personal accounts and business accounts registered on eTAX in the past 5 years since its launch by the IRD;
- c. the reasons for the increase in the cost of processing assessments, as shown by an estimated increase in provision per profits tax assessment from \$919 in 2023/24 to \$974.5 in 2024/25 and an estimated increase in provision per salaries tax assessment from \$197.9 in 2023/24 to 212.5 in 2024/25, despite the IRD's wide adoption of information technology and the wide adoption of electronic filing of tax returns and electronic payments among the public nowadays.

Asked by: Hon KWOK Ling-lai, Lillian (LegCo internal reference no.: 25)

Reply:

- a. The Inland Revenue Department (IRD) launched eTAX in January 2008 to provide a wide range of e-services for taxpayers. Enhanced and additional features and services were introduced over the years. The annual development expenditure for the e-Tax system in recent years is mainly related to the enhancement of e-filing services in order to implement new tax measures. Besides, continuous maintenance of the eTAX system is necessary to ensure smooth functioning of the system. The maintenance work includes system monitoring, software upgrade, security management and other services which are essential for the operation of the eTAX system. For the financial year 2024-25, the estimated expenditure for the development and continuous maintenance of the eTAX system is \$8 million.
- b. eTAX Portal of the IRD only accepts registration of account by individuals to handle tax matters relating to individuals, properties or businesses. The numbers of eTAX accounts for the past five years are as follows: -

	Number of eTAX accounts (Note)
2019-20	981 000
2020-21	1 095 000
2021-22	1 212 000
2022-23	1 335 000
2023-24 (as at 29 February 2024)	1 483 000

Note: Rounded to the nearest thousand.

- c. The increase in the provision per profits tax assessment and salaries tax assessment is mainly attributable to the salary increments and increase in the expenditure for developing and further upgrading the computer systems.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)018

(Question Serial No. 0277)

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 use of eTAX to file tax returns and make tax payments via electronic means. In addition, with an aim to enhancing the efficiency, reliability and accuracy of tax filing, the IRD launched the enhanced e-filing services for profits tax returns in April 2023, such that all corporations and businesses could file profits tax returns electronically through eTAX for the year of assessment 2022/23. Please inform this Committee of the following:

- 1) In the past 3 years of assessment, what were the respective numbers of cases in which taxpayers filed tax returns and made tax payments for Salaries Tax via electronic means such as e-Tax? What were the respective percentages to the total number of Salaries Tax cases?
- 2) In the past 3 years of assessment, what were the respective numbers of cases in which taxpayers filed tax returns and made tax payments for Profits Tax via electronic means such as e-Tax? What were the respective percentages to the total number of Profits Tax cases?
- 3) In the past 3 years of assessment, what were the respective numbers of cases in which taxpayers filed tax returns and made tax payments for Property Tax via electronic means such as e-Tax? What were the respective percentages to the total number of Property Tax cases?
- 4) What was the number of cases in which corporations filed their profits tax returns for the year of assessment 2022-23 electronically? What was the percentage to the total number of tax returns filed by corporations?
- 5) What are the means the IRD will use to further encourage members of the public and enterprises to file tax returns and make tax payments electronically? Has the IRD set any key performance indicators in relation to it? If yes, what are the details? If not, what are the reasons?
- 6) Has the IRD made any estimation on the annual cost and manpower savings that can be achieved if all tax return filings and tax payments are made via electronic means?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 1)

Reply:

1) to 3)

In the past 3 financial years, the numbers and percentages of tax returns filed electronically by taxpayers through eTAX are as follows:

Financial Year	Number of tax returns filed electronically (Note 1) (Percentage to respective types of tax returns)		
	Tax Return - Individuals	Profits Tax Return	Property Tax Return
2021-22	835 200 (31%)	2 500 (1%)	10 300 (7%)
2022-23	866 600 (34%)	3 200 (1%)	11 000 (8%)
2023-24 (As at 29 February 2024)	932 900 (37%)	3 300 (1%)	11 000 (8%)

Note 1: Rounded to the nearest hundred

The Inland Revenue Department (IRD) does not maintain statistical breakdown on the payment transactions for Salaries Tax, Profits Tax and Property Tax by electronic means. In the past 3 financial years, the number and percentage of tax payments made by electronic means are set out below.

Financial year	Tax payments made by electronic means	
	Number of transactions (Note 2)	Percentage to total tax payment transactions
2021-22	2 350 000	70%
2022-23	2 380 000	71%
2023-24 (As at 29 February 2024)	2 370 000	72%

Note 2: Rounded to the nearest ten thousand.

4) In the financial year 2023-24, the number and percentage of profits tax returns for the year of assessment 2022/23 filed electronically by corporations through eTAX are as follows:

Financial Year	Number of tax returns filed electronically (Note 3) (Percentage to the total tax returns for corporations)
2023-24 (As at 29 February 2024)	3 100 (1%)

Note 3: Rounded to the nearest hundred.

- 5) The key performance indicator (KPI) which the IRD has committed to achieve is to increase the number of taxpayers adopting electronic filing of Tax Return – Individuals by an average annual growth rate of at least 5% for the financial years from 2022-23 to 2026-2027. With the concerted effort of the IRD's staff, the KPI has been accomplished for the two financial years from 2022-23 to 2023-24 (up to 29 February 2024), with the overall annual average growth rate for that two financial years at 5.85%. The IRD will continue to promote the electronic filing of Tax Return – Individuals with promotional activities like placing advertisements on newspapers and electronic platforms.

The IRD is also actively promoting the electronic filing of profits tax returns by corporations and businesses. The IRD implements a series of support measures, including provision of free data conversion tools, online training materials and a helpdesk for answering telephone enquiries, setting up an outreaching team and conducting ongoing consultative stakeholder engagement sessions, etc. In addition, the IRD also launches a series of promotional activities with a view to striving to increase the percentage of electronic filing of profits tax returns, including posters, publicity leaflets, MTR in-train video display, advertisement on digital social media and displaying promotional e-messages through the websites of professional bodies.

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

- 6) The IRD currently has no plan to mandate members of the public to file Tax Return - Individuals 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 estimates.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)019

(Question Serial No. 0278)

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:

In 2024-25, the Inland Revenue Department continues its determined efforts in combatting tax evasion and countering tax avoidance schemes. Please provide the following details in respect of salaries tax, profits tax and property tax:

- 1) the number of tax evasion cases and the amount of tax involved in the past 3 financial years;
- 2) the amount of tax recovered after giving warnings and taking prosecution actions and the percentage thereof out of the amount of tax in default resulting in tax evasion in the past 3 financial years;
- 3) the number of tax recovery cases in which legal actions were taken and the amount of tax involved in the past 3 financial years;
- 4) the establishment and estimated expenditure required for combatting tax evasion and processing tax evasion cases in the 2024-25 financial year.

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 2)

Reply:

1) to 3)

In the 3 financial years from 2021-22 to 2023-24 (up to 29 February 2024), the Field Audit and Investigation Unit of the Inland Revenue Department (IRD) completed 1 720, 1 805 and 1 741 field audit and tax investigation cases and the back tax and penalty assessed were \$2.897 billion, \$2.602 billion and \$3.263 billion respectively. The numbers of prosecution related to evasion of salaries tax, profits tax and property tax completed by the Field Audit and Investigation Unit in the respective financial years and the amounts of associated back tax and penalty are tabulated as follows:

	2021-22			2022-23			2023-24 (up to 29 February 2024)		
Cases completed	ST	PF	PT	ST	PF	PT	ST	PF	PT
	3	0	0	0	2	0	0	1	0
Total amount of back tax assessed (\$'000)	210	0	0	0	900	0	0	1,960	0
Total amount of penalty ordered by the Court (\$'000)	0	0	0	0	820	0	0	2,160	0

Note: ST stands for salaries tax, PF stands for profits tax and PT stands for property tax

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.

4) For the financial year 2024-25, the estimated staff establishment and financial provision of the Field Audit and Investigation Unit are tabulated as follows:

Financial Year	Staff establishment	Financial Provision (\$ million)
2024-25 (Estimate)	234	266

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)020

(Question Serial No. 0279)

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 Government announced the cancellation of all demand-side management measures for residential properties. No Special Stamp Duty, Buyer's Stamp Duty or New Residential Stamp Duty needs to be paid for any residential property transactions. In this connection, how much expenditure and manpower can the Inland Revenue Department save each year?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 3)

Reply:

To handle demand-side management measures (DSMMs) for residential properties, the Inland Revenue Department (IRD) has retained 9 time-limited posts in 2021 for a period of 5 years. Although the Government announced the abolition of all DSMMs for residential properties on 28 February 2024, the IRD currently still needs to continue to handle cases affected by the measures and to enhance the existing computer system to cope with the policy changes. It is expected that due to the abolition of all DSMMs for residential properties, the relevant time-limited posts can be deleted upon expiry, achieving savings of about \$4 million each year in terms of notional annual mid-point salary cost.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)021

(Question Serial No. 0453)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- 1) Please advise on the number of applications for paying tax by instalments, the tax types involved, the number of successful applications, and the average number of days for vetting the applications for the past 3 years.
- 2) For each tax type, how long did it take on average for taxpayers to receive the results of their applications for paying tax by instalments after submission in the previous year?
- 3) Members of the public and certain industries have expressed that they encountered difficulties when applying for payment of tax by instalments, such as the long waiting time for telephone enquiries. Will the Inland Revenue Department deploy additional manpower to answer taxpayers' enquiries and offer instalment options that are easy to comprehend, e.g. dividing the amount of tax payable into 6/12 instalments?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 1)

Reply:

- 1) Taxpayers who encounter financial difficulties in settling their tax bills on time may apply to the Inland Revenue Department (IRD) for payment of tax by instalments. The number of cases approved and amount of instalment payments by tax type in the financial years 2021-22, 2022-23 and 2023-24 (up to 29 February 2024) are provided in the table below.

Tax Type	2021-22		2022-23		2023-2024 (up to 29 February 2024)	
	Number of demand notes approved for payment by instalments (note)	Amount of tax involved (\$ million)	Number of demand notes approved for payment by instalments (note)	Amount of tax involved (\$ million)	Number of demand notes approved for payment by instalments (note)	Amount of tax involved (\$ million)
Profits Tax	1 160	892	1 000	1,008	780	2,501
Salaries Tax	5 820	561	5 760	520	5 380	435
Property Tax	90	4	120	4	130	4
Personal Assessment	310	26	230	18	190	16

Note: Rounded to the nearest ten

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

- 2) Generally speaking, the IRD will provide a reply within 21 working days upon receipt of the applications. The IRD did not conduct analysis on the time taken for processing the applications for payment of tax by instalments.
- 3) The IRD deploys manpower to handle taxpayers' telephone enquiry on payment of tax by instalments during the peak season of tax collection every year.

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

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)022****(Question Serial No. 0457)**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:

Will the Inland Revenue Department please inform:

A) the number of tax recovery cases with recovery actions not yet completed in the past 2 years, and the main reasons for not having completed the actions;

B) the details of the recovery cases for the past 2 years as requested in the table below:

Amount of tax involved in recovery cases	No. of cases				
	Salaries Tax	Profits Tax	Property Tax	Personal Assessment	Stamp Duty
Below \$100					
\$100 - \$500					
\$501 - \$1,000					
\$1,001 - \$5,000					
\$5,001 - \$10,000					
\$10,001 – \$50,000					
\$50,001 – \$100,000					
\$100,001 – \$500,000					
\$500,001 – \$1,000,000					
\$1,000,001 – \$5,000,000					
Over \$5,000,000					

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

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 5)

Reply:

A) The Inland Revenue Department (IRD) takes proactive steps to recover any tax in default by a taxpayer, including imposition of surcharge, issuance of warning letters, issuance of recovery notices to third parties (such as employers and banks), and initiation of court proceedings. The estimated number of tax recovery cases to be completed in the financial year 2023-24 is around 268 000.

As at 31 March 2023 and 29 February 2024, the cumulative numbers of tax demand notes with payment overdue were around 183 000 and 230 000 respectively. For some taxpayers who encounter financial difficulties in paying their tax on time, they may apply to the IRD for making tax payment by instalments. As for cases involving legal proceedings, it usually takes longer time to process. The IRD will continue to take appropriate actions to recover tax in default so as to protect government tax revenue.

B) The following table sets out the statistics on the surcharge notices issued by the IRD for four types of tax in the financial years 2022-23 and 2023-24 (up to 29 February 2024):

Tax Type	5% surcharge			10% surcharge		
	Number of charges involved (note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)	Number of charges involved (note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)
2022-23						
Profits Tax	25 300	139.03	2,781	6 500	115.57	1,101
Salaries Tax	197 900	275.85	5,517	13 800	69.34	660
Property Tax	20 500	32.93	659	4 800	21.43	204
Personal Assessment	9 100	7.21	144	1 000	3.64	35
Total	252 800	455.02	9,101	26 100	209.98	2,000
2023-24 (up to 29 February 2024)						
Profits Tax	18 100	105.54	2,111	5 800	85.08	810
Salaries Tax	156 000	200.95	4,019	10 500	64.10	610
Property Tax	17 000	23.40	468	2 000	11.54	110
Personal Assessment	8 700	5.26	105	700	1.21	12
Total	199 800	335.15	6,703	19 000	161.93	1,542

Note: Rounded to the nearest hundred

As for stamp duty, there were 10 240 and 9 678 late stamping cases in the financial years 2022-23 and 2023-24 (up to 29 February 2024) respectively. The late penalty involved was \$24 million and \$27 million respectively.

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

- C) The Enforcement Section of the IRD is headed by an Assistant Commissioner and has an establishment of 222 staff, comprising 32 Assessor grade staff, 141 Taxation Officer grade staff, 46 clerical grade staff and 3 common grade staff. The revised estimate of financial provision for this Section for the financial year 2023-24 is \$150.2 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)023

(Question Serial No. 1697)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the Indicators, the Inland Revenue Department (IRD) estimated that the numbers of tax recovery cases in 2023-24 and 2024-25 would drop. In this regard, please inform this Committee of:

- a) the statistics on the numbers of tax recovery cases with successful recovery actions, with unsuccessful recovery actions and with recovery actions still in progress, as well as the respective amounts involved in the past 5 years;
- b) in the past 5 years, the number of tax recovery cases that require prosecution actions and the amounts involved; among those cases, the number of cases in which offenders were sentenced to imprisonment and the amounts involved; and
- c) the current number of staff members who are specialised in tax recovery actions against tax evasion and avoidance, etc. in the IRD.

Asked by: Hon LUK Hon-man, Benson (LegCo internal reference no.: 30)

Reply:

- a) For taxpayers defaulting tax payment, normally the Inland Revenue Department (IRD) will first issue a surcharge notice for every outstanding tax demand note, imposing a 5% surcharge. If the taxpayer does not fully settle the tax within 6 months from the due date, the IRD will issue another surcharge notice to the taxpayer to further impose a 10% surcharge on the overdue tax and surcharge.

The following table sets out the statistics on the surcharge notices issued by the IRD for different tax types in the 5 financial years from 2019-20 to 2023-24 (up to 29 February 2024):

Types of tax	5% surcharge			10% surcharge		
	No. of charges involved (Note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)	No. of charges involved (Note)	Amount of surcharge (\$million)	Amount of tax involved (\$million)
2019-20						
Profits Tax	9 200	48.72	974	4 400	183.32	1,746
Salaries Tax	56 400	0.60	12	14 000	42.89	409
Property Tax	8 000	8.48	170	2 100	8.26	79
Personal Assessment	3 700	2.43	49	1 000	4.54	43
Total	77 300	60.23	1,205	21 500	239.01	2,277
2020-21						
Profits Tax	12 900	61.11	1,222	1 900	21.64	206
Salaries Tax	114 800	100.17	2,003	4 000	23.84	227
Property Tax	11 900	17.22	344	2 600	10.46	100
Personal Assessment	4 400	4.27	85	500	2.04	19
Total	144 000	182.77	3,654	9 000	57.98	552
2021-22						
Profits Tax	17 000	107.79	2,156	7 500	126.43	1,204
Salaries Tax	156 500	208.83	4,177	22 500	88.06	839
Property Tax	23 500	40.45	809	5 100	23.18	221
Personal Assessment	9 500	6.17	123	900	1.43	14
Total	206 500	363.24	7,265	36 000	239.10	2,278
2022-23						
Profits Tax	25 300	139.03	2,781	6 500	115.57	1,101
Salaries Tax	197 900	275.85	5,517	13 800	69.34	660
Property Tax	20 500	32.93	659	4 800	21.43	204
Personal Assessment	9 100	7.21	144	1 000	3.64	35
Total	252 800	455.02	9,101	26 100	209.98	2,000
2023-24 (up to 29 February 2024)						
Profits Tax	18 100	105.54	2,111	5 800	85.08	810
Salaries Tax	156 000	200.95	4,019	10 500	64.10	610
Property Tax	17 000	23.40	468	2 000	11.54	110
Personal Assessment	8 700	5.26	105	700	1.21	12
Total	199 800	335.15	6,703	19 000	161.93	1,542

Note: Rounded to the nearest hundred

If the tax remains unpaid, the IRD will take further recovery actions against the taxpayer, including the issuance of recovery notices to third parties (such as employers and banks) and the initiation of court proceedings to obtain judgment on the unpaid tax as debt.

The IRD does not keep statistics on the outstanding tax recovered after initiation of recovery actions. As at 29 February 2024, the cumulative number of tax demand notes with payment overdue was around 230 000 and the total amount of tax in default was about \$20.8 billion.

- b) The IRD may apply to the District Court to institute civil jurisdiction action against tax defaulter in respect of the overdue tax. Upon entry of judgment, a defaulting taxpayer becomes liable to legal costs and interest on judgment debt but will not be sentenced to imprisonment. The following table sets out the statistics on court proceedings taken by the IRD against tax defaulters in the five years from 2019-20 to 2023-24 (up to 29 February 2024):

2019-20		2020-21		2021-22		2022-23		2023-24 (up to 29 February 2024)	
No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)	No. of cases	Amount of tax involved (\$million)
1 463	1,264	603	680	816	224	636	193	672	377

- c) The Field Audit and Investigation Unit of the IRD is dedicated to audit and investigate suspected tax avoidance and evasion cases. For the financial year 2023-24, the Field Audit and Investigation Unit has an establishment of 238 staff.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)024****(Question Serial No. 1922)**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:

1. Regarding the tax investigation conducted by the Inland Revenue Department (IRD) over the past 3 years, please provide the numbers 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 LEE Chun-keung (LegCo internal reference no.: 6)Reply:

1. The Inland Revenue Department (IRD) all along exerts efforts in combating tax evasion and countering tax avoidance schemes. In the financial years 2021-22 to 2023-24 (up to 29 February 2024), the total number of cases completed and the amount of back tax and penalties assessed by the IRD are as follows:

	2021-22	2022-23	2023-24 (up to 29 February 2024)
Total number of cases completed	1 720	1 805	1 741
Back tax and penalties assessed	\$2.897 billion	\$2.602 billion	\$3.263 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 3 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 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)025

(Question Serial No. 2682)

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:

It is mentioned in paragraph 42 of the Budget Speech that a stamp duty suspension arrangement has been introduced for incoming talents' acquisition of residential properties, with over 500 applications approved. In this regard, will the Government advise this Committee on:

1. (i) the total number of applications received; (ii) the number of applications approved; and (iii) the number of applications rejected since the implementation of the stamp duty suspension arrangement;
2. the specified talent admission schemes to which applicants of the approved applications in item (ii) above belong, and the respective numbers of approved applications in respect of each of the schemes;
3. the reasons for rejecting the applications in item (iii) above, and the number of applications rejected for each main reason;
4. how the applications that have already been approved before the cancellation of all demand-side management measures for residential properties will be handled, and whether the relevant charges will still be valid.

Asked by: Hon NG Chau-pei, Stanley (LegCo internal reference no.: 26)

Reply:

1. Regarding the stamp duty suspension arrangement implemented for incoming talents' acquisition of residential properties, as at 29 February 2024, the Inland Revenue Department (IRD) (i) received a total of 661 applications; (ii) of which 625 applications were approved; and (iii) 1 application was rejected. The IRD is in the course of processing the remaining applications.
2. The IRD does not maintain a statistical breakdown of the approved applications by the specified talent admission schemes to which the talents belong.

3. The reason for rejecting the application was that the period from the first day on which the incoming talent was permitted to stay in Hong Kong by virtue of the specified talent admission scheme to the date of application for suspension of stamp duty has exceeded nine years (i.e. the deadline for waiver under the stamp duty suspension mechanism has passed). Therefore, the applicant concerned is not eligible for applying for waiver of stamp duty under the suspension mechanism.
4. As announced in the 2024-25 Budget, all demand-side management measures for residential properties would be cancelled starting from 28 February 2024 (i.e. the date of announcement of the 2024-25 Budget). The new arrangement is only applicable to agreements for sale entered into on or after 28 February 2024. It is an established practice that measures concerning stamp duty on property are only applicable to transactions on or after the date of announcement with no retrospective effect. In other words, the stamp duty suspension arrangement will continue to apply to incoming talents who purchased residential properties before 28 February 2024. The incoming talents concerned, upon becoming Hong Kong permanent residents, can apply for a certificate of discharge in respect of the residential properties.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)026****(Question Serial No. 2720)**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:

Regarding tax revenue, please inform this Committee of:

1. the numbers of individuals chargeable to salaries tax and the total tax amount collected from salaries tax in each of the past 10 years;
2. the numbers of companies chargeable to profits tax and the total tax amount collected from profits tax in each of the past 10 years.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 7)Reply:

1. The number of individuals chargeable to salaries tax and the total final salaries tax assessed for each of the past 5 years of assessment (Note 1) are as follows:

Year of assessment	No. of individuals chargeable to salaries tax after tax reduction (Note 2)	Total final salaries tax assessed (\$million)
2018/19	641 000	63,258
2019/20	718 000	65,683
2020/21	915 000	75,708
2021/22	953 000	80,257
2022/23 (as at 29 February 2024)	1 167 000	82,785

Note 1: To ensure quality and timely response to question, we only provide the relevant information for the past five years.

Note 2: Rounded to the nearest thousand.

2. The number of companies (including corporations and unincorporated businesses) chargeable to profits tax and the total final profits tax assessed for each of the past 5 years of assessment (Note 3) are as follows:

Year of assessment	No. of companies chargeable to profits tax after tax reduction (Note 4)	Total final profits tax assessed (\$million)
2018/19	89 900	148,538
2019/20	90 600	144,824
2020/21	102 100	142,896
2021/22	112 400	163,982
2022/23 (as at 29 February 2024)	122 600	158,560

Note 3: To ensure quality and timely response to question, we only provide the relevant information for the past five years.

Note 4: Rounded to the nearest hundred.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)027

(Question Serial No. 2723)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget announced that all demand-side management measures for residential properties be cancelled. No Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD) and New Residential Stamp Duty (NRSD) needs to be paid on any residential property transactions. In this connection, please inform this Committee of:

1. the annual government revenue from the SSD since 2010;
2. the annual government revenue from the BSD since 2010;
3. the annual government revenue from the NRSD since 2010;
4. the total amount of annual government revenue from the above 3 types of stamp duties.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 10)

Reply:

The total amount of the special stamp duty (SSD), buyer's stamp duty (BSD) and ad valorem stamp duty (AVD) at Part 1 of Scale 1 rates (new residential stamp duty) collected for the past five financial years (Note 1) are tabulated as follow:

Financial year	SSD (Notes 2 & 5)	BSD (Notes 3 & 5)	AVD at Part 1 of Scale 1 rates (Notes 4 & 5)	Total amount of SSD, BSD, and AVD at Part 1 of Scale 1 rates collected
	Total amount collected (\$M)	Total amount collected (\$M)	Total amount collected (\$M)	Total amount collected (\$M)
2019-20	206	4,896	8,415	13,517
2020-21	219	2,768	6,745	9,732
2021-22	206	3,503	9,123	12,832
2022-23	137	1,561	4,050	5,748
2023-24 (as at 29 February 2024)	59	1,792	3,261	5,112

Note 1: To ensure quality and timely response to question, we only provide the relevant information for the past five years.

Note 2: SSD is imposed on transactions of residential properties if the property is acquired by the seller or transferor on or after 20 November 2010 and resold or transferred within 24 months or 36 months (as the case may be) after acquisition but before 28 February 2024. The Stamp Duty (Amendment) Ordinance to implement SSD was gazetted on 30 June 2011.

Note 3: BSD is payable for the acquisition of any residential property if the property is acquired on or after 27 October 2012 but before 28 February 2024. The Stamp Duty (Amendment) Ordinance to implement BSD was gazetted on 28 February 2014.

Note 4: AVD at Part 1 of Scale 1 rate applies to residential property transactions executed on or after 5 November 2016. The Stamp Duty (Amendment) Ordinance to implement AVD at Part 1 of Scale 1 rate was gazetted on 19 January 2018.

Note 5: The IRD started to collect the relevant stamp duty after the gazettal of the relevant amendment ordinance.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)028

(Question Serial No. 2733)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the collection of profits tax, salaries tax and tax under personal assessment, please advise this Committee on:

1. the forecast change in the number of companies chargeable to profits tax in the next 10 years;
2. the forecast change in the number of individuals chargeable to salaries tax in the next 10 years.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 20)

Reply:

1. The Inland Revenue Department (IRD) estimated that there would be 160 000 businesses (including corporations and unincorporated businesses) chargeable to profits tax in the financial year 2024-25. As the number of businesses chargeable to profits tax is influenced by various factors, the IRD cannot provide the relevant forecasts for the later years.
2. The IRD estimated that there would be 1.86 million of taxpayers chargeable to salaries tax in the financial year 2024-25. As the number of taxpayers chargeable to salaries tax is influenced by various factors, the IRD cannot provide the relevant forecasts for the later years.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)029****(Question Serial No. 2735)**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:

Under this programme, the work of the Inland Revenue Department involves assessing stamp duty chargeable on assignments, agreements for sale and purchase, leases of immovable property and transfers of shares. In this connection, please inform this Committee of the revenues from stamp duty collected on sale and purchase, transfer or lease of immovable properties and transfers of shares, as well as the total revenues from stamp duty in the past 10 years.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 22)Reply:

The respective amounts of stamp duty from sale and purchase or transfer of immovable property, leases, contract notes of share transfer and total stamp duty in the past 5 financial years (Note 1) are tabulated below:

Financial year	Property Transfer (\$ million)	Leases (\$ million)	Contract Notes (\$ million)	Total Stamp Duty (Note 2) (\$ million)
2019-20	33,071	672	33,231	67,198
2020-21	29,470	591	58,645	89,045
2021-22	32,844	611	65,921	99,677
2022-23	15,881	694	53,124	69,977
2023-24 (as at 29 February 2024)	10,538	585	33,556	44,877

Note 1: To ensure quality and timely response to question, we only provide the relevant information for the past 5 years.

Note 2: Besides the stamp duty from sale and purchase or transfer of immovable property, leases and contract notes of share transfer, total stamp duty includes the income from other transfer instruments (for example, any transfer instruments for transfer

of Hong Kong stocks other than through Hong Kong Securities Clearing Company Limited, deeds of gifts and deeds of family arrangement) and late stamping penalty.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)030

(Question Serial No. 2737)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (2) Collection

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 234 of the Budget Speech that a two-tiered standard rates regime for salaries tax and tax under personal assessment will be implemented starting from the year of assessment 2024/25. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax or tax under personal assessment is to be charged at a standard rate, the first \$5 million of their net income will continue to be subject to the standard rate of 15 per cent, while the portion of their net income exceeding \$5 million will be subject to the standard rate of 16 per cent. In this regard, please advise this Committee on:

1. the number of taxpayers whose net income exceeds \$5 million out of all taxpayers chargeable to salaries tax and tax under personal assessment, and its percentage against the number of relevant taxpayers in each of the past 5 financial years;
2. the additional amount of tax that would have been collected in each of the past 5 financial years if the two-tiered standard rates regime proposed in the Budget of this year had been implemented back then.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 24)

Reply:

1. In the past 5 financial years, the numbers of taxpayers under salaries tax and tax under personal assessment who were charged at standard rate with net income exceeded \$5 million and the corresponding percentages to total numbers of relevant taxpayers are as follows:

Financial year	Year of assessment	Number of taxpayers under salaries tax and tax under personal assessment who were charged at the standard rate with net income exceeded \$5 million	Percentage to total number of relevant taxpayers
2019-20	2018/19	10 144	0.50%
2020-21	2019/20	9 974	0.47%
2021-22	2020/21	10 437	0.52%
2022-23	2021/22	11 668	0.58%
2023-24 (up to 29 February 2024)	2022/23	10 518	0.52%

2. In the past 5 financial years, if the new two-tiered standard rates regime as proposed in the 2024-25 Budget had been implemented, the additional revenue that would have been collected in each of the financial years would be as follows:

Financial year	Additional revenue (\$ million)
2019-20	708
2020-21	680
2021-22	848
2022-23	905
2023-24 (up to 29 February 2024)	740

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)031****(Question Serial No. 2804)**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:

In respect of combatting tax evasion and countering tax avoidance schemes, please inform this Committee of the following:

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

2. What are the manpower and annual expenditure currently involved in tax evasion investigations? Has the IRD planned to deploy more resources to investigate tax evasion and tax avoidance cases? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 17)

Reply:

1. The Inland Revenue Department (IRD) all along exerts efforts in combating tax evasion and countering tax avoidance schemes. In the financial years 2021-22 to 2023-24 (up to 29 February 2024), the total number of cases completed and the amount of back tax and penalties assessed by the IRD are as follows:

	2021-22	2022-23	2023-24 (up to 29 February 2024)
Total number of cases completed	1 720	1 805	1 741
Back tax and penalties assessed	\$2.897 billion	\$2.602 billion	\$3.263 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. The Field Audit and Investigation Unit of the Inland Revenue Department is dedicated to auditing and investigating suspected tax avoidance and evasion cases. For the financial year 2023-24, the staff establishment and financial provision of the Field Audit and Investigation Unit are tabulated as follows:

Financial Year	Staff establishment	Financial Provision (\$ million)
2023-24 (Revised Estimate)	238	255.7

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 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. 2805)

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:

Regarding Comprehensive Avoidance of Double Taxation Agreements (CDTAs), please advise this Committee on the following:

1. Hong Kong has so far signed CDTAs with 49 tax jurisdictions, and is in negotiations with 16 tax jurisdictions. What is the current progress of those negotiations? How many tax jurisdictions are expected to sign CDTAs with Hong Kong in the coming 3 years?
2. What are the objectives and details of the plan to expand the network of double taxation agreements in the coming year?
3. Are additional manpower and expenditure required for the relevant work?
4. In a reply to a question raised in the Special Finance Committee Meeting in 2020-21, the Inland Revenue Department indicated that the Department would bring the total number of CDTAs to 50 by end-2022. However, only 49 CDTAs have been signed as at March 2024. What does the Department think is the reason for being far behind the target? Will additional resources be deployed to meet a new target? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 18)

Reply:

Hong Kong had already signed CDTAs with 43 jurisdictions in early 2020. While the impeded government operations of the negotiation partners and the travel restrictions following the outbreak of the pandemic in early 2020 have affected the progress of Hong Kong's CDTA negotiations, the Hong Kong Special Administrative Region (HKSAR) Government still managed to sign CDTAs with Serbia, Georgia and Mauritius respectively during the pandemic. In tandem with the worldwide post-pandemic return to normalcy, the HKSAR Government has stepped up its efforts in negotiating CDTAs. Hong Kong signed CDTAs with Bangladesh, Croatia and Bahrain respectively in August last year, January and March this year, bringing the total number of signed CDTAs to 49. The CDTAs concerned will enter into force upon the completion of ratification procedures by Hong Kong and the

partner jurisdictions. Subject to the work priorities and approval procedures of the negotiation partners, the Government expects to sign CDTAs with 3 other jurisdictions within this year.

To strengthen efforts to bring 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. Subject to the willingness and plans of the negotiation partners, the Government plans to commence negotiations with 4 to 6 jurisdictions each year (including the coming year). In particular, the focus will be on jurisdictions participating in the Belt and Road Initiative and emerging markets such as the ASEAN, the Middle East, Central Asia and Africa.

Since CDTA negotiations form part of the regular duties of the Inland Revenue Department (IRD), the manpower (including 1 post of Assistant Commissioner created last year) and expenditure involved have been included in the overall establishment and expenditure of the IRD.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)033

(Question Serial No. 2806)

Head: (76) Inland Revenue Department

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

Programme: (1) Assessing Functions

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Matters Requiring Special Attention in 2024-25 that the Inland Revenue Department (IRD) will strengthen the effort in promoting the use of electronic services and encourage taxpayers to make greater use of eTAX services, e.g. setting up service desk or booth to promote eTAX and electronic filing of tax returns. In this connection, please inform this Committee of:

1. the respective numbers of tax returns filed by individual taxpayers in electronic form via eTAX and in traditional paper form in each of the past 3 years;
2. the expenditures on promoting the use of eTAX and electronic filing of tax returns in the past 3 years, and the ways to assess their effectiveness;
3. whether the IRD will step up its publicity efforts in encouraging more taxpayers to switch to using eTAX services as soon as possible. If yes, what are the details? If no, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 19)

Reply:

1. In the past 3 financial years, the respective numbers of Tax Return – Individuals filed by taxpayers via eTAX and in traditional paper form are set out in the table below:

Financial Year	Total number of tax return - Individuals (Note 1)		
	Electronic returns	Paper returns	Total number of returns filed
2021-22	835 200	1 834 600	2 669 800
2022-23	866 600	1 675 800	2 542 400
2023-24 (as at 29 February 2024)	932 900	1 584 400	2 517 300

Note 1: Rounded to the nearest hundred.

2. In the past 3 financial years, the expenditures for promoting electronic services, use of eTAX and electronic filing of tax returns are set out in the table below:

Financial year	Expenditure for promoting electronic services, use of eTAX and electronic filing of tax returns (Note 2)
2021-22	\$700,000
2022-23	\$1,150,000
2023-24 (as at 29 February 2024)	\$1,490,000

Note 2: Rounded to the nearest ten thousand.

The key performance indicator (KPI) which the Inland Revenue Department (IRD) has committed to achieve is to increase the number of taxpayers adopting electronic filing of Tax Return – Individuals by an average annual growth rate of at least 5% for the financial years from 2022-23 to 2026-2027. With the concerted effort of the IRD's staff, the KPI has been accomplished for the two financial years from 2022-23 to 2023-24 (up to 29 February 2024), with the overall average annual growth rate for that two financial years at 5.85%.

3. With a view to promoting the use of eTAX service by taxpayers, inter alia, adopting electronic filing of Tax Return – Individuals, the IRD will continue to launch a series of promotional activities in the financial year 2024-25, including displaying posters, handing out publicity leaflets, advertising in newspapers and electronic media, issuing "GovHK Notifications" messages through smartphones, generating publicity through the internet, sending e-mails to civil servants and other organisations as well as advertising through TV monitors of about 530 commercial buildings in Hong Kong. Besides, the IRD will step up its publicity effort to promote electronic filing of Tax Return – Individuals by placing advertisements on public transport.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)034****(Question Serial No. 2807)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): (000) Operational expensesProgramme: (4) Taxpayer ServicesControlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

During 2024-25, the Inland Revenue Department (IRD) will continue to deliver quality customer service and promote the wider use of electronic services through which taxpayers can file tax returns, obtain their personal tax information and documents, notify changes of personal particulars and lodge requests for holdover of provisional tax and revision of assessment. In this regard, please advise this Committee on the following:

1. The numbers of Profits Tax Returns for businesses (separate statistics on paper returns and electronic returns) processed by the IRD in each of the past 3 years;
2. In recent years, as the due dates for submission of Profits Tax Returns approach, there have always been crowds flocking to the IRD office to file their returns. Will the IRD deploy additional resources to cope with this? What are the expenditures involved? Besides, how will the IRD promote the use of electronic services to enterprises and tax representatives in the future? What are the expenditures involved?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 20)Reply:

1. In the past 3 financial years, the numbers of Profits Tax Returns filed by corporations and businesses are as follows:

Financial Year	Number of Profits Tax Returns Filed (Note)		
	Electronic Returns	Paper Returns	Total Number of Returns filed
2021-22	2 500	447 400	449 900
2022-23	3 200	480 800	484 000
2023-24 (as at 29 February 2024)	3 300	460 800	464 100

Note: Rounded to the nearest hundred.

2. The Inland Revenue Department (IRD) normally issues Profits Tax Return on the first working day of April every year. Taxpayers are required to furnish duly completed return within one month. Taking into consideration that businesses are required to prepare annual financial statements before completing Profits Tax Return, the IRD allows businesses with accounting year end dates falling within December and between January to March to apply for an extension of the return due date to mid-August and mid-November respectively. Tax representatives are encouraged to file as many returns as possible before the extended due dates every year to avoid the need to file large number of returns on the extended due dates.

To cater for the sudden increase in the service demands, the IRD will assess the actual circumstance when approaching the due dates and deploy more staff to serve the additional mail receipt counters. There is no extra cost incurred as it is a deployment of internal resources.

The IRD will continue promoting electronic filing of Profits Tax Returns in the 2024-25 financial year. The IRD will implement a series of promotional activities, including arranging meetings and seminars with various professional bodies and businesses, displaying posters, handing out publicity leaflets, displaying in-train video in MTR, advertising on social media, radio and television as well as displaying promotional messages through the websites of other government departments and professional bodies. For the financial year 2024-25, the estimated expenditure for promoting e-filing of Profits Tax Returns is about \$3 million.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)035****(Question Serial No. 3053)**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:

The measures to provide tax deductions for “Qualifying Annuity Premiums” and “Tax Deductible Mandatory Provident Fund Voluntary Contributions” have taken effect since the year of assessment 2019-20. For the years of assessment from 2019-20 to 2022-23 (4 years in total), how many taxpayers made claims for those two tax deductions respectively for each of the year of assessment? How many tax deduction claims were approved and what were the amounts of tax deducted?

Asked by: Hon LAU Ip-keung, Kenneth (LegCo internal reference no.: 39)Reply:Deduction for Qualifying Annuity Premiums

The number of taxpayers who had applied for tax deduction of Qualifying Annuity Premiums, the number of taxpayers who are being allowed for the deduction for Qualifying Annuity Premiums, and the total amount of deduction allowed for the years of assessment 2019/20 to 2022/23 are set out below:

Year of assessment	Qualifying Annuity Premiums		
	No. of taxpayers who had applied for the deduction (Note 1)	No. of taxpayers being allowed for the deduction (Note 1)	Total amount of deduction allowed (\$m)
2019/20	121 000	115 000	5,868
2020/21	163 000	155 000	8,085
2021/22	183 000	175 000	9,348
2022/23 (as at 29 February 2024)	205 000	196 000	10,542

Note 1: Rounded to the nearest thousand.

Deduction for Tax Deductible Mandatory Provident Fund Voluntary Contributions (TVC)

The number of taxpayers who had applied for tax deduction of TVC, the number of taxpayers who are being allowed for the deduction for TVC, and the total amount of deduction allowed for the years of assessment 2019/20 to 2022/23 are set out below:

Year of assessment	TVC		
	No. of taxpayers who had applied for the deduction (Note 2)	No. of taxpayers being allowed for the deduction (Note 2)	Total amount of deduction allowed (\$m)
2019/20	101 000	99 000	2,808
2020/21	115 000	113 000	3,399
2021/22	132 000	129 000	3,841
2022/23 (as at 29 February 2024)	127 000	125 000	3,652

Note 2: Rounded to the nearest thousand.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)036

(Question Serial No. 3217)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding residential properties, please advise this Committee of:

- 1) the numbers of agreements for sale and purchase of residential properties in the past 3 years (2021-22 to 2023-24), a breakdown of such numbers by reference to individual buyers holding Hong Kong Identity Card (HKIC), individual buyers not holding HKIC and company buyers, their percentages out of the total number of agreements, and the amounts of consideration involved;
- 2) the numbers of buyers who are incoming talents admitted to Hong Kong via talent admission schemes for each of the past 3 years (2021-22 to 2023-24), and a breakdown of the relevant figures in respect of each talent admission scheme;
- 3) the respective numbers of buyers acquiring residential properties under the stamp duty refund arrangement and the stamp duty suspension arrangement.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 43)

Reply:

- 1) The numbers of agreements for sale and purchase of residential properties which involved individual buyers holding Hong Kong Identity Card (HKIC), individual buyers not holding HKIC and non-natural person buyers, the proportion of the total numbers, as well as the transaction amount involved in the past 3 financial years from 2021-22 to 2023-24 are shown in the **Annex**.
- 2) The Inland Revenue Department (IRD) did not keep statistics on whether buyers of residential properties were admitted to Hong Kong via talent admission schemes (except statistics on the number of applicants under the stamp duty refund arrangement and suspension arrangement, and the details are set out in the answer in part 3.)
- 3) For the stamp duty refund arrangement, the IRD can only confirm that the buyers purchased residential properties under the arrangement after they have become Hong

Kong permanent residents and applied for stamp duty refund. Up to 29 February 2024, 15 applications made by incoming talents under the stamp duty refund arrangement were approved.

In addition, from the introduction of the arrangement for upfront stamp duty relief for incoming talents on 25 October 2023 to 29 February 2024, 625 applications were approved.

Types of Buyer	2021-22			2022-23			2023-24 (up to 29 February 2024)		
	No.	Proportion	Total amounts involved (\$ billion)	No.	Proportion	Total amounts involved (\$ billion)	No.	Proportion	Total amounts involved (\$ billion)
Individual buyers holding HKIC	69 596	97.96%	635.28	52 981	97.92%	414.11	36 805	96.83%	273.55
Individual buyers not holding HKIC	153	0.22%	1.58	168	0.31%	1.61	314	0.83%	3.09
Non-natural person buyers (Note)	1 292	1.82%	28.6	960	1.77%	14.49	888	2.34%	13.97
Total	71 041	100%	665.46	54 109	100%	430.21	38 007	100%	290.61

Note: Non-natural person buyers include local company and overseas company buyers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)037

(Question Serial No. 3003)

Head: (188) Treasury

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

Programme: (1) Central Accounting, Collections and Payments, (3) Accounting and Financial Information Systems

Controlling Officer: Director of Accounting Services (Ms Susanna CHEUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provisions for 2024-25 under Programmes (1) and (3) are both 5% lower than the respective revised estimates for 2023-24, mainly due to decrease in requirement for operating expenses. It is stated that there will be a decrease of 25 posts and 22 posts under Programmes (1) and (3) respectively. Please explain the significant decreases in posts and provide the posts to be deleted and the savings in total expenditure achieved under each of the 2 programmes.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 5)

Reply:

In 2024-25, the Treasury will reduce 25 and 22 posts under Programmes (1) and (3) respectively. These are time-limited posts created for time-limited projects, such as supporting the Government's economic recovery measures, enhancing information systems and relocating offices to the Treasury Building. Upon completion of these projects, the relevant time-limited posts will be deleted in 2024-25 gradually.

Based on the notional annual mid-point salary value, the salary costs of the proposed post deletion under Programmes (1) and (3) will be around \$15.65 million and \$13.14 million respectively.

The 25 posts to be deleted under Programme (1) are as follows:

Post	Number of posts to be deleted
Senior Treasury Accountant	2
Treasury Accountant	4
Senior Accounting Officer	1
Accounting Officer I	5
Accounting Officer II	6
Senior Executive Officer	1
Executive Officer II	2
Assistant Supplies Officer	1
Clerical Officer	1
Assistant Clerical Officer	1
Workman II	1
Total:	25

The 22 posts to be deleted under Programme (3) are as follows:

Post	Number of posts to be deleted
Senior Treasury Accountant	2
Treasury Accountant	1
Senior Accounting Officer	1
Accounting Officer I	2
Accounting Officer II	2
Senior Systems Manager	1
Systems Manager	2
Analyst/Programmer II	2
Assistant Computer Operation Manager	1
Senior Computer Operator	1
Computer Operator I	1
Computer Operator II	1
Executive Officer II	2
Assistant Clerical Officer	3
Total:	22

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)038

(Question Serial No. 0580)

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 Committee on the Financing of Major Development Projects led by the Financial Secretary has reviewed how to adopt an orderly and phased approach in developing the Northern Metropolis. The Government plans to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Please inform this Committee what factors are taken into account in estimating the specific issuance quota for each year.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 1)

Reply:

The Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner. Taking into account the forecast expenditure requirements for the Northern Metropolis and other infrastructure projects in the next few years, the Government plans to issue Government Sustainable Bonds and Infrastructure Bonds (covering sustainable development projects such as renewable energy and green buildings, as well as infrastructure projects such as the development of the Northern Metropolis) worth approximately \$95 billion to \$135 billion per annum in the next 5 years, i.e. 2024-25 to 2028-29. The actual bond issuance size will be subject to the prevailing fiscal position, market situation and works progress.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)039

(Question Serial No. 0589)

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 review and re-prioritisation of capital works, please inform this Committee of the following:

1. As mentioned in the Budget Speech, it is estimated that expenditure on capital works will start reaching its peak in the next 3 years. What are the number of works projects affected, their stages of development and the expected impact of delay after re-prioritisation?
2. The implementation schedule will be adjusted for some works projects that are currently at the preliminary planning or conceptual stage. Please provide details of these projects in table form.
3. Will the Government examine other methods to reduce the costs of works projects? If so, what are the details?

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 13)

Reply:

Under the fiscal consolidation programme, bureaux and departments (B/Ds) have reviewed capital works projects that are under planning. For some works projects which are at a comparatively mature stage of planning (e.g. already completed relevant statutory procedures or conducted relevant public consultations), they will continue to be taken forward as planned. As for some works projects that are currently at the preliminary planning or conceptual stage, B/Ds will adjust the implementation schedule with due regard to the priority and importance of these projects. In line with the established practice, B/Ds will continuously review the priority of works projects in light of the latest development, including policy development and Government's fiscal position, and cost-effectiveness of the projects, etc.

As the expenditure charged to the Capital Works Reserve Fund (CWRP) do not form part of the Appropriation Bill, questions relating to expenditure under the Fund are not relevant to the examination of the Estimates of Expenditure or the Appropriation Bill. Enquiries relating to CWRP expenditure or capital works projects could be made in accordance with the established practice, for example through the relevant Legislative Council Panels, Public Works Subcommittee, or other existing channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)040

(Question Serial No. 0625)

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 mentioned in the Budget Speech, the Government will take forward legislative work in relation to the implementation of global minimum tax and minimum top-up tax in Hong Kong to safeguard Hong Kong's taxing rights.

In this connection, will the Government inform this committee of:

1. the estimated expenditure and manpower resources for the above work; and
2. whether the Government has considered the fact that the measures to be taken under the regime will reduce the attractiveness of Hong Kong as a "headquarters economy" to large international enterprises intending to set up headquarters and make investment here, the Government's assessment in this regard and whether it will introduce concessionary measures to reduce the impact of the relevant taxes?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 31)

Reply:

1. The work relating to the implementation of the global minimum tax and the Hong Kong minimum top-up tax will be undertaken by the existing manpower of the Financial Services and the Treasury Bureau, with the relevant resources absorbed under its establishment and expenditure.
2. The implementation of the global minimum tax will put a floor on competition over corporate income tax. With a more level playing field in terms of taxation, it is anticipated that Hong Kong will be able to reinforce its competitive advantages. Hong Kong's tax regime will remain competitive given that the headline tax rate of Hong Kong's profits tax at 16.5% is still competitive internationally, and that Hong Kong's simple and transparent tax regime, which is well received by investors, will remain in

place. The Government will seek to minimise the compliance burden on in-scope multinational enterprise (“MNE”) groups to facilitate business operations.

The Government has been studying various measures to ensure that Hong Kong will remain competitive after the implementation of the global minimum tax. In this regard, the Government has been continuously reviewing the impact of the global minimum tax on the existing preferential tax regimes and has revised these regimes as necessary. For example, legislative amendments were made in February this year to enhance the aircraft leasing preferential tax regime, with the aim of ensuring that the regime remains competitive after the implementation of the global minimum tax. Also, as indicated by the Financial Secretary in the 2024-25 Budget, the Government will commence studies on further enhancements to the tax concession measures for the maritime industry within this year. To attract more enterprises to Hong Kong, the Government will also introduce a company re-domiciliation mechanism and the relevant legislative proposal will be introduced in the first half of this year.

As to whether the Government will introduce concessionary measures to reduce the impact of the Hong Kong minimum top-up tax, we find it necessary to assess such measures carefully. If the Organisation for Economic Co-operation and Development (OECD) considers that such measures, whether tax or non-tax, are imposed with the intention to nullify the effect of the global minimum tax rules, the Hong Kong minimum top-up tax will be regarded as non-qualified and, as a result, the top-up tax concerned cannot be used to directly offset the top-up tax payable by in-scope MNE groups under the global minimum tax. This will increase the compliance cost of the enterprises concerned, which is unfavourable to their interests. We will continue to review the impact of the global minimum tax on in-scope MNEs of individual sectors, and liaise closely with the trade to explore if there is any room for introducing or refining individual tax measures while complying with the OECD’s requirements.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)041****(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:

1. What are the accumulated investment returns of the Future Fund over the past 5 years?
2. What are the investment returns of the Hong Kong Growth Portfolio, the Greater Bay Area Investment Fund, the Strategic Tech Fund and the newly established Co-Investment Fund under the Future Fund since their launch?
3. What are the specific achievements of the funds so far?
4. Please set out in table form the specific investment projects and the investment amounts involved for each of the funds.
5. With the establishment of the funds, the Government takes the lead to invest in strategic industries. Which types of enterprises and how many enterprises have been attracted to develop their business in Hong Kong under the Fund?

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

Reply:

This question is not directly related to Head 147.

1. The investment return of the Future Fund over the past 5 years is set out below:

Year	Investment return (\$ billion)
2018	16.4
2019	24.4
2020	37.1
2021	58.6
2022	-9.0

Note: The investment return for 2023 will be announced later in 2024.

- 2-5. Since the establishment of the HKIC, the Board of Directors of the HKIC (Board) has provided guidance on the investment strategy, and the procedures and criteria for identifying investment partners or targets, having regard to the objectives of establishing the HKIC, and the respective scope of "Hong Kong Growth Portfolio", "Greater Bay Area Investment Fund", "Strategic Tech Fund", and "Co-Investment Fund".

The HKIC regularly reports to the Board on its operations and investment-related matters. Apart from the relevant policy bureaux officials, the Board includes leaders with non-official background from the business, finance and academic sectors. In accordance with the actual needs of the HKIC's investment operation, as well as factors including the nature and the development stage of each individual project, the Board will formulate appropriate disclosure arrangements for the HKIC.

As mentioned in the 2024-25 Budget, the HKIC will perform its role of channeling capital and leveraging market resources, as well as to attract more I&T companies to establish their presence in Hong Kong, accelerating the development of strategic industries. The HKIC will implement the first batch of direct investment and co investment projects in the first half of this year, covering areas such as life technology, green technology and finance, semi conductors and chips, as well as the upgrading and transformation of manufacturing industries. Currently, the HKIC is conducting in-depth due diligence work on potential projects and partners. Having regard to the market sensitive information involved, appropriate disclosure will be made in alignment with the disclosure policy established by the Board in the future after the project progress reaches a maturity stage.

When sourcing and evaluating investment projects, in addition to considering to strive for reasonable return from a long-term and holistic perspective, the HKIC also focuses on unlocking the potential of capital in guiding the acceleration of support for constructing a more vibrant ecosystem for Hong Kong's strategic industries. Therefore, it is appropriate to adopt a long-term and comprehensive perspective to evaluate the deliverables of the HKIC, relevant indicators including the HKIC's ability in enhancing Hong Kong's ability to attract enterprises and investment, and angles such as upgrading industrial structure, strengthening impetus for economic growth, creating more high-quality career development opportunities for the public, and promoting industrial co-operation and development between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area. The Board will continue to give guidance on this area to the HKIC in due course.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)042

(Question Serial No. 0735)

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 under Matters Requiring Special Attention in 2024-25 that the Branch will, among others, continue to oversee the legislative amendments for implementing measures to address the tax challenges arising from the digitalisation of the economy (base erosion and profit shifting (BEPS) 2.0) in the context of the Organisation for Economic Co-operation and Development's BEPS Project.

Besides, under Programme (2), provision for 2024-25 is \$29.7 million (16.4%) higher than the revised estimate for the preceding year. This is mainly due to the need to reserve funding for air passenger departure tax administration fee and increased requirements for operational expenses, partly offset by a net decrease of 13 posts during the year.

In this connection, please inform this Committee of the following:

1. The details of and the reasons for the net decrease of 13 posts;
2. BEPS consists of two pillars. Pillar Two involves the global minimum tax proposal. It has been made clear in paragraph 238 of the Budget Speech that the Government expects to submit a legislative proposal in the second half of this year. Regarding Pillar One, i.e., to re-allocate the taxing rights in respect of the global residual profits of multinational enterprises among various tax jurisdictions, has the Government assessed the impact on Hong Kong's business environment and tax revenue if it is implemented? If so, what are the details; if not, what are the reasons?

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 13)

Reply:

1. The Treasury Branch expects that there will be a net decrease of 13 posts in 2024-25. Relevant information is as follows:

Posts to be created in 2024-25

Rank	Number of posts	Notional annual mid-point salary values	Duties
Administrative Officer (note)	1	1,038,900	To assist in the implementation of policy matters such as government procurement
Senior Treasury Accountant (note)	2	3,194,160	To support the work of the Committee on the Financing of Major Development Projects

Note: Time-limited post

Posts to be deleted in 2024-25

Rank	Number of posts	Notional annual mid-point salary values	Duties
Senior Administrative Officer	1	1,597,080	A time-limited post, created for handling policy matters such as government procurement, to be deleted due to the lapse of the post
Chief Executive Officer	1	1,597,080	
Senior Executive Officer	2	2,371,440	
Executive Officer I	2	1,732,320	
Executive Officer II	3	1,720,620	
Assistant Clerical Officer	4	1,239,120	
Clerical Assistant	1	241,980	
Office Assistant	1	213,240	Permanent posts to be deleted as a result of the establishment review
Workman II	1	192,420	

2. Pillar One targets large multinational enterprise (MNE) groups with global revenue above EUR 20 billion and profitability above 10%. The taxing rights over a portion of their residual profits should be allocated to the market jurisdictions of the MNE groups.

At present, the Organisation for Economic Co-operation and Development and the tax jurisdictions concerned are discussing the implementation details of Pillar One, and as such, the implementation of Pillar One will be deferred. We will continue to closely monitor the latest developments. In brief, given the limited number of Hong Kong-headquartered MNE groups which are covered by Pillar One, it is unlikely that Pillar One will have a significant impact on Hong Kong's overall business environment.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)043

(Question Serial No. 0756)

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 225 of the Budget Speech that the Productivity Enhancement Programme will be extended for another year, and all government departments need to cut recurrent government expenditure by 1% in each of the 3 financial years from 2024 to 2027. In this connection, would the Government inform this Committee of the following:

1. What are the specific differences between the Productivity Enhancement Programme and the Enhanced Productivity Programme implemented by the Government in the wake of Asian financial turmoil? Has the Government learnt from the practical experience during that time and made improvements to ensure that the new Programme can effectively enhance the operational efficiency of various departments' resources, while preventing serious disruptions to important government operation and services?
2. Is the extended Productivity Enhancement Programme also applicable to other publicly-funded public, statutory and subvented organisations? If yes, how will the Government ensure that the relevant organisations can implement the Programme practically and reasonably? Will the bureaux and departments responsible for regulating these organisations simply reduce their amount of subvention mechanically, without enquiring about how the cuts are implemented?

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

Reply:

1. The Enhanced Productivity Programme (EPP) announced in 1998 aimed to provide new or improved services using existing resources and deliver real dollar savings through productivity gains, covering measures such as restructuring or re-engineering of business processes. Meanwhile, the Productivity Enhancement Programme (PEP) mentioned in the 2024-25 Budget mainly aims to contain the overall growth of government expenditure while encouraging bureaux and departments (B/Ds) to achieve savings through re-engineering of business processes or re-prioritisation. The resources saved can be reallocated for enhancing existing services or introducing new services, with a view to achieving more efficient use of resources. The aims of the two programmes are largely similar. As the Government had not yet adopted the “operating expenditure envelope” approach in resource allocation when implementing the EPP, Controlling Officers (i.e. heads of B/Ds) lacked flexibility to redeploy resources allocated to the policy areas under their purview, but the situation has improved substantially during the implementation of the PEP this time. The Government currently adopts the “operating expenditure envelope” approach in resource allocation which dovetails with the PEP by making ready the 1% cut in recurrent expenditure when preparing B/Ds’ “operating expenditure envelopes” for the 2024-25 financial year. The Controlling Officers (i.e. heads of B/Ds) are therefore able to flexibly redeploy resources allocated to the policy areas under their purview having regard to their policy objectives, and employ various means, such as re-engineering of business processes, re-prioritisation, and application of information technology, to fulfil the aim of achieving more efficient use of resources.
2. Public or statutory organisations which do not rely on government subvention for day-to-day operation will not be affected by the PEP. Under the aforesaid “operating expenditure envelope” approach in resource allocation, B/Ds have implemented the PEP when preparing the estimates for the 2024-25 financial year. They have reviewed their expenditure (including that on their subvented organisations), adjusted their priorities and redeployed resources, and will decide on redeploying resources in the light of the PEP, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected. The amount of recurrent expenditure to be saved in the 2024-25 financial year has been reflected in the Controlling Officers’ Reports of B/Ds.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)044

(Question Serial No. 0800)

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:

As mentioned in paragraph 230 of the Budget Speech, relevant bureaux and departments have reviewed the cost-effectiveness of various works projects and give due regard to priority and urgency to adjust the implementation schedule. In paragraph 231, it is stated that in the Medium Range Forecast, capital works expenditure could be contained at about \$90 billion per annum on average. This figure still represents an increase of about 17% over the average annual expenditure of \$76 billion in the last 5 years. In this connection, would the Government inform this Committee:

1. of the annual amounts of the above-mentioned capital works expenditure for the last 5 years and their detailed calculations;
2. when the priority review had been conducted, and whether the priorities will be subject to periodic review and adjustment in the light of the latest social, economic and public finance situations;
3. regarding projects deferred for various reasons, whether relevant bureaux and departments have been requested to make effective use of the existing government land and buildings that are thus left idle temporarily, so as to avoid leaving them unused and keeping them waiting for development?

Asked by: Hon TSE Wai-chuen, Tony (LegCo internal reference no.: 52)

Reply:

1. The capital works actual expenditure in the past 5 financial years (i.e. 2018-19 to 2022-23) are as follows, the information is also available in the website of the Treasury –

Financial Year	Capital Works Actual Expenditure (\$ Billion)
2018-19	\$78.7 Billion
2019-20	\$65.4 Billion
2020-21	\$70.0 Billion
2021-22	\$77.1 Billion
2022-23	\$87.6 Billion

2. Under the fiscal consolidation programme, bureaux and departments (B/Ds) have reviewed capital works projects that are under planning. For some works projects which are at a comparatively mature stage of planning (e.g. already completed relevant statutory procedures or conducted relevant public consultations), they will continue to be taken forward as planned. As for some works projects that are currently at the preliminary planning or conceptual stage, B/Ds will adjust the implementation schedule with due regard to the priority and importance of these projects. In line with the established practice, B/Ds will continuously review the priority of works projects in light of the latest development, including policy development and Government's fiscal position, etc.
3. The Government has been committed to optimising the use of public resources and site utilisation. For government land or buildings not due for long-term uses at the moment (including the implementation of works projects), with due regard to technical considerations of the relevant sites or conditions of the buildings, the Government has established mechanisms for departments to utilise these sites on a temporary basis, or for non-governmental organisations to apply using these lands for community, institutional or non-profit-making purposes by way of short-term tenancy, thereby optimising the use of resources.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)045****(Question Serial No. 0845)**

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:

Recurrent expenditure for 2024/25 is \$580.2 billion, while that for 2018/19 was just \$440 billion. This represents a substantial increase of \$140 billion or 30% over the past 5 years. However, government revenue for the same period is only maintained at around \$600 billion. Will the Government put in place any better measures to reduce its recurrent expenditure?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 17)

Reply:

The Government launched several rounds of large-scale counter-cyclical and anti-epidemic measures over the past few years during the pandemic, resulting in a sharp increase of expenditure to a high level of \$810.5 billion in 2022-23. As the current-term Government has strived to reduce expenditure as the pandemic subsided, the revised estimate of total expenditure for 2023-24 has been reduced to \$727.9 billion, representing a decrease of 10.2% compared with 2022-23. As announced in the 2024-25 Budget, the Government is taking steps to implement a comprehensive fiscal consolidation programme, focusing mainly on expenditure cut, while some revenue measures have been included in a pragmatic manner, with a view to gradually narrowing the fiscal deficits and restoring fiscal balance in a few years' time. As regards the expenditure, the Government will strictly contain growth of operating expenditure by continuing to maintain zero growth in the civil service establishment and by implementing the Productivity Enhancement Programme as announced earlier under which recurrent government expenditure will be cut by 1% for 2 consecutive years (2024-25 and 2025-26). The resources thus saved will be re-allocated internally for enhancing existing or introducing new public services. Moreover, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected, all government departments need to cut recurrent government expenditure by another 1% in 2026-27.

Upon implementation of the measures to contain expenditure growth, the Government forecasts that the growth of operating expenditure will be reduced from the annual average of 7% in the past 5 years (2018-19 to 2023-24) to an annual average of about 2.2% in the 5 years of the Medium Range Forecast (2024-25 to 2028-29); the growth of recurrent government expenditure will be reduced from the annual average of 6.1% in the past 5 years (2018-19 to 2023-24) to an annual average of about 4.2%, which is lower than the 5.5% increase in nominal Gross Domestic Product over the same period.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)046

(Question Serial No. 1157)

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 the Budget Speech that the Committee on the Financing of Major Development Projects led by him planned to issue bonds to drive the development of the Northern Metropolis and other infrastructure projects. In this connection, will the Government inform this Committee of the following:

1. Last year, the Government stated that it planned to issue, on an annual basis, green bonds and infrastructure bonds worth HK\$65 billion in total in the 5 years starting from 2023-24. Please explain whether it is the case that the Government is going to issue bonds worth \$95 billion to \$135 billion annually on top of the HK\$65 billion worth of bonds; and
2. Last year, the Government indicated that the government debt-to-Gross Domestic Product ratio was expected to remain below 10% by the end of the Medium Range Forecast period in 2027-28. However, according to its latest announcement, the ratio will be in the range of 9% to 13%. How does the Government assess the impact of the increase in debt ratio on the international ratings of Hong Kong?

Asked by: Hon IP LAU Suk-yee, Regina (LegCo internal reference no.: 6)

Reply:

1. Last year, the Government announced in the 2023-24 Budget that the Medium Range Forecast reflected the proceeds from the annual issuance of Government Green Bonds and Infrastructure Bonds worth \$65 billion in total. In this year's 2024-25 Budget, taking into account the forecast expenditure requirements for the Northern Metropolis and other infrastructure projects in the next few years, the Government plans to issue Government Sustainable Bonds and Infrastructure Bonds worth approximately \$95 billion to \$135 billion per annum in the next 5 years, i.e. 2024-25 to 2028-29. The actual bond issuance size will be subject to the prevailing fiscal position, market situations and works progress. This already represents the total bond issuance scale of

Government Sustainable Bonds and Infrastructure Bonds per annum, instead of an additional \$95 billion to \$135 billion on top of the scale of \$65 billion.

2. The Government's issuance of bonds on an appropriate scale will not only promote the development of the bond market, but also provides us with funds raised in the market to invest in the future, driving the development of Northern Metropolis and other infrastructure projects. We will continue to strictly adhere to fiscal discipline, refraining from using the proceeds of bond issuance for funding government recurrent expenditure and keeping government debt at a prudent level. It is expected that the ratio of government debt to GDP will be in the range of about 9% to 13% between 2024-25 and 2028-29, which is much lower than most of other advanced economies.

Credit ratings are determined not only by debt ratio but a variety of factors. The use of proceeds raised from bond issuance will also be considered by market participants (including credit rating agencies, financial institutions and professional investors). In addition, the issuance of government bonds on an appropriate scale will further foster the development of the bond market and infrastructure and promote sustainable development, which is in line with the practice of advanced economies. The Government has also indicated that it will continue to uphold fiscal discipline, avoid using the proceeds from bond issuance for funding government recurrent expenditure and maintain government debt at a prudent level. Therefore, we believe that the projected government debt ratio, as mentioned above, will not have a negative impact on Hong Kong's credit rating.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)047****(Question Serial No. 1291)**

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 the Budget Speech that the ratio of Government debt to Gross Domestic Product (Government debt ratio) will be in the range of about 9% to 13% in 2024-25, significantly lower than those of most other advanced economies. In this connection, will the Government inform this Committee of the following:

1. What are the Government debt ratios of other major advanced economies in Asia? Please list the debt sizes of at least 5 economies;
2. Considering the current local economic forecast, is Hong Kong well positioned to expand the bond issuance size? If yes, will the Government expand the bond issuance size next year or consider to issue bonds regularly in case the economic situation remains as is?

Asked by: Hon MA Fung-kwok (LegCo internal reference no.: 21)

Reply:

1. According to the information released by the International Monetary Fund, the Government debt ratios (i.e. the percentage of Government debt against Gross Domestic Product (GDP)) of major advanced economies in the Asia-Pacific region in 2023 are tabulated below:

Region	Government Debt Ratio
Japan	255%
Singapore	168%
Korea	54%
Australia	52%
New Zealand	46%

2. 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, accounting for only 6.5% of GDP in 2023-24, far lower than most of the other advanced economies. Therefore, the Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner.

We plan to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years (from 2024-25 to 2028-29). For 2024-25, the estimated issuance size is about \$120 billion, representing an increase of about \$47.5 billion compared to the size of \$72.5 billion in 2023-24. The actual issuance size will depend on the conditions of the bond market and the progress of the Northern Metropolis development. The Government will continue to adhere strictly to fiscal discipline and keep the Government debt at a prudent level. Proceeds from bond issuance will not be used for funding government recurrent expenditure. It is expected that the ratio of Government debt to GDP will be in the range of about 9% to 13% from 2024-25 to 2028-29, which is much lower than most of the other advanced economies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)048

(Question Serial No. 1641)

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

As mentioned in paragraph 143 of the Budget Speech, in 2024-25, the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds to achieve financial inclusiveness and enhance a “sense of participation” in infrastructure and sustainable development among the public. In this connection, will the Government inform this Committee:

whether it will, by drawing on the successful experience gained from the launch of the “five tolled tunnels and one bridge” some years ago, review and examine the way to raise funds through bond issuance by securitisation of suitable revenues from major development projects in the future, such as the Northern Metropolis, and the 3 road harbour crossings, so as to generate additional revenue for the Government and alleviate the pressure of budget deficits?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 11)

Reply:

Major infrastructure projects involve various components. The Government keeps an open mind and takes into account factors such as the economic value, commercial viability and project cost of each component when considering different financial arrangements.

As for the suggestion to securitise revenue from major development projects, as it involves valuation, risk assessment and financial costs, etc., the Government needs to carefully consider various factors, such as the fiscal position, market condition and market development prospects, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)049

(Question Serial No. 1648)

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 mentioned in paragraph 241 of the Budget Speech, the Committee on the Financing of Major Development Projects led by the Financial Secretary has reviewed how to adopt an orderly and phased approach in developing the Northern Metropolis. In this connection, will the Government inform this Committee of:

the number of key staff members currently working in the Office for the Financing of Major Development Projects ("the Office") as well as its estimates and operating expenses?

whether the Office has invited local financial services institutions to participate and provide advice or recommendations?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 18)

Reply:

The Office for the Financing of Major Development Projects ("the Financing Office") is established under the Treasury Branch of the Financial Services and the Treasury Bureau. The Financing Office has 3 key staff members, and the provision for its estimated operating expenses is included in the estimates under Head 147. The Financing Office assists the Committee on the Financing of Major Development Projects in advising on financing options of major Government development projects, including assessment of the operational and financial viability and sustainability of the projects, the feasibility of bringing in private investors for these projects and their financial implications for the Government. Where necessary, the Government will exchange views with various stakeholders, including local financial services institutions, on the financing options through appropriate means.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)050

(Question Serial No. 1649)

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 225 of the Budget Speech that the Government will strictly contain the growth of operating expenditure by maintaining zero growth in the civil service establishment and implementing the Productivity Enhancement Programme (PEP). In this connection, will the Government inform this Committee of the following:

Can the savings achieved by each department under the PEP be quantified in monetary terms and what are the major areas in which expenditure is to be cut?

Will there be any accountability mechanism in place for cases in which a department fails to meet the requirement of cutting recurrent expenditure by 1% each year? Will the Government consider requesting the responsible person of the department to take remedial measures or imposing punishment on him/her?

How will the Government make known details in relation to the implementation of the PEP and the achievement of the target by each department, so as to enable the supervision of the PEP by the public and Councillors?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 19)

Reply:

As part of our fiscal consolidation strategy, the Productivity Enhancement Programme (PEP) aims to contain the overall growth of government expenditure while encouraging bureaux and departments (B/Ds) to achieve savings through re-engineering of business processes or re-prioritisation. The resources saved can be reallocated for enhancing existing services or introducing new services, with a view to achieving more efficient use of resources.

The Government currently adopts the "operating expenditure envelope" approach in resource allocation, through which Controlling Officers, being heads of B/Ds, may flexibly redeploy resources allocated to them among the policy areas under their purview, having regard to their

policy objectives. Therefore, when preparing B/Ds' "operating expenditure envelopes" for the 2024-25 financial year, we have implemented the PEP, under which recurrent expenditure is to be cut by 1%, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected. In preparing the estimates for the 2024-25 financial year, B/Ds have reviewed their expenditure, adjusted their priorities and redeployed resources in the light of the PEP. The amount of recurrent expenditure to be saved in the 2024-25 financial year has been reflected in the Controlling Officers' Reports of B/Ds.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)051

(Question Serial No. 1656)

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:

As mentioned in paragraph 231 of the Budget Speech, in the Medium Range Forecast, capital works expenditure could be contained at about \$90 billion per annum on average. This figure still represents an increase of about 17% over the average annual expenditure of \$76 billion in the last 5 years. In this connection, would the Government inform this Committee:

the works items and the expenditure of each works item to be covered by the annual capital works expenditure of \$90 billion;

whether the deferred reclamation project of Kau Yi Chau is included in the estimate? If no, please provide the estimated annual expenditure on capital works including the Kau Yi Chau reclamation project;

the sources of funding for the annual expenditure of \$90 billion, such as the fiscal reserves, various funds and infrastructure bonds, and the percentage shares of the funding sources in the total expenditure?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 26)

Reply:

Under the fiscal consolidation programme, bureaux and departments (B/Ds) have reviewed capital works projects that are under planning. For some works projects which are at a comparatively mature stage of planning (e.g. already completed relevant statutory procedures or conducted relevant public consultations), they will continue to be taken forward as planned. As for some works projects that are currently at the preliminary planning or conceptual stage, B/Ds will adjust the implementation schedule with due regard to the priority and importance of these projects. In line with the established practice, B/Ds will continuously review the priority of works projects in light of the latest development, including policy development and Government's fiscal position, etc.

As mentioned in the 2024-25 Budget, for the Kau Yi Chau Artificial Islands project, the Government will continue to conduct relevant studies, and in considering its concrete implementation timetable, the Government will take into account various factors including the public finance position. Therefore, the capital works expenditure under the Medium Range Forecast does not cover the Kau Yi Chau Artificial Islands project at this stage.

As the expenditure charged to the Capital Works Reserve Fund (CWRP) do not form part of the Appropriation Bill, questions relating to expenditure under the Fund are not relevant to the examination of the Estimates of Expenditure or the Appropriation Bill. Enquiries relating to CWRP expenditure or capital works projects could be made in accordance with the established practice, for example through the relevant Legislative Council Panels, Public Works Subcommittee, or other existing channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)052

(Question Serial No. 1720)

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 is now taking steps to implement a comprehensive fiscal consolidation programme which focuses mainly on expenditure cut. Apart from continuing to maintain zero growth in the civil service establishment, the Government will also implement the Productivity Enhancement Programme, under which recurrent government expenditure will be cut by 1% for 2 consecutive years. In the 2024-25 financial year, the Government will strictly contain the growth of operating expenditure. Please advise:

- (1) of the public services which are expected to be affected, the specific impact and the number of persons to be affected;
- (2) how the Government will strike a balance between containing the growth of operating expenditure and maintaining quality public services, with a view to striving to minimise the impact on public services; and
- (3) how the Government will, with a view to fully integrating into the overall national development and realising the building of an international innovation and technology (I&T) centre, ensure that the fiscal consolidation programme will not affect the implementation of various I&T policies and measures, as well as the pace of Hong Kong's I&T development?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 18)

Reply:

- (1) & (2) As part of our fiscal consolidation strategy, the Productivity Enhancement Programme (PEP) aims to contain the overall growth of government expenditure while encouraging bureaux and departments (B/Ds) to achieve savings through re-engineering of business processes or re-prioritisation. The resources saved can be reallocated for enhancing existing services or introducing new services, with a view to achieving more efficient use of resources. Hence, the implementation of the PEP will not affect B/Ds' day-to-day operation and provision of public services.

The Government currently adopts the "operating expenditure envelope" approach in resource allocation, through which Controlling Officers, being heads of B/Ds, may flexibly redeploy resources allocated to them among the policy areas under their purview, having regard to their policy objectives. Therefore, when preparing B/Ds' "operating expenditure envelopes" for the 2024-25 financial year, we have implemented the PEP, under which recurrent expenditure is to be cut by 1%, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected. In preparing the estimates for the 2024-25 financial year, B/Ds have reviewed their expenditure, adjusted their priorities and redeployed resources in the light of the PEP. The amount of recurrent expenditure to be saved in the 2024-25 financial year has been reflected in the Controlling Officers' Reports of B/Ds.

- (3) As mentioned by the Financial Secretary in this year's Budget, innovation and technology (I&T) is a key engine driving our economy and society towards high-quality development. The Hong Kong Innovation and Technology Development Blueprint, promulgated in 2022, formulates strategic plans and clear roadmaps for Hong Kong's I&T development over the next 5 to 10 years, leading Hong Kong steadily towards its vision of becoming an international I&T centre. On this basis, the Government has, in this year's budget, announced an array of measures and committed substantial resources to building a vibrant I&T ecosystem by focusing on enhancing I&T infrastructure, research capacity, talent, etc. In response to the challenges currently facing our public finances, the fiscal consolidation programme aims precisely to achieve fiscal balance gradually and maintain fiscal reserves at a prudent level for ensuring the provision of various public services and promotion of economic development, including I&T development.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)053****(Question Serial No. 1721)**

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 respect of the review and re-prioritisation of capital works, it is mentioned in the Budget that relevant bureaux and departments have reviewed the cost-effectiveness of works projects and give due regard to priority and urgency to adjust the implementation schedule. In this connection, please advise on the following:

- (1) What are the considerations and criteria adopted by the Government in reviewing and adjusting the priority and urgency of capital works, as well as their respective weightings?
- (2) Will the Government provide a list of the works projects which will commence as scheduled and those which will be delayed after the review? For each of the works projects which will be delayed, what is the estimated duration of delay in their commencement and completion? Will there be any significant change in the costs of the relevant works projects?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 19)

Reply:

Under the fiscal consolidation programme, bureaux and departments (B/Ds) have reviewed capital works projects that are under planning. For some works projects which are at a comparatively mature stage of planning (e.g. already completed relevant statutory procedures or conducted relevant public consultations), they will continue to be taken forward as planned. As for some works projects that are currently at the preliminary planning or conceptual stage, B/Ds will adjust the implementation schedule with due regard to the priority and importance of these projects. In line with the established practice, B/Ds will continuously review the priority of works projects in light of the latest development, including policy development and Government's fiscal position, etc.

As the expenditure charged to the Capital Works Reserve Fund (CWRP) do not form part of the Appropriation Bill, questions relating to expenditure under the Fund are not relevant to the examination of the Estimates of Expenditure or the Appropriation Bill. Enquiries

relating to CWRP expenditure or capital works projects could be made in accordance with the established practice, for example through the relevant Legislative Council Panels, Public Works Subcommittee, or other existing channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)054

(Question Serial No. 1738)

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:

Under the premise of maintaining a simple and low tax regime, will the Government earmark resources in 2024-25 for conducting a feasibility study on the introduction of consumption tax? If yes, what are the expenditure, manpower and timetable involved? If no, what are the reasons and when will be the opportune time, in the Government's opinion, to commence discussions and studies on the issue?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 36)

Reply:

As mentioned in the 2024-25 Budget, more strenuous efforts are required to strengthen momentum of our economic recovery. When considering measures for increasing revenue, we have to take Hong Kong's actual situation into account and avoid affecting local economic recovery and people's livelihood, while at the same time maintaining the competitive edge of the simple and low tax regime. Having regard to these factors, the Government will not consider introducing consumption tax for the time being and the Bureau has not earmarked any resources in 2024-25 for conducting a feasibility study on the introduction of consumption tax.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)055

(Question Serial No. 1890)

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 7 under this Programme that the Treasury Branch 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 Government inform this Committee of the following:

1. As the largest potential buyer of services and products, will the SAR Government consider reforming its procurement system and taking the lead actively to use the products and services of local enterprises and promote this principle to more departments, public organisations and statutory bodies, so as to develop the culture, atmosphere and mindset of procuring local products and services, with a view to meeting the needs of the users in various policy bureaux and departments while supporting Hong Kong's economic and social development? If yes, what are the details? If no, what are the reasons?

2. To promote the realisation of local innovation and technology (I&T) outcomes and consolidate Hong Kong's status as an international I&T hub as affirmed in the National 14th Five-Year Plan, will the Government plan to proactively explore collaboration opportunities with local enterprises to conduct product trials before launching them in the market or make small volume purchases of such products, so as to break the bottlenecks previously faced by small and medium enterprises due to the cumbersome procurement and tendering procedures, with a view to pressing ahead with the "new industrialisation" as well as the transformation and realisation of research and development outcomes? If yes, what are the details? If no, what are the reasons?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 8)

Reply:

1. Hong Kong is a signatory to the Agreement on Government Procurement of the World Trade Organization (WTO GPA). The Government abides by procurement principles of the WTO GPA to treat all local and non-local suppliers on an equal footing. We also 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. Non-compliance with the relevant principles of the WTO GPA would render Hong Kong at risk of being challenged. Nevertheless, government bureaux and departments have always welcomed local enterprises to participate in bidding when procuring various goods and services to meet their operational needs. For example, local and Mainland contractors and local consultant firms accounted for about 85% and 80% respectively of the total value of public works procurement of the Development Bureau in the past three financial years. For the Innovation, Technology and Industry Bureau and departments under its purview, local or Mainland enterprises accounted for about 98% of the total value of the professional services procured over the past two years. Moreover, as for public organisations, the MTR Corporation Limited has 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.

In addition, following the introduction of the pro-innovation government procurement policy in April 2019, we introduced further enhancement to the technical assessment of tenders in May 2023 by assigning at least 5% from the 20% technical weighting on innovative suggestions to measures/arrangements that will improve environmental protection, sustainability, corporate governance or social responsibility, notably the employment of people with disabilities and/or rehabilitated persons.

Furthermore, as one of the policy measures in the 2023 Policy Address, the Government Logistics Department uploaded a list of 30 government departments that maintain supplier lists of commonly used goods and services onto its website in March this year, so that suppliers (including SMEs) can have clearer information to facilitate their application for inclusion in the supplier lists to broaden their opportunities for participation in tendering for government procurement contracts.

2. The Government has also been actively introducing and applying innovation and technology (I&T) products and services from local start-ups with a view to playing a leading role. In consultation with the relevant bureau, the major measures implemented in recent years are as follows:
 - (i) The Public Sector Trial Scheme under the Innovation and Technology Fund provides eligible local companies/organisations with funding support for production of prototypes or samples and conducting trials of research and development (R&D) results in the public sector (including government departments), so as to facilitate the realisation and commercialisation of R&D results. As at the end of February 2024, the scheme has funded 465 projects with a total funding of about \$970 million, benefiting over 200 different organisations to conduct more than 630 trials;

- (ii) The Smart Government Innovation Lab (Smart Lab) under the Office of the Government Chief Information Officer promotes and invites industry players to assist government departments in adopting I&T solutions (such as artificial intelligence, robotics technologies, data analytics and Internet of Things, etc.), creating more business opportunities for local start-ups as well as SMEs. In the past 5 years, the Smart Lab matched solutions with over 100 business needs from around 30 government departments. Proof-of-concept trials for more than 70 technology solutions were conducted in collaboration with the departments concerned, among which over 40 projects have been planned or are in pilot application;
- (iii) The E&M InnoPortal of the Electrical and Mechanical Services Department lists the technology-related needs of government departments, public sector and Electrical and Mechanical trades. Organisations such as start-ups and academic institutions can propose I&T solutions via the portal for matching. In the past 5 years, about 310 I&T wishes and about 1 080 I&T solutions were collected via the portal. During the same period, trials of about 150 I&T projects were launched; and
- (iv) The I&T Solution Day is organised by the Efficiency Office to encourage and help government departments introduce and apply I&T products and solutions from local start-ups and SMEs, facilitating more business matching to achieve a win-win situation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)056

(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:

It is proposed in paragraph 234 of the Budget Speech that a two-tiered standard rates regime be implemented for salaries tax and tax under personal assessment starting from the year of assessment 2024-25. In calculating the amount of tax for taxpayers whose net income exceeds \$5 million and whose salaries tax or tax under personal assessment is to be charged at a standard rate, the first \$5 million of their net income will continue to be subject to the standard rate of 15%, while the portion of their net income exceeding \$5 million will be subject to the standard rate of 16%. In this connection, would the Government inform this Committee of the staff establishment involved and the operating expenses incurred for implementing the two-tiered standard rates regime.

Asked by: Hon LEE Chun-keung (LegCo internal reference no.: 7)

Reply:

The Treasury Branch of the Financial Services and the Treasury Bureau will deploy its existing manpower to implement the two-tiered standard rates regime while undertaking other regular duties. The resources involved are included in its existing staff establishment and operating expenses.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)057

(Question Serial No. 2090)

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:

According to Section III "Total public/government expenditure by policy area group" of Appendix B in the Supplement and Appendices to the Budget, the share of the Economic group has declined year by year since 2022-23. In this connection, would the Government inform this Committee of:

- 1) in tabular form, the respective public and government expenditures on the policy area of the Economic group as classified in Section VII of Appendix B, their shares among the total and year-on-year changes in the past 2 years (2022-23 to 2023-24);
- 2) in tabular form, the respective estimated public and government expenditures on the policy area of the Economic group as classified in Section VII of Appendix B, their shares among the total and year-on-year changes in 2024-25; and
- 3) the reasons for the year-by-year decline in total public and government expenditures on the Economic group since 2022-23, and how the Government can meet its policy objective of building a vibrant economy and striving for development amid the year-by-year decline in the estimate of expenditure.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 11)

Reply:

- 1) to 3) The policy areas under the Economic policy area group include air and sea communications and logistics development, commerce and industry, employment and labour, financial services, information technology and broadcasting, manpower development, public safety, travel and tourism, and posts, competition policy and consumer protection. An analysis of the total public expenditure and total government expenditure on the Economic policy area group since 2022-23 is set out at Annex.

The year-by-year decrease in the total public expenditure and total government expenditure on the Economic policy area group since 2022-23 is mainly due to the decrease in the expenditure on the Consumption Voucher Scheme (CVS) which is under the scope of the group. The CVS is a one-off relief measure. The expenditure on the CVS has decreased from some \$64.3 billion in 2022-23 to some \$33 billion in the revised estimate for 2023-24, while there will not be a new round of CVS launched by the Government in 2024-25. Excluding the expenditure on the CVS, the total public expenditure and total government expenditure on the Economic policy area group have increased by 7% and 9.7% respectively in the revised estimates for 2023-24, and 35.7% and 39.9% respectively in the estimates for 2024-25.

	2022-23 Actual		2023-24 Revised estimate		2024-25 Estimate		Year-on-year change	
Economic policy area group	Amount (\$ million)	Share of total expenditure	Amount (\$ million)	Share of total expenditure	Amount (\$ million)	Share of total expenditure	2023-24 over 2022-23	2024-25 over 2023-24
Total public expenditure	103,103	12.2%	74,555	9.7%	56,405	6.8%	-27.7%	-24.3%
Total government expenditure	97,942	12.1%	69,963	9.6%	51,713	6.6%	-28.6%	-26.1%
Total public expenditure (excluding the expenditure on the CVS)	38,848	5.0%	41,555	5.6%	56,387	6.8%	+7.0%	+35.7%
Total government expenditure (excluding the expenditure on the CVS)	33,687	4.5%	36,963	5.3%	51,695	6.6%	+9.7%	+39.9%

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)058

(Question Serial No. 2093)

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:

According to the brief description under Programme (2), the work of the Treasury Branch includes enhancing tax transparency, combating tax evasion and minimising opportunities for tax avoidance. In this connection, please inform this Committee of:

- 1) the numbers of audits completed and the amounts of back tax and penalty involved in each of the past 3 years (2021-22 to 2023-24);
- 2) whether there will be an increase in manpower and estimated expenditure in 2024-25 for carrying out the relevant work; if so, of the details; if not, the reasons for that;
- 3) whether key performance indicators have been set for combating tax evasion in 2024-25;
- 4) whether any task force has been set up to implement the foreign-sourced income exemption (FSIE) regime and the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development (BEPS 2.0); if so, of the details; if not, the reasons for that; and
- 5) the number and effectiveness of assistance provided to enterprises in handling relevant tax matters before and after the implementation of the FSIE regime?

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 14)

Reply:

- 1) In the financial years 2021-22 to 2023-24 (up to 29 February 2024), the total number of cases completed and the amount of back tax and penalties assessed by the Inland Revenue Department (IRD) are as follows:

	2021-22	2022-23	2023-24 (Up to 29 February 2024)
Total number of cases completed	1 720	1 805	1 741
Amount of back tax and penalties assessed	\$2.897 billion	\$2.602 billion	\$3.263 billion

- 2) One of the IRD's objectives is to collect revenue efficiently and cost-effectively. 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 (FAIU) of the IRD has all along been making good use of information technology to enhance the efficiency and effectiveness of its 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 FAIU at present.
- 3) In 2024-25, the IRD estimates that 1 800 cases will be completed, and the amount of back tax and penalties assessed will be \$2.7 billion. As it is often difficult to estimate such factors as the complexity of cases, the amount of tax involved and the degree of co-operation of the persons under investigation, the IRD has not set any separate key performance indicators for combating tax evasion.
- 4) The foreign-sourced income exemption (FSIE) regime has taken effect since 1 January 2023, and the Government proposes to implement the global minimum tax and the Hong Kong minimum top-up tax from 2025 onwards. The Financial Services and the Treasury Bureau has deployed its existing manpower to handle the duties related to the above work. The resources involved have been included in its overall establishment and expenditure.
- 5) The IRD has set up a dedicated team to assist multinational enterprise group entities covered by the FSIE regime in filing tax returns, raise assessments and handle enquiries, with a view to helping the trade adapt to the new tax rules. According to the IRD's records, a total of 600 applications in respect of the FSIE regime were received from taxpayers in 2022-23 and 2023-24 for the Commissioner of Inland Revenue (CIR)'s Opinion on their compliance with the economic substance requirement. The CIR's Opinion is only applicable to applications made before the relevant Inland Revenue (Amendment) Ordinance came into effect. Among the applications received, 597 cases were assessed to have met the economic substance requirement, while the remaining 3 applications were withdrawn by the applicants. In addition, as at 7 March 2024, the IRD has received 247 applications for advance ruling under the FSIE regime, covering such issues as whether the taxpayers have met the economic substance requirement or the

participation exemption requirement, and whether the specified foreign-sourced income concerned was received in Hong Kong. The IRD has completed 195 cases, of which 192 cases were processed and advance rulings in favour of the taxpayers were issued, while the remaining 3 applications were withdrawn by the applicants. The remaining 52 cases are still being processed by the IRD.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)059

(Question Serial No. 2151)

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:

Moving away from the “big market, small government” policy adopted in the past, the current-term Government, with the aspiration to become a capable government, has been increasingly involved in the development of our society. With a continuous ageing trend in the population, Hong Kong is facing a decline in the labour force. In this regard, please inform this Committee of the following:

1. Has the Government conducted any study on the impact of demographic changes on Hong Kong's economy and the Government's fiscal situation? If yes, what are the expenditure and manpower involved? If no, what are the reasons?
2. Has the Government reviewed the existing tax regime and explore the issue of tax reform? If yes, what are the expenditure and manpower involved? If no, what are the reasons?
3. As our society is facing the ageing problem, it is expected that there will be a continued increase in related public expenditure. What policies or initiatives will be put in place by the Government to maintain healthy public finances for Hong Kong?

Asked by: Hon TANG Fei (LegCo internal reference no.: 35)

Reply:

1. The Census and Statistics Department released the “Hong Kong Population Projections 2022-2046” in 2023, which reflects that Hong Kong is facing the challenges arising from an ageing population. The issue of ageing population straddles across various policy portfolios, and needs to be tackled with the concerted effort of the whole Government as well as the entire society. In light of this, the relevant bureaux and departments (B/Ds) of the HKSAR Government have been, under the steer of the Human Resources Planning Commission, constantly assessing and studying the impact of an ageing population on the respective policy areas, including the related economic and financial impacts, from the respective policy portfolios (such as labour and welfare, healthcare and education) when formulating policies, so as to better cope with the challenges concerned. The relevant work is being carried out by the B/Ds concerned with their existing establishment and resources.
2. Reviewing tax policies is part of the routine duties of the Treasury Branch of the Financial Services and the Treasury Bureau. Generally speaking, when reviewing tax policies and initiatives, the Government will examine their impacts on public finances and take into account considerations in the social, economic and other public policy aspects, with a view to striking a balance between taking forward the policies and maintaining healthy public finances. We will continue to carry out such work. The existing work is carried out by staff within the establishment of the Bureau.
3. Similar to many developed economies, Hong Kong is facing the challenges arising from an ageing population. The issue of ageing population straddles across various policy portfolios, and needs to be tackled with the concerted effort of the whole Government as well as the entire society. On the one hand, the Government remains committed to provide appropriate public services to the community. On the other hand, it must maintain healthy public finances to ensure that public services can be provided in a financially sustainable manner. In this connection, it is announced in the 2024-25 Budget that the Government is taking steps to implement a comprehensive fiscal consolidation programme with a view to restoring fiscal balance in a few years’ time. This notwithstanding, the Government will remain committed to taking care of people’s needs by continued allocation of resources for the provision and improvement of public services.

To maintain healthy public finances, we follow the principle of keeping expenditure within the limits of revenue to ensure that the growth of expenditure is commensurate with economic growth. We also need to maintain the development and vibrancy of Hong Kong’s economy and identify new areas of growth, with a view to increasing revenue. We believe that “growing the pie” and driving up revenue through continuous economic growth are the important directions for maintaining fiscal sustainability. Therefore, the Government has put forward a number of measures on strengthening Hong Kong’s competitiveness to attract enterprises and talent to pursue development in Hong Kong, sustaining Hong Kong’s competitiveness and economic growth, while promoting fertility and nurturing local talent, so as to create conducive conditions for pushing forward high-quality economic development.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)060****(Question Serial No. 2583)**

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:

At present, the problem that the Government is facing arises from its expenditure instead of inadequate revenue. According to the Summary of Revenue Analysis, the Government's operating revenue has shown a steady upward trend since 2019, rising from \$434 billion to an estimate of \$506 billion for this year.

The Government should face up to the issue of excessive expenditure. Its expenditure has been rising instead of falling over the past few years. This is not good fiscal management. Its recurrent expenditure should be cut to eliminate deficits.

Will the Secretary for Financial Services and the Treasury advise on the future plans for the Budget? Will there be any targets for expenditure reduction in the next Budget? If so, what are the details? If not, what are the reasons?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 1)

Reply:

During the pandemic in the past few years, the Government has been facing the challenges of revenue drops amid the rapid growth in expenditure, resulting in larger fiscal deficits. Owing to such factors as the pandemic, global interest rate hikes, economic slowdown and continued geopolitical tensions, total government revenue decreased by 7.5% from \$599.8 billion in 2018-19 to an estimated \$554.6 billion in 2023-24. In addition, since the Government launched several rounds of large-scale counter-cyclical and anti-epidemic measures, there was a sharp increase of expenditure to a high level of \$810.5 billion in 2022-23. As the pandemic subsides, the current-term Government has strived to reduce expenditure and thus the total expenditure for 2023-24 is estimated to drop to \$727.9 billion, representing a decrease of 10.2% over the previous year.

Our public finances need consolidation after the pandemic. As already announced in the 2024-25 Budget, the Government is taking steps to implement a comprehensive fiscal consolidation programme focusing mainly on expenditure cut, although some revenue measures have been included in a pragmatic manner, with a view to narrowing our fiscal

deficit progressively and restoring fiscal balance in a few years' time. On the expenditure side, the Government will strictly contain growth of operating expenditure, including continuing to maintain zero growth in the civil service establishment and implementing the Productivity Enhancement Programme as announced earlier under which the recurrent expenditure will be cut by 1% for 2 consecutive financial years in 2024-25 and 2025-26. The resources thus saved will be re-allocated internally for enhancing existing or introducing new public services. The recurrent expenditure will be cut by another 1% in 2026-27 on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected.

Upon implementation of the measures to contain expenditure growth, we forecast that in the 5 financial years in the Medium Range Forecast (2024-25 to 2028-29), the growth of operating expenditure will be reduced from the annual average of 7% in the past 5 years to an annual average of about 2.2%, which is lower than the 5.5% increase in the nominal Gross Domestic Product over the same period. It is estimated that the Consolidated Account, after taking account of the net proceeds from the issuance of bonds, will record a surplus starting from 2025-26 and that the Operating Account will turn to a surplus from 2026-27 onwards.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)061

(Question Serial No. 2592)

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 225(b) of the Budget Speech that recurrent government expenditure will be cut by 1% for 2 consecutive financial years. To further contain the pace of expenditure growth, all government departments will need to cut recurrent government expenditure by another 1% in 2026-27. In this connection, will the Government advise on the following:

- (1) Regarding the above speech, does it mean that recurrent expenditure will be cut by 1% in each of the 3 financial years, i.e. 2024-25, 2025-26 and 2026-27? If so, given the current fiscal deficit, why is the Government so conservative in its efforts to cut recurrent expenditure? What is the purpose?
- (2) What are the specific criteria for cutting the recurrent expenditure mentioned above? How will the Government deal with the departments which fail to meet the reduction target?

Asked by: Hon KONG Yuk-foon, Doreen (LegCo internal reference no.: 10)

Reply:

- (1) The Government is going to implement the Productivity Enhancement Programme (PEP) in 2024-25 and 2025-26, under which recurrent government expenditure will be cut by 1% for 2 consecutive years (i.e. \$3.9 billion in 2024-25 and \$7.8 billion in 2025-26). To further contain the pace of expenditure growth, on the premise that such schemes as the Comprehensive Social Security Assistance (CSSA) Scheme and the Social Security Allowance (SSA) Scheme will not be affected, we will implement an Expenditure Reduction Programme (ERP) in 2026-27, under which recurrent government expenditure will be cut by another 1% (i.e. another \$3.9 billion).

It is noteworthy that reduction in recurrent expenditure has a cumulative impact. Hence, starting from 2026-27, the PEP and the ERP will together cut recurrent

expenditure by a total of 3% annually, i.e. a cut of about \$11.7 billion per annum or a cut of \$46.8 billion in total over the 5 years covered by the Medium Range Forecast (2024-25 to 2028-29). It is estimated that the Consolidated Account, after taking account of the net proceeds from the issuance of bonds, will record a surplus starting from 2025-26 and that the Operating Account will turn to a surplus from 2026-27 onwards.

- (2) The Government currently adopts the “operating expenditure envelope” approach in resource allocation, through which Controlling Officers, being heads of bureaux and departments (B/Ds), may flexibly redeploy resources allocated to them among the policy areas under their purview, having regard to their policy objectives. Therefore, when preparing B/Ds’ “operating expenditure envelopes” for the 2024-25 financial year, we have implemented the PEP, under which recurrent expenditure is to be cut by 1%, on the premise that such schemes as the CSSA Scheme and the SSA Scheme will not be affected. In preparing the estimates for the 2024-25 financial year, B/Ds have reviewed their expenditure, adjusted their priorities and redeployed resources in the light of the PEP. As the amount of recurrent expenditure to be saved in the 2024-25 financial year has been reflected in the Controlling Officers’ Reports of B/Ds, there will not be cases in which the reduction target is not met.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)062

(Question Serial No. 2703)

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 2023, did the Financial Services and the Treasury Bureau engage external lawyers for consultancy services in accordance with the Stores and Procurement Regulations of the Government without first seeking assistance from the Department of Justice? If so, what were the nature of such services and the expenditures incurred?

Asked by: Hon LAM San-keung (LegCo internal reference no.: 27)

Reply:

The Financial Services and the Treasury Bureau did not engage external lawyers for consultancy services in 2023-24.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)063

(Question Serial No. 2717)

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 2020 Cash Payout Scheme (CPS) and the 2021, 2022 and 2023 Consumption Voucher Scheme (CVS), please advise this Committee on the following:

1. the estimated number of persons to be disbursed with cash payouts/vouchers, the number of eligible persons who did not collect the cash payouts/vouchers and the ultimate number of beneficiaries in each of the years;
2. the total value of consumption vouchers disbursed and uncollected as well as the total administrative expenses in each of the years;
3. the various electronic channels for members of the public to receive consumption vouchers in each of the years and their respective proportion;
4. the stimulus effect of CPS and CVS on the local economy in percentage in Gross Domestic Product in each of the years.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 4)

Reply:

1. Regarding the 2020 CPS and the 3 rounds of CVS from 2021 to 2023, the number of beneficiaries estimated by the Government prior to the launch and the ultimate number of beneficiaries are set out below:

	Estimated number of beneficiaries	Ultimate number of beneficiaries
2020 CPS	About 7 million	About 6.6 million
2021 CVS	About 7.2 million	About 6.3 million
2022 CVS	About 6.6 million	About 6.43 million
2023 CVS	About 6.5 million	About 6.49 million

The above “estimated number of beneficiaries” were rough estimates. As it was not cost effective to comprehensively and accurately compute the total number of eligible persons under the relevant schemes, we are unable to provide the exact number of eligible persons who did not register for the relevant schemes to receive the cash payouts/consumption vouchers.

2. The relevant figures for the three rounds of CVS from 2021 to 2023 are set out below:

	Total value of vouchers disbursed	Administrative expense
2021 CVS	About \$31.5 billion	About \$240 million
2022 CVS	About \$64.2 billion	About \$400 million
2023 CVS	About \$32.4 billion	About \$400 million

Note: Since the total numbers of beneficiaries in the 2022 and 2023 CVS were similar, the administrative expenses involved in the 2 schemes (including service fees based on the number of successful registrants payable to stored value facility (SVF) operators, setting up temporary service centres (TSCs) and hotline services, etc.) were also similar. As regard the 2021 CVS, since the work of the Secretariat was concurrently undertaken by the existing staff of the 2020 CPS Secretariat, part of the manpower cost was saved. Besides, since the commencement of the 2022 CVS, we have increased the number of TSCs established at different districts from 4 in 2021 to 8 in 2022 and 9 in 2023, and have also enhanced the hotline service, including increasing the number of staff for answering calls and enriching the information of the interactive voice response system, so as to assist the needy people to register or amend their registration records. As a result, the administrative expenses of the 2022 and 2023 CVS were higher than that of the 2021 CVS.

Amongst the consumption vouchers disbursed as mentioned above, more than 99% of the voucher value has been used or collected by members of the public.

3. There were 4 participating SVF operators in 2021 CVS, namely Alipay HK, Octopus, Tap & Go and WeChat Pay HK. Since 2022 (Phase II) CVS, the number of participating SVF operators had been increased to 6, including the above 4 SVF operators and the newly joined BoC Pay and PayMe from HSBC.

In view of the commercial sensitivity of information on the number or distribution of people using individual SVFs to receive consumption vouchers, the Government will not disclose the relevant details in order not to affect the business operations of the relevant SVF operators. Generally speaking, approximately two-thirds of the eligible registrants received consumption vouchers through Octopus each year under the 2021 to 2023 CVS.

4. Owing to severe impact of the epidemic and the corresponding social distancing measures implemented in the first half of 2020, the local consumption activities and private consumption expenditure plunged. With the disbursement of cash payout in July that year, private consumption expenditure recorded an increase in the third quarter on a seasonally adjusted quarter-to-quarter basis, and continued to register growth in the fourth quarter. This showed that the CPS had certain stimulus effect on the economy.

As regards CVS, the Government roughly estimated that the stimulus effect of 2021 CVS on the economy would be equivalent to 0.7% of the Gross Domestic Product. With the disbursement of consumption vouchers starting from August 2021, 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.

The stimulus effect of the 2022 CVS was estimated to be 1.2%. Private expenditure plunged in the first quarter of that year, affected initially by the fifth wave of the local epidemic and subsequently by the tightened financial conditions. However, since the disbursement of consumption vouchers in April, private consumption expenditure had registered growth for 3 consecutive quarters on a seasonally adjusted quarter-to-quarter basis.

The stimulus effect of the 2023 CVS was estimated to be 0.6%. Following the removal of anti-epidemic measures early last year and the gradual resumption of travelers visiting Hong Kong, consumer sentiment had improved sharply. Meanwhile, labour market conditions had improved, household income had risen and the Government had implemented various initiatives (including the 2023 CVS). All these developments underpinned a rebound in consumption activities in 2023, with private consumption expenditure growing by 7.3% in real terms for the year as a whole.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)064

(Question Serial No. 2730)

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:

As mentioned in paragraph 209 of the Budget Speech, "recurrent expenditure will increase by 7% to \$580.2 billion. Of this, substantial resources will still be allocated to livelihood-related policy areas including health, social welfare and education". In this connection, please inform this Committee of the following:

1. the projected growth trend of expenditures on social welfare, health and education for the next 10 years; and
2. the expenditures on health, social welfare and education and their proportions to total expenditure in 10 years' time.

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 17)

Reply:

1. The Medium Range Forecast (MRF) projects, mainly from a macro perspective, the revenue and expenditure as well as financial position of the Government. It has fully reflected the impact of the measures under the fiscal consolidation programme. Upon implementation of the measures to contain expenditure growth, it is estimated that the growth of operating expenditure will be reduced from the annual average of 7% in the past 5 years (from 2018-19 to 2023-24) to an annual average of 2.2% in the next 5 years (from 2024-25 to 2028-29), which is lower than the 5.5% increase in nominal Gross Domestic Product over the same period. The recurrent expenditures on education, health and social welfare are estimated to grow by 3.5%, 4.6% and 13.3% respectively in 2024-25, and the growth rates for the subsequent 4 years (from 2025-26 to 2028-29) are assumed to be comparable to the overall growth rate.
2. The MRF covers the revenue and expenditure forecast for the Consolidated Account for the next 5 years (from 2024-25 to 2028-29). However, it is difficult to provide forecasts that cover a longer span of time at present due to various uncertainties.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)065

(Question Serial No. 2739)

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:

As mentioned in paragraph 242 of the Budget Speech, it is expected that the Government debt-to-gross domestic product (GDP) ratio will be in the range of about 9% to 13% from 2024-25 to 2028-29. In this connection, will the Government inform this Committee of:

1. the total amount of outstanding government debts and the government debt-to-GDP ratios for the past 10 financial years; and
2. the projected government debt-to-GDP ratio for each financial year from 2024-25 to 2028-29?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 26)

Reply:

1&2. The total amount of outstanding government debts and the government debt-to-GDP ratios from 2014-15 to 2023-24, and the projected government debt-to-GDP ratios from 2024-25 to 2028-29 are set out in the tables below:

**Total amount of outstanding government debts and
government debt-to-GDP ratios from 2014-15 to 2023-24**

Financial Year	Total amount of outstanding government debts (HK\$ billion)	Government debt-to-GDP ratio
2014-15	1.5*	less than 0.1%
2015-16	1.5*	less than 0.1%
2016-17	1.5*	less than 0.1%
2017-18	1.5*	less than 0.1%
2018-19	1.5*	less than 0.1%
2019-20	7.8	0.3%
2020-21	27.2	1.0%
2021-22	56.7	2.0%
2022-23	122.5	4.4%
2023-24 Revised Estimate	194.2	6.5%

* Notes denominated in Hong Kong dollar issued by the Government in July 2004 were repaid in full upon maturity in July 2019.

Projected government debt-to-GDP ratios from 2024-25 to 2028-29

Financial Year	Projected government debt-to-GDP ratio
2024-25 Estimate	9.2%
2025-26 Forecast	11.4%
2026-27 Forecast	13.1%
2027-28 Forecast	13.2%
2028-29 Forecast	12.2%

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)066

(Question Serial No. 2808)

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 stated in the Budget Speech that the Government plans to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Besides, the Government will continue to adhere strictly to fiscal discipline and keep the government debt at a prudent level. It is expected that the ratio of Government debt to GDP will be in the range of about 9% to 13% from 2024-25 to 2028-29, which is much lower than most of the other advanced economies. In this connection, please inform this Committee of:

Whether the Government implies that 13% is the maximum government debt-to-GDP ratio allowed when it expects that the ratio will be in the range of about 9% to 13% from 2024-25 to 2028-29, and the measures the Government will take should the ratio exceed 13% during the said period?

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

Reply:

As mentioned in the Budget, we propose setting a borrowing ceiling of a total of \$500 billion for the Government Sustainable Bond Programme and the Infrastructure Bond Programme to allow more flexibility in quota re-allocation, and will submit the bill to the Legislative Council for approval. Based on the issuance and repayment of bonds during the Medium Range Forecast period, it is estimated that the government debt level will not be higher than the proposed borrowing ceiling of \$500 billion, and the ratio of Government debt to GDP will peak at about 13%. The actual issuance per annum will depend on the prevailing fiscal position, market situation and works progress. The Government will continue to adhere strictly to fiscal discipline and keep the government debt at a prudent level. Proceeds from bond issuance will not be used for funding government recurrent expenditure.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)067

(Question Serial No. 2840)

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 under Programme 2 that the provision is \$29.7 million (16.4%) higher than the revised estimate. This is mainly due to the need to reserve funding for air passenger departure tax administration fee to cater for the resumption of air traffic, partly offset by a net decrease of 13 posts in 2024-25.

1. How did the Government estimate the air passenger departure tax administration fee since the work in this area had reduced significantly during the pandemic? How is the passenger flow after the resumption of normal travel and what is the administrative expenditure involved?

2. What are the reasons for the decrease of 13 non-directorate posts? What are the duties of such posts and the original expenditure involved?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 16)

Reply:

1. Under the Air Passenger Departure Tax Ordinance (Cap. 140), airlines and helicopter companies are required to collect an air passenger departure tax (APDT) from departing passengers and handle refunds of the tax on behalf of the Government, while the Government will pay an administration fee to the companies concerned in respect of each passenger who has paid the APDT. The administration fee level is determined based on the cost information provided by these companies. Besides, the Civil Aviation Department has set up an APDT counter at the Hong Kong International Airport, where a contractor, to whom service fees are paid by the Government, processes applications for exemption from and refund of the APDT. The said services are acquired through open tender procedures and the service fees are determined according to the tender results.

In drawing up the annual estimate of expenditure on the administration fees, the Government will take into account the estimated traffic volume of departing air passengers in the year concerned so as to reserve sufficient funding for the payment.

A breakdown of the APDT administration fees and the corresponding number of departing air passengers from 2022-23 to 2024-25 is set out below:

	2022-23	2023-24 (Revised estimate)	2024-25 (Estimate)
APDT administration fees (\$'000)	10,830	46,210	64,540
Corresponding number of departing air passengers (‘000)	4 430	17 140	23 660

2. The Treasury Branch expects that there will be a net decrease of 13 posts in 2024-25. Relevant information is as follows:

Posts to be created in 2024-25

Rank	Number of posts	Notional annual mid-point salary value	Duties
Administrative Officer (Note)	1	1,038,900	To assist in the implementation of policy matters such as government procurement
Senior Treasury Accountant (Note)	2	3,194,160	To support the work of the Committee on the Financing of Major Development Projects

Note: Time-limited post

Posts to be deleted in 2024-25

Rank	Number of posts	Notional annual mid-point salary value	Duties
Senior Administrative Officer	1	1,597,080	A time-limited post, created for handling policy matters such as government procurement, to be deleted due to the lapse of the post
Chief Executive Officer	1	1,597,080	Time-limited posts, created for assisting in the implementation of the 2023 Consumption Voucher Scheme, to be deleted due to the lapse of the posts
Senior Executive Officer	2	2,371,440	
Executive Officer I	2	1,732,320	
Executive Officer II	3	1,720,620	
Assistant Clerical Officer	4	1,239,120	
Clerical Assistant	1	241,980	
Office Assistant	1	213,240	Permanent posts to be deleted as a result of the establishment review
Workman II	1	192,420	

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)068

(Question Serial No. 2841)

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:

One of the matters requiring attention in 2024-25 is to update or streamline the prevailing procurement procedures and guidelines having regard to prudent financial management principles and other policy objectives of the Government.

1. What improvements and progress have been made in updating and streamlining the procurement procedures and guidelines? Will measures to be taken include increasing the use of technology to enhance efficiency and reduce manual efforts and paper consumption? If yes, what are the details; if no, what are the reasons?
2. What is the situation regarding the Government's use of technology in assisting and expediting procurement work, and what are the number of measures taken by the Government and the amounts of expenditure thereby incurred over the past 5 years?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 17)

Reply:

The Financial Services and the Treasury Bureau (FSTB), together with the Development Bureau (DEVB), launched the pilot e-Tendering System in 2022 to assist procuring departments in handling tenders under the ambit of the Central Tender Board and the Public Works Tender Board. The system provides an electronic option for tendering so as to further streamline the procurement procedures and facilitate tender submissions.

The e-Tendering System has been implemented in phases on a pilot basis to ensure that procuring departments and industry players have sufficient time to adapt to the new system. Since its implementation in 2022, all the relevant procuring departments have joined the system by mid-2023. The Government has set the next-stage target to require all relevant procuring departments to fully implement electronic tendering for tenders under the ambit of the Central Tender Board or the Public Works Tender Board starting from 1 July 2024.

Since its implementation in mid-2022, the pilot e-Tendering System has been operating smoothly, enabling tenderers to download tender documents and submit tenders online round-the-clock in a convenient and efficient manner instead of the traditional way of collecting tender documents from different procuring departments and depositing paper tenders in relevant tender boxes. While it is difficult to quantify the effectiveness, both the procuring departments and industry players have responded positively to the system and considered it time-saving, convenient and effective in enhancing procurement efficiency.

The development of the e-Tendering System costs about \$15.1 million. The recurrent expenditure on its operation is borne by DEVB and FSTB. As the system, implemented since mid-2022, has a free nursing period of six months, the recurrent expenditure in 2022-23 was around \$1.3 million. As for 2023-24, due to system enhancement and upgrade to meet the target of full implementation of electronic tendering of relevant tenders starting from 1 July 2024, the recurrent expenditure amounted to about \$3.2 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)069

(Question Serial No. 2842)

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 Government continues expanding the network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) between Hong Kong and its trading partners, in particular the participating countries of the Belt and Road Initiative, as well as emerging markets in the member states of the Association of Southeast Asian Nations, the Middle East, Central Asia, Africa, etc.

How many countries and regions have entered into, or are planning to enter into CDTAs with Hong Kong? What are the work and plans in this respect for the coming year?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 18)

Reply:

Hong Kong has so far signed comprehensive avoidance of double taxation agreements (CDTAs) with 49 jurisdictions. The CDTAs signed with Bangladesh, Croatia and Bahrain respectively in August last year, January and March this year will come into force upon the completion of ratification procedures by Hong Kong and the partner jurisdictions concerned.

At present, Hong Kong is in CDTA negotiations with 17 jurisdictions, namely Armenia, Azerbaijan, Cabo Verde, Cyprus, Germany, Israel, Jordan, Kyrgyzstan, Lithuania, Maldives, Mongolia, Nigeria, North Macedonia, Norway, Türkiye, Turkmenistan and Ukraine. The Hong Kong Special Administrative Region Government will strive to conclude the negotiations with the jurisdictions concerned so as to sign the CDTAs as early as possible.

To strengthen efforts to bring 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. The Government expects to sign CDTAs with 3 other jurisdictions within this year subject to the work priorities and approval procedures of the negotiation partners.

Moreover, subject to the willingness and plans of the negotiation partners, the Government plans to commence negotiations with 4 to 6 tax jurisdictions each year (including the coming year). In particular, the focus will be on jurisdictions participating in the Belt and Road Initiative and emerging markets such as the member states of the Association of Southeast Asian Nations, the Middle East, Central Asia and Africa.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)070****(Question Serial No. 2843)**

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 Branch will ensure that government fees and charges collected according to the “cost recovery” and “user pays” principles are reviewed in a timely manner.

1. Will the Branch initiate the relevant reviews in the light of the Government's current fiscal position? If so, what are the details; if not, what are the reasons?
2. How many items of government fees and charges have not yet achieved the “cost recovery” and “user pays” objectives under the current situation? What are the criteria for adjustments of fees and charges if the relevant reviews are to be conducted?
3. Are there any “cost recovery” and “user pays” fee items currently planned for adjustments? If there are such plans, what are the categories and numbers of fee items to be involved; if not, what are the reasons?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 19)

Reply:

Government services are generally charged in accordance with the “user pays” principle to achieve full cost recovery for the services provided. This is a long-established fee charging principle and an important measure of fiscal discipline. If service fee levels are lower than service costs, individual service users will be subsidised by the revenue, which is unfair to taxpayers.

Under the existing policy, policy bureaux and departments are required to review their respective fees and charges annually and make fee revision proposals based on the review results so as to achieve the established “cost recovery” objective. During the epidemic, in order to support enterprises and the public, the Government has frozen the review of cost-related fee items for more than two years. With the society returning to normalcy, policy bureaux and departments have progressively reviewed about 2 000 items of fees and

charges in accordance with the established mechanism since January 2022, of which about 800 items have not yet achieved their cost recovery objectives and have to adjust the fee levels. For these some 800 fee items, a large majority of the fee adjustments have already been implemented in accordance with the established mechanism. The details of the remaining 15 fee items which have been confirmed for adjustments are as follows:

- (1) 2 fee items charged under the Residential Care Homes (Elderly Persons) Ordinance (Cap. 459) and the Residential Care Homes (Persons with Disabilities) Ordinance (Cap. 613) for registration as health workers (expected to be implemented on 16 June 2024); and
- (2) 13 fee items imposed under the Waste Disposal Ordinance (Cap. 354) for the disposal of construction waste at landfills, sorting facilities and public fill reception facilities (expected to be implemented on 1 August 2024).

Policy bureaux and departments will continue to review other items of fees and charges in accordance with the established mechanism. In reviewing the fees and charges, policy bureaux and departments will take into account factors including policy considerations relevant to various services provided, the need for maintaining fiscal discipline, public affordability and acceptability, and the views of stakeholders before making proposals for fee revisions. If full cost recovery for certain services can only be achieved through a substantial increase in fees and charges, upward fee revisions will be made by phases over a period of years instead of at one go so as to ensure that the increases are affordable to enterprises and the public. Upon completion of the reviews, individual policy bureaux and departments will make further announcements if there is any need to adjust their fees and charges.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)071

(Question Serial No. 3520)

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:

With regard to combating the sale of duty-not-paid cigarettes (illicit cigarettes), will the Government please inform this Committee of the following:

1. List out the respective numbers of illicit cigarette cases detected and the quantities of illicit cigarettes seized by the Customs and Excise Department (C&ED), and the major origins involved in the past 5 financial years;
2. List out the numbers of persons arrested for selling or purchasing illicit cigarettes, as well as the respective numbers of persons prosecuted and convicted in the past 5 financial years;
3. List out the manpower and estimated expenditures involved in combating illicit cigarettes by C&ED in the past 5 financial years and the coming financial year;
4. Will C&ED step up anti-smuggling work in view of the increase in tobacco duty by the Government? Will there be an increase in staff establishment and estimated expenditure for combating smuggling activities? What effective measures will be adopted to prevent the sale of illicit cigarettes in the market?

Asked by: Hon CHAN Hoi-yan (LegCo internal reference no.: 39)

Reply:

1&2. 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:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity of seizure (million sticks)	54	193	371	688	593
Number of persons arrested (Note 1)	17 331	2 496	3 536	2 808	10 992
Number of persons prosecuted (Note 2)	1 862	709	934	698	1 060
Number of persons convicted (Note 2)	1 794	723	910	699	1 049

Note 1: Including inbound smuggling cases, storage, distribution and peddling cases, as well as cases of incoming persons bringing in excessive duty-free cigarettes and dealt with by compounding.

Note 2: Cases prosecuted/convicted during the year.

C&ED does not maintain any breakdown of the illicit cigarettes seized by origin.

3. In the past 5 financial years, C&ED deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emoluments involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98
2023-24	30.23

In 2024-25, C&ED will maintain an establishment of 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emoluments. Furthermore, front-line Customs officers deployed at various entry and exit points will also be 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.

4. C&ED will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner, and apply for additional manpower and resources in accordance with the established procedures when necessary.

To address the issue that lawbreakers currently sell illicit cigarettes through telephone ordering, C&ED has set up a dedicated team to step up patrols at public housing estates in various districts to combat illicit cigarette activities. Furthermore, C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. 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 smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)072

(Question Serial No. 3578)

Head: (31) Customs and Excise Department

Subhead (No. & title): ()

Programme: (1) Control and Enforcement

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to “the number of persons compounded for offences relating to illicit cigarettes”, will the Government inform this Committee of the following:

1. The number concerned rose from 2 107 persons in 2022 to 9 837 persons in 2023. What are the reasons for that;
2. Does the Government plan to tighten the criteria for the compounding of offences in view of the increase in the number? If yes, what are the details? If not, what are the reasons?
3. Is there any assessment conducted by the Government as to whether the number will continue to rise as a result of an increase in the tobacco duty as announced in the Budget, and what measures will be taken by the Government in response to the situation?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 56)

Reply:

1. During the COVID-19 epidemic, passenger clearance services at most control points were suspended, and the number of arrivals and departures via land and sea control points reduced, resulting in a corresponding decrease in the number of persons “compounded for offences relating to illicit cigarettes” in 2022. Following the full resumption of normal travel between the Mainland and Hong Kong in early 2023, the numbers of cross-boundary passengers and vehicles successively rebounded, resulting in a surge in the number of cases concerned.
2. Under the Dutiable Commodities Ordinance (Cap. 109) (the Ordinance), arrival passengers who fail to declare to an officer of the Customs and Excise Department (C&ED) the quantity of dutiable goods in their possession which exceeds the exempted quantity commit an offence and are liable to criminal prosecution. C&ED may also impose compound penalty on these passengers under the Ordinance. When determining whether the case should be handled by means of compound penalty, Customs officers

will assess the facts of each individual cases, and consider factors such as the amount of duty involved and whether the person concerned has violated the Ordinance before.

3. Apart from closely monitoring illicit cigarette activities at various control points, C&ED has strengthened intelligence exchange with the Mainland law enforcement agencies and stepped up customs checks on arrival passengers. Meanwhile, C&ED will flexibly deploy its internal resources to effectively combat the inflow of illicit cigarettes into Hong Kong via passenger channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)073

(Question Serial No. 3579)

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 Government inform this Committee of the following:

1. The number of persons prosecuted for offences related to illicit cigarettes in 2023 was higher than that in 2022, but a smaller quantity of cigarettes was seized. In this connection, has the Government assessed the changes in the modus operandi of illicit cigarette syndicates and stepped up countermeasures? If yes, what are the details? If not, what are the reasons?
2. It is learnt that many illicit cigarettes are sold through telephone order or online peddling. In this connection, what was the number of persons arrested last year for involving in such mode of sale? How will the Government deal with such phenomenon?
3. With the immediate increase in tobacco duty announced in the Budget, will the Government consider allocating additional resources to cope with the probable increase in illicit cigarette activities? If yes, what are the details? If not, what are the reasons?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 57)

Reply:

1. In view of the increase in tobacco duty announced in last year's Budget, and the full resumption of normal travel between the Mainland and Hong Kong at the beginning of last year, the Customs and Excise Department (C&ED) continued to mount special anti-illicit cigarette operations during the year. Apart from stepping up enforcement at the import level, C&ED also conducted operations against illicit cigarette peddling across the territory. The number of persons prosecuted for offences relating to illicit cigarettes last year was therefore higher than that in 2022.

As the epidemic came to an end last year, the cross-boundary transport and logistics supply chain has resumed normalcy. Although smuggling of cigarettes by sea remained the predominant mode employed by illicit cigarette syndicates, on average, a smaller quantity of cigarettes was smuggled each time. Illicit cigarette syndicates have resorted

to the mode of “ants moving home” by smuggling illicit cigarettes into Hong Kong in batches in a bid to minimise the financial loss incurred by seizure of illicit cigarettes by C&ED, resulting in a decrease in the overall quantity of illicit cigarettes seized last year.

2. C&ED does not maintain any breakdown by mode of selling or ordering illicit cigarettes by the arrested persons.

To address the issue that lawbreakers currently sell illicit cigarettes through telephone ordering, C&ED has set up a dedicated team to step up patrols at public housing estates in various districts to combat illicit cigarette activities. Furthermore, C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. 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 smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

In addition, in order to further promote the message against illicit cigarettes across different levels of the community, C&ED will continue to collaborate with government agencies and relevant stakeholders, and enhance publicity by holding talks for schools and youth groups, displaying posters and banners, etc.

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)074****(Question Serial No. 3795)**

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 Government has been committed to implementing promotional initiatives in support of tobacco control. It is mentioned in the Speech that the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. What measures that are more proactive and effective will the Government take this year to combat the increasingly rampant illicit cigarette activities (including cheap cigarettes with duty not paid (commonly known as “rat cigarettes” and “cheap whites”))?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 52)

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various control points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner.

C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

Apart from proceeding with stringent law enforcement actions, C&ED will continue to step up publicity and public education, which include collaborating with government agencies and relevant stakeholders from time to time, and enhancing publicity by holding talks for schools and youth groups, displaying posters and banners, etc. in order to further promote the message against illicit cigarettes across different levels of the community. Furthermore, C&ED has urged the public to remain vigilant when purchasing cigarettes, to shop at reputable merchants

or shops and not to purchase cigarettes of unknown origins or at unusual prices, in order to avoid contravening the law inadvertently. If members of the public have doubts about the cigarette brands available in the market, they should enquire of the brand owner or relevant merchant directly. C&ED will also enhance its promotion and publicity work for newsstands and small-sized retail outlet operators, which include distributing anti-illicit cigarette promotional leaflets to newsstands in various districts across the territory to remind merchants not to sell duty-not-paid cigarettes or cigarettes of unknown origins to avoid contravening the law inadvertently. If retailers are found to be selling duty-not-paid cigarettes, C&ED will take resolute enforcement actions.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)075****(Question Serial No. 3797)**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:

1. Will the Government inform this Committee of, in each of the past 5 years, the number of illicit cigarette cases detected; the quantity of the illicit cigarettes seized, their market values and dutiable values; and whether statistics have been compiled on the share of sales of “cheap whites” in the cigarette market in Hong Kong? If yes, what are the details? If not, what are the reasons; and

2. Some tobacconists reflect that the sale of illicit cigarettes is prevalent on online platforms. The rampant activities cannot be eradicated despite tip-offs, thus jeopardising the interests of proper licensees in the trade. What measures will the Government take to combat the illicit cigarette market and strengthen its efforts in plugging the loopholes in illegal sale of illicit cigarettes?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 6)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:

	2019	2020	2021	2022	2023
Number of cases	17 351	3 111	3 917	3 192	11 658
Quantity seized (million sticks)	54	193	371	688	593
Market value (\$ million)	147	530	1,022	1,896	2,049
Total amount of duty payable (\$ million)	103	368	707	1,311	1,401

C&ED does not maintain statistics on the sales of “cheap whites” in the market.

2. C&ED has been conducting cyber patrols targeting suspected sale of illicit cigarettes. When suspected cases are detected, C&ED will immediately relay the matter to the websites or social media platforms concerned for follow-up actions, including blocking the accounts concerned.

In the meantime, C&ED will continue to strengthen co-operation with the Tobacco and Alcohol Control Office (TACO) of the Department of Health in this regard. 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 smoking product advertisement in any form (including flyers or online advertisements). TACO is the primary enforcement agency under the Ordinance. Complaints received by C&ED regarding websites promoting illicit cigarettes will be referred to TACO for follow-up. If any breach of the restrictions on smoking product advertisements under the Ordinance is found, TACO will take follow-up actions and demand the websites or social media platforms to remove the relevant contents.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)076

(Question Serial No. 3839)

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:

Was there any form of co-ordination between the Government and the authorities of neighbouring regions in the past 3 years, including discussions on ways to enhance co-operation in combating illicit tobacco trade? If yes, what are the details? If not, what are the reasons?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 36)

Reply:

The Customs and Excise Department (C&ED) has been maintaining close liaison and exchange with Mainland and overseas law enforcement agencies on cross-boundary illicit cigarette smuggling and related control issues. In the past 3 years, C&ED held meetings with the Vietnam Customs, the Singapore Customs, the Korea Customs, etc., and visited the Mainland Customs and relevant intelligence units, with a view to strengthening co-operation.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)077****(Question Serial No. 3874)**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:

It is mentioned in the Budget Speech that the Government now proposes to increase the duty on cigarettes by 80 cents per stick with immediate effect. Duties on other tobacco products will be increased by the same proportion. It is expected that the proportion of tobacco duty in the retail price of cigarettes will rise to about 70 per cent. In this connection, will the Government inform this Committee of the following:

1. the number of operations mounted by the Government to combat illicit cigarettes, the manpower and expenditures involved, and the quantity of illicit cigarettes seized in each of the past 5 years;
2. Given that the increase in tobacco duty may lead to more rampant illicit cigarette activities, will additional resources and manpower be allocated to step up enforcement against 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.: 22)Reply:

1. In the past 5 financial years, the Customs and Excise Department (C&ED) deployed 61 officers each year dedicated for the combating of illicit cigarette activities. The expenditures on emolument involved are tabulated below:

Financial year	Expenditure involved (\$ million)
2019-20	26.27
2020-21	26.27
2021-22	28.27
2022-23	28.98
2023-24	30.23

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

The quantities of duty-not-paid cigarettes seized locally by C&ED in the past 5 years are tabulated below:

	2019	2020	2021	2022	2023
Quantity of seizure (million sticks)	54	193	371	688	593

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

2. 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)078****(Question Serial No. 3875)**

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 paragraph 193 of the Budget Speech by the Financial Secretary that “Increasing the tobacco duty is recognised internationally as the most effective means of reducing tobacco use. The Government now proposes to increase the duty on cigarettes by 80 cents per stick, with immediate effect. Duties on other tobacco products will be increased by the same proportion. The rate of increase is similar to that of last year.” Since the increase in the tobacco duty by 60 cents per stick of cigarettes in February last year, there have been many media reports on the emergence of online and offline promotions of suspected duty-not-paid cigarettes, such as promotional leaflets commonly known as “tobacco flyers” and online promotions. Please list out the figures to explain whether, in the past year, initiative has been taken in getting to know the share of suspected duty-not-paid cigarettes in the overall cigarette market. If yes, what are the details? If not, what are the reasons?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 33)

Reply:

The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. Meanwhile, C&ED will flexibly deploy its internal resources to mount targeted anti-illicit-cigarette operations in a timely manner. In 2023, the total quantity of duty-not-paid cigarettes seized by C&ED in local illegal activities and export or transshipment reached 652 million sticks, of which 593 million sticks of illicit cigarettes involved in local illegal activities.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)079****(Question Serial No. 3891)**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:

It is proposed in the Budget that the duty on cigarettes be increased by 80 cents per stick, with immediate effect, and the duties on other tobacco products also be increased by the same proportion. The rate of increase is similar to that of last year. Besides, the Government will continue to step up enforcement against illicit cigarette trading and strengthen smoking cessation services, publicity and education. In this connection:

(1) How many Government officers are dedicated to combating illicit cigarette activities at present? Will additional manpower be deployed in the future and what new measures will be taken to combat illicit cigarette activities? What are the expenditure and manpower involved for each of these measures?

(2) Has the Government explored the introduction of innovative technologies to further combat illicit cigarette activities? If yes, what are the results?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 33)Reply:

(1) The Customs and Excise Department (C&ED) will continue to strengthen its risk assessment and intelligence analysis, and adopt a holistic enforcement strategy in combating illicit cigarette activities i.e. intercepting smuggling in the upper stream, smashing storehouses in the middle, and tackling selling activities at the lower end. C&ED is closely monitoring illicit cigarette activities at various entry and exit points, in the market and on online platforms, and has strengthened intelligence exchange and co-operation with local, Mainland and overseas law enforcement agencies. In 2023-24, C&ED deployed 61 officers dedicated to combating illicit cigarette activities, involving approximately \$30.23 million of expenditure on emolument. Furthermore, front-line Customs officers deployed at various entry and exit points will also be involved in the interception of illicit cigarette activities. Since they were tasked with other clearance duties at the same time, it is difficult to separately quantify the expenditure involved. C&ED will flexibly deploy existing resources to assist in anti-illicit cigarette work and mount targeted anti-illicit-cigarette operations in a timely

manner as appropriate, and apply for additional manpower and resources in accordance with the established procedures when necessary.

- (2) C&ED is now actively exploring with the Health Bureau the feasibility of implementing a duty-paid labelling system, that is, adding a duty-paid label specified by C&ED on each pack or piece of duty-paid tobacco products to clearly distinguish between duty-paid and duty-not-paid cigarettes.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)080****(Question Serial No. 3892)**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 increase in tobacco duty was proposed in both the 2023-24 and 2024-25 Budgets. Will the Government inform this Committee of the quantity of duty-paid tobacco products sold in 2023-24?

Asked by: Hon LEUNG Man-kwong (LegCo internal reference no.: 10)Reply:

The quantities of duty-paid tobacco products in Hong Kong in 2023 and from January to February in 2024 are as follows:

	2023	2024 (from January to February)
Cigarettes (million sticks)	2 972	1 177
Cigars (kilograms)	68 984	16 257
Chinese prepared tobacco (kilograms)	80	1
Other manufactured tobacco (kilograms)	16 155	5 750

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)081

(Question Serial No. 3634)

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 Government Property Agency is responsible for managing the Heung Yuen Wai Boundary Control Point (HYW BCP) Public Car Park, which was commissioned last year alongside the commencement of the passenger transport service at the HYW BCP. As the car park has been in operation for over a year, will the Government inform this Committee of the following:

1. the usage in terms of vehicle trips of the car park in each month since its operation;
2. the monthly numbers, since its operation, of vehicle trips charged with overtime parking charges for leaving the car park later than the reserved departure time;
3. the 3 highest amounts of overtime parking charges collected by the car park since its operation;
4. whether there have been any “dead vehicles” parking for a long period of time without leaving the car park since its operation, as well as the relevant handling mechanism;
5. taking into account the actual usage of the premises, whether the Government has considered permitting mixed parking of the different types of vehicles allowed at Car Parks 1 and 2 of the HYW BCP, so as to fully utilise the parking spaces;
6. taking into account the actual usage of the premises, whether the Government has considered increasing the number of on-the-spot drive-in parking spaces in addition to the prior booking mechanism, so as to address the need of the public;
7. taking into account the actual usage of the premises, whether the Government has considered altering, expanding or increasing parking spaces, so as to cater for the demand related to cross-boundary travel of the public?

Asked by: Hon LEUNG Hei, Edward (LegCo internal reference no.: 151)

Reply:

- 1 - 4. There are 2 public car parks at the HYW BCP. Since their commencement of operation in February 2023, the average usage of the car parks in terms of vehicle trips in each month was about 15 000. The average monthly number of vehicle trips charged with overtime parking charges for leaving the car parks later than the reserved departure time was about 1 300 trips. The 3 highest amounts of overtime parking charges were \$2,820, \$1,995 and \$1,770 respectively.

So far, there had not been any prolonged parking of vehicles which did not leave the car parks. If such cases occur, the car park operators will take various actions, including contacting the vehicle owners through different means, towing the vehicles away from the car parks, applying to the court for small claims to recover arrears, and applying to the court for auctioning the vehicles.

5. At present, the two public car parks at the HYW BCP can address the parking demand of different types of vehicles during peak periods on both weekdays and holidays. Therefore, the Government has no plan to permit mixed parking at the two public car parks. Nevertheless, we will continue to keep in view the usage of the car parks.
6. On-site booking is available for parking at Car Park 1 of the HYW BCP since 3 July 2023, except for weekends, public holidays and the preceding working day.
7. The Government currently has no plan to expand the public car parks at the HYW BCP or provide additional parking spaces therein. We will continue to keep in view the parking demand at the HYW BCP, make plans for and implement appropriate ancillary transport facilities and services in a timely manner, with a view to facilitating the use of the facilities at the HYW BCP by members of the public and passengers.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)082

(Question Serial No. 3836)

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:

Heung Yuen Wai Boundary Control Point (HYW BCP) has been fully commissioned since February 2023. In this connection, will the Government inform this Committee of:

(1) the utilisation rate of its public car park, and the monthly average number of vehicles that were i) allowed to make on-site booking; and ii) subject to overtime parking charges for leaving later than the reserved departure time.

Asked by: Hon ZHANG Xinyu, Gary (LegCo internal reference no.: 32)

Reply:

The Government Property Agency is responsible for the management of the fee-paying public Car Parks 1 and 2 in the non-closed area of HYW BCP, and leases them out for operation. According to the information provided by the operator, the average utilisation rates of the parking spaces for various types of vehicles including private cars, motorcycles and van-type light goods vehicles in the public car parks of HYW BCP during the operation period from February to December 2023 were 45.1%, 34.8% and 24.3% respectively.

During the above operation period, an average of about 1 300 vehicles per month were charged with the overtime parking charges for leaving later than the reserved departure time. Besides, during the operation period from 3 July 2023 (Note), when the on-site booking arrangement was introduced in Car Park 1, up to 31 December 2023, an average of about 1 100 vehicles per month made use of the on-site booking arrangement.

Note: Starting from 3 July 2023, on-site booking is available for parking at Car Park 1 subject to availability of parking spaces, except for weekends, public holidays and the preceding working day.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)083

(Question Serial No. 3893)

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:

At present, the commercial outlets or supporting facilities in the departure halls of many land crossing points (Hong Kong side) are homogeneous. Will consideration be given to reshaping the commercial facilities and activities at all land crossing points centrally to dovetail with the themes set by the Government from time to time and grasp the last chance of boosting visitors' spending power before they leave Hong Kong?

Asked by: Hon CHAN Yuet-ming (LegCo internal reference no.: 28)

Reply:

The Government Property Agency (GPA) is responsible for the property management of the joint-user facilities at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and Heung Yuen Wai Boundary Control Point, including the leasing arrangements for the facilities and shops at the arrival and departure halls. These shops are leased out by GPA by way of tender to different types of tenants including duty-free shops, medicare and cosmetic stores, convenience stores, money exchange shops and restaurants etc. so as to provide convenience to the public and visitors. GPA will proactively align the facilities and activities at relevant port/control point with the thematic activities launched by the Government, and will continue to explore business opportunities by leasing out the shops concerned to different types of tenants to facilitate the last-minute spending by visitors before they leave Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)084

(Question Serial No. 3804)

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 plans to issue bonds of about \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. In this connection, will the Government inform this Committee of the following:

Of the about \$95 billion to \$135 billion per annum worth of bonds to be issued, how much is expected to be used for the development of the Northern Metropolis?

Asked by: Hon CHOW Man-kong (LegCo internal reference no.: 22)

Reply:

The Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner. The Government plans to issue sustainable bonds and infrastructure bonds (covering sustainable development projects such as renewable energy and green buildings, as well as infrastructure projects such as the development of the Northern Metropolis) of about \$95 billion to \$135 billion in total per annum in the next 5 years (2024-25 to 2028-29). The actual bond issuance size will be subject to the prevailing fiscal position, market situations and works progress.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)085****(Question Serial No. 3814)**

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 143 of the Budget Speech that in 2024-25 the Government will issue \$120 billion worth of bond, of which \$70 billion will be retail tranche that includes \$50 billion worth of Silver Bond, and \$20 billion worth of green bonds and infrastructure bonds. In this connection, please inform this Committee of:

other investment and financing proposals put forward by the Committee on the Financing of Major Development Projects (set out in table form) in addition to bond issuance.

Asked by: Hon KAN Wai-mun, Carmen (LegCo internal reference no.: 18)

Reply:

The Chief Executive announced in the 2023 Policy Address the establishment of the Committee on the Financing of Major Development Projects (Financing Committee) to advise on financing options of major Government development projects, including assessment of the operational and financial viability and sustainability of the projects, the feasibility of bringing in private investors for these projects and their financial implications for the Government. The Financing Committee convened its first meeting on 1 December 2023, and has commenced studies on major infrastructure development projects and their financial options.

Given that major infrastructure projects involve various components, the Government will, taking into account factors such as the economic value, commercial viability and project cost of each component, keep an open mind when considering different financial arrangements, including bond issuance, the build-operate-transfer model, rail-plus-property development, public-private-partnership in infrastructure development, etc.

The Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner. As proposed in the Budget, a borrowing ceiling of a total of

\$500 billion will be set for the Government Sustainable Bond Programme and the Infrastructure Bond Programme. The Government plans to issue bonds of about \$95 billion to \$135 billion in total per annum in the next 5 years (2024-25 to 2028-29). The actual bond issuance size will be subject to the prevailing fiscal position, market situations and works progress.

Overall speaking, when taking forward infrastructure projects, the Government will draw up the most suitable financing proposals having regard to its policy objectives and needs, as well as factors such as the characteristics and requirements of individual projects.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)086****(Question Serial No. 3817)**

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:

A number of academics have pointed out that in the face of successive years of “structural fiscal deficits” exceeding hundreds of billions of dollars, the introduction of a progressive rating system for domestic tenements and a two-tiered rates regime for tax under personal assessment will generate only an additional tax revenue of less than \$2 billion per year for the Government, and such revenue-raising policy is just a drop in the ocean. It has been suggested that the Government should practise strict economy and exercise vigorous control over expenditure. Regarding curbing expenditure, please inform this Committee:

whether the Government will raise the level of the proposed cut to its recurrent expenditure of 1% under the “Productivity Enhancement Programme” by 1 percentage point to 2%, so as to achieve more efficient use of resources?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 29)

Reply:

The Government is going to implement the Productivity Enhancement Programme (PEP) in 2024-25 and 2025-26, under which recurrent government expenditure will be cut by 1% for 2 consecutive years (i.e. \$3.9 billion in 2024-25 and \$7.8 billion in 2025-26). Bureaux and departments (B/Ds) will review and adjust their priorities and the resources saved can be reallocated for enhancing existing or introducing new public services. To further contain the pace of expenditure growth, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected, we will implement an Expenditure Reduction Programme (ERP) in 2026-27, under which recurrent government expenditure will be cut by another 1% (i.e. another \$3.9 billion). B/Ds will continue to review and adjust their priorities for more efficient use of resources, thereby achieving the target of reducing recurrent government expenditure by 1%. We believe that this progressive approach will provide ample room for B/Ds while ensuring that our daily operation and public services will not be affected.

It is noteworthy that reduction in recurrent expenditure has a cumulative impact. Hence, starting from 2026-27, the PEP and the ERP will together cut recurrent expenditure by a total of 3% annually, i.e. a cut of about \$11.7 billion per annum or a cut of \$46.8 billion in total over the 5 years covered by the Medium Range Forecast (2024-25 to 2028-29). It is estimated that the Consolidated Account, after taking account of the net proceeds from the issuance of bonds, will record a surplus starting from 2025-26 and that the Operating Account will turn to a surplus from 2026-27 onwards.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)087

(Question Serial No. 3833)

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 announced in the 2024-25 Budget Speech that all departments need to cut recurrent government expenditure by another 1% in 2026-27, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected. The Government has implemented the Productivity Enhancement Programme to deduct 1% from its recurrent expenditure resources for 2024-25, and an additional 1% will be deducted for 2025-26. Some staff unions are concerned that if recurrent expenditure will be cut by a further 1% in each of the next 3 financial years, the Government will implement a recruitment freeze to the civil service, thereby aggravating the problem of manpower shortage. Moreover, the remuneration and establishment of non-civil service contract staff will also be reduced, thus affecting the delivery of public services. The civil service establishment was around 192 000 and the strength was around 174 000 as at 31 March 2023. The difference of 18 000 between the two figures indicates room for civil service recruitment.

In this connection, will the Government inform this Committee of the ways various bureaux/departments cut their recurrent expenditure under the Productivity Enhancement Programme for 2024-25 and the actual amount of reduction?

Asked by: Hon LEUNG Tsz-wing, Dennis (LegCo internal reference no.: 41)

Reply:

Under the Productivity Enhancement Programme, all policy bureaux and departments will cut the recurrent expenditure by 1% in 2024-25 and 2025-26, on the premise that such schemes as the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme will not be affected. Through re-engineering business process or re-prioritisation, policy bureaux and departments can free up more resources for internal reallocation, improvement of existing services or provision of new services, thereby achieving more effective use of resources.

In the 2024-25 financial year, the 1% reduction in recurrent expenditure will involve about \$3.9 billion.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)088

(Question Serial No. 3834)

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 mentioned in the Budget Speech, it is expected that the ratio of Government debt to Gross Domestic Product will be in the range of about 9 to 13% from 2024-25 to 2028-29. Please inform this Committee of the factors that the Government considers when determining the bond issuance size each year.

Asked by: Hon LAM Siu-lo, Andrew (LegCo internal reference no.: 10)

Reply:

The Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner. Taking into account the forecast expenditure requirements for the Northern Metropolis and other infrastructure projects in the next few years, the Government plans to issue Government Sustainable Bonds and Infrastructure Bonds (covering sustainable development projects such as renewable energy and green buildings, as well as infrastructure projects such as the development of the Northern Metropolis) worth approximately \$95 billion to \$135 billion per annum in the next 5 years, i.e. 2024-25 to 2028-29. The actual bond issuance size will be subject to the prevailing fiscal position, market situation and works progress.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)089****(Question Serial No. 3835)**

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 142 of the Budget Speech that “we will set a borrowing ceiling of a total of \$500 billion for these two programmes (i.e. the Government Green Bond Programme and the Infrastructure Bond Scheme) to allow more flexibility in quota re-allocation. The sums borrowed will be credited to the Capital Works Reserve Fund for investment in projects which are conducive to long-term development.” As a matter of fact, although the Government expects that the ratio of its debt to GDP will be in the range of about 9 to 13% in the coming few years, Hong Kong will still be one of the advanced economies with the lowest debt levels. In addition, by committing not to use the proceeds from bond issuance for funding government recurrent expenditure, the Government has in fact ring-fenced the funds for investing in Hong Kong’s future.

In this connection, will the Government inform this Committee whether it will make reference to Singapore’s Significant Infrastructure Government Loan Act and set a ceiling on the annual interest payment in addition to the borrowing ceiling, so as to increase public confidence by ensuring that the borrowing will not adversely affect public finance?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 10)

Reply:

The Government has all along been maintaining strict fiscal discipline and keeping government debt at a prudent level. It also ensures that proceeds from bond issuance will not be used for funding government recurrent expenditure. During the 5 years of the Medium Range Forecast (MRF) period (i.e. from 2024-25 to 2028-29), it is expected that the ratio of Government debt to Gross Domestic Product (GDP) will be in the range of 9% to 13%, which is much lower than most of the other advanced economies.

In fact, even if we issue \$95 billion to \$135 billion of bonds per annum during the MRF period (i.e. about \$124 billion annually on average), after deducting a repayment averaged about \$68 billion per annum, only about \$56 billion in terms of net proceeds will be raised from the

issuance annually on average, which is lower than the actual net proceeds of about \$72 billion in 2023-24. Moreover, as proposed in the Budget, a borrowing ceiling of a total of \$500 billion will be set for the Government Sustainable Bond Programme and the Infrastructure Bond Programme. Therefore, we expect that the annual interest payment within the MRF period (i.e. from 2024-25 to 2028-29) will remain at a manageable level. The interest payment for 2024-25 in particular, amounting to about \$9 billion and accounting for only 0.3% of GDP, has minor impact on public finances. When arranging for an issuance, the Government will certainly give ample consideration to prevailing market conditions and strive to minimise the impact of interest rate volatility on cost of issuance.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)090

(Question Serial No. 3862)

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 said when delivering this year's Budget Speech, "Attracting global family offices and asset owners to Hong Kong will help bring in more capital and drive ancillary economic activities. We have implemented a number of measures, including providing tax concessions for qualifying transactions of family-owned investment holding vehicles managed by single family offices in Hong Kong, and streamlining the suitability assessment when dealing with sophisticated professional investors." In this connection, will the Government inform this Committee of the following:

Given continued economic expansion in many places around the world and fierce competition from other economies within the region, it is necessary for Hong Kong to promote, consolidate and enhance its existing strengths and develop new economic impetus. Instead of exploring the introduction of new taxes to meet the present challenges, it is even more imperative for the Government to conduct a comprehensive review of the competitiveness and applicability of the tax regime. Will the Government consider conducting a more extensive review of the tax regime and explore feasible measures to ensure the robustness and sustainability of Hong Kong's public finances in the long run?

Asked by: Hon SHANG Hailong (LegCo internal reference no.: 7)

Reply:

The key to boosting public revenue lies in sustained high-quality economic development. The Government has been developing the economy and raising its revenue through various policy measures to support the building of social infrastructure and people's livelihood.

Reviewing tax policies is part of the routine duties of the Treasury Branch of the Financial Services and the Treasury Bureau. We also work with other policy bureaux to review from time to time whether there is a need to enhance the competitiveness of Hong Kong's tax regime in individual areas, with a view to introducing improvement plans or tax concession measures (such as the Tax Certainty Enhancement Scheme in respect of onshore gains on

disposal of equity interests, and tax concessions for aircraft leasing and single family offices). In addition, when preparing the Budget every year, the Government takes into account the fiscal position and economic outlook to see if there are any need and room for adjusting various taxes. Generally speaking, when reviewing tax policies and initiatives, the Government will examine their impacts on public finances, while considering the need to maintain the competitive edge of the simple and low tax regime, and take into account considerations in the social, economic and other public policy aspects, with a view to striking a balance between taking forward the policies and maintaining healthy public finances. We will continue to carry out such work.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)091

(Question Serial No. 3894)

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 mentioned in paragraph 241 of the Budget Speech, the Government will issue bonds of \$95 billion to \$135 billion per annum in the next 5 years to drive the development of the Northern Metropolis and other infrastructure projects. Please advise this Committee on the following:

- (1) The Government's annual interest expenses will be massive. In order not to worsen the Treasury deficit, what are the effective ways to ensure that future returns from the infrastructure will far exceed interest expenses?
- (2) If the subscription amount falls short of expectation, what contingency plans are in place to raise capital for the above-mentioned infrastructure projects?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 24)

Reply:

- (1) The Government plans to invest in Hong Kong's future with bond issuance as a financing option and make use of the capital raised from the market to drive the development of the Northern Metropolis and other infrastructure projects for their commencement in a progressive manner. Proceeds from bond issuance will be used for investing in infrastructure and public works projects, such as the development of the Northern Metropolis, the Hung Shui Kiu/Ha Tsuen New Development Area, transport infrastructure and sewage treatment works, to ensure a sufficient supply of land and continuous improvement of public and community facilities. These projects will bring about returns, and their economic and social benefits, including enhancing Hong Kong's competitiveness and improving the living environment of the public, are of vital importance to the society as a whole.

In fact, even if the Government issues \$95 billion to \$135 billion of bonds per annum during the Medium Range Forecast (MRF) period (i.e. about \$124 billion annually on

average), after deducting bond repayment averaged about \$68 billion per annum, only about \$56 billion in terms of net proceeds will be raised from the issuance annually on average, which is lower than the actual net proceeds of about \$72 billion in 2023-24. Moreover, as proposed in the Budget, a borrowing ceiling of a total of \$500 billion will be set for the Government Sustainable Bond Programme and the Infrastructure Bond Programme. Therefore, we expect that the annual interest payment within the MRF period (i.e. from 2024-25 to 2028-29) will remain at a manageable level. The interest payment for 2024-25 in particular, amounting to about \$9 billion and accounting for only 0.3% of GDP, has minor impact on public finances. When arranging for an issuance, the Government will certainly give ample consideration to prevailing market conditions and strive to minimise the impact of interest rate volatility on cost of issuance.

- (2) Given that major infrastructure projects involve various components, the Government will, taking into account factors such as the economic value, commercial viability and project cost of each component, keep an open mind when considering different financial arrangements, including bond issuance, the build-operate-transfer model, rail-plus-property development, public-private-partnership in infrastructure development, etc. Overall speaking, bond issuance is just one of the Government's financing options. When taking forward infrastructure projects, the Government will draw up the most suitable financing proposals having regard to its policy objectives and needs, as well as factors such as the characteristics and requirements of individual projects.

- End -