

LCQ6: Relief measures

Following is a question by the Hon Paul Tse and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (December 2):

Question:

With the fourth wave of the Coronavirus Disease 2019 epidemic coming inexorably, quite a number of industries are operating for mere survival. Some academics have anticipated that with the Lunar New Year approaching and the Government no longer disbursing wage subsidies to employers from this month onwards, there will be imminent waves of enterprises closing down and layoffs. There have been public opinions criticising the Government for spending \$30 billion lavishly on subsidising the Cathay Group which still needs to make a substantial cut of over 5 300 positions eventually, but refusing to spend a similar amount on making contributions to the Mandatory Provident Fund (MPF) schemes on behalf of the employers and employees in Hong Kong for half a year. These have reflected that the Government's policies have placed emphasis on individual companies and ignored the hardship faced by the workers in Hong Kong, and that the Government has often misjudged the situations and took wrong remedies. In this connection, will the Government inform this Council:

(1) given that the epidemic has resurged with many members of the public being laid off or experiencing drastic pay cuts, but they have received one after another notices for payment of salaries tax issued by the Inland Revenue Department with assessments made on the basis of their income levels before the epidemic, and they therefore feel extremely anxious, helpless and even angry, whether the Government will be truly down to earth and sympathise with people's hardship, and introduce measures to provide a universal full waiver or substantial reduction of salaries tax;

(2) whether it will consider afresh introducing "individual-based" relief measures, including making contributions to the MPF schemes on behalf of the employers and employees in Hong Kong for half a year, paying government rent on behalf of all property owners and providing concessions on rates for self-occupied properties for one year, granting flat owners who are unemployed exemption from paying the Special Stamp Duty when selling their properties, as well as handing out cash to members of the public again by making reference to the practice of the Macao Government of handing out \$10,000 and \$6,000 to permanent and non-permanent residents respectively; and

(3) as it has been reported that in recent months, the number of applications for Certificates of No Criminal Conviction has surged, and there is also a wave of students of a number of traditional prestigious schools dropping out, whether the Government has assessed if these phenomena have reflected that quite a number of members of the public consider the Government's efforts in tackling the epidemic and boosting the economy to be perfunctory, and that they are continuously losing confidence in the Government's governance; what

government measures are in place to address the situation?

Reply:

President,

The Government understands the varying degree of impact on people's daily lives and business operation brought by the continual COVID-19 epidemic and the associated anti-epidemic measures. In the face of such severe situation, the Government expeditiously deployed fiscal reserve, in a massive amount of some \$300 billion, to introduce multi-faceted relief measures through the Budget and the Anti-epidemic Fund, including the Employment Support Scheme (ESS), to "support enterprises, safeguard jobs and relieve people's burden". These measures and assistance are aimed not just at enhancing our overall anti-epidemic capability but also providing suitable relief to sectors and individuals hard-hit by the epidemic or affected by the anti-epidemic and social distancing measures. Over the last few weeks, the epidemic situation has deteriorated. The Government needs to continue to curb the epidemic situation in full steam in order to create conditions for reviving economic activities and easing economic pressure facing the public and enterprises.

In consultation with the Transport and Housing Bureau, Security Bureau and Education Bureau (EDB), my consolidated reply to the various parts of the question raised by the Hon Paul Tse is as follows:

(1) The Budget this year has provided one-off reduction of salaries tax and tax under personal assessment by 100 per cent for the year of assessment (YA) 2019/20, subject to a ceiling of \$20,000 per case. The measure benefits about 1.95 million taxpayers and the revenue forgone by the Government amounts to about \$18.8 billion. During the consultation exercise for next year's Budget, we will continue to gauge different views from the public and thoroughly consider different suggestions.

Taxpayers who encounter financial difficulties in settling their tax bills on time may apply for payment of tax by instalments. For taxpayers who have obtained the Inland Revenue Department (IRD)'s approval for instalment settlement of the demand notes for salaries tax and personal assessment for YA 2019/20, no surcharge will be imposed for a maximum period of one year counted from the respective due dates of the demand notes, provided that the instalment plans are duly adhered to. Besides, the IRD also provides for a holding over arrangement of provisional tax. Taxpayers anticipating a decrease of more than 10 per cent in their net chargeable income for the current YA may apply to the IRD for holding over of the whole or part of the provisional tax. The application procedures are simple. Applicants only need to state their estimated income with reason for the reduction of income (such as reduction of salary or unemployment). The IRD will process such applications as quickly as possible.

(2) After implementation of the various measures amounting to over \$300 billion, the Government's consolidated deficit for 2020-21 is expected to increase to over \$300 billion. Fiscal reserves will also be reduced to

around \$800 billion, equivalent to around 12 to 13 months of government expenditure. This deficit level is unprecedentedly high. Given the local epidemic situation and also the uncertainty besetting the external economic environment, the Government must strike a balance between ensuring the prudent use of public resources to prevent a rapid dwindling of fiscal reserves on the one hand, and providing adequate support for affected businesses and individuals on the other.

As mentioned above, the Government has implemented relief measures of over \$300 billion, including the ESS which brings cash flow to enterprises and safeguards jobs for staff. To enhance the support for the grassroots and underprivileged, the Government announced in January this year the initiative to make monthly Mandatory Provident Fund (MPF) contributions of 5 per cent for the low-income persons. Using the current minimum relevant income level and the estimate of around 200 000 beneficiaries as the basis of calculation, the initiative, when implemented, would incur an additional annual expenditure of around \$600 million. With regard to rates, the Budget provides rates concession for four quarters of 2020-21. For domestic tenements, the exemption ceiling is \$1,500 per tenement per quarter. About 2.94 million domestic properties (including self-occupied domestic properties) will benefit from the rates concession. Amongst which, no rates will be charged on 61 per cent domestic properties in 2020-21. The revenue forgone by the Government will be about \$13.3 billion.

The Hon Tse's suggestions of making MPF contributions for all employers and employees, as well as relaunching the Cash Payout Scheme, are measures of a relatively universal nature. Given the finite public resources, volatile epidemic situation and the extremely difficult external and internal political and economic environment, the Government has to manage the fiscal situation more prudently and preserve our fiscal strength with a view to coping with unforeseen needs. In the coming years, government expenditure will enter a consolidation period. We will focus on the optimal use of resources and control of the epidemic, as well as targeted support to industries and people that have been hard-hit by the epidemic. These targeted measures include abolishing the Doubled Ad Valorem Stamp Duty to facilitate selling of non-residential property by businesses that encounter financial predicament or have liquidity needs because of the economic downturn, as well as enhancing the social welfare safety net so that unemployed persons can receive assistance to tide over their economic difficulties. Hence, after balancing relevant factors of consideration, we have no plans to implement measures as suggested by the Hon Tse at this stage.

As regards Government rent, the Basic Law and the Government Rent (Assessment and Collection) Ordinance (Cap. 515) have clearly stipulated the obligation of a property owner to pay Government rent. Article 121 of the Basic Law stipulates the liability of Government rent payment for leases of land granted or renewed during the period from May 27, 1985 to June 30, 1997. The arrangement of levying Government rent is extended to leases of land granted on or after July 1, 1997 to ensure consistency with the relevant policy. The Government has to comply with the Basic Law, and there has not been any form of concession (including payment by the Government on behalf of

rent payers) on Government rent.

Regarding the suggestion to relax the arrangement for Special Stamp Duty, it should be noted that the housing supply is still tight at the moment. Over the past year, while there has been a slight retreat in residential property prices owing to global and local factors, the overall residential property prices remain at a level beyond the affordability of the general public. According to the latest information from the Rating and Valuation Department, the mortgage-to-income ratio (i.e. the home purchase affordability ratio) in the third quarter of 2020 was 77 per cent, which was even higher than that of 73 per cent in the third quarter of 2019, and much higher than the average of 45 per cent in the past 20 years (i.e. 2000-2019). Therefore, the Government will maintain various demand-side management measures concerning residential properties. The Government will, as always, keep watch on the residential property market conditions and take timely and appropriate measures in response to market changes by making reference to relevant indicators.

(3) Between 2017 and 2019, the number of applications for Certificate of No Criminal Conviction (CNCC) received by the Hong Kong Police Force was about 22 000, 23 000 and 33 000 respectively. The purposes of applying for CNCC include emigration, studying abroad, exchange visitors and children adoption, etc. Regarding applications made for the purpose of emigration, not all persons who have obtained CNCC may necessarily be given immigration visas from the relevant countries or territories. For those who have obtained immigration visas, they may not eventually emigrate to other places either. In view of the above-mentioned situation, we should take into account these limiting factors when interpreting the figures.

Students can terminate their studies for different reasons, including employment, family, health, school transfer, financial burden and academic performance, etc. The EDB will not speculate on the number of cases of termination of studies. In Hong Kong, parents have the right to choose the schools for their children to attend to. Hence, it is not unusual for students to move to other schools after the start of school term every year. In fact, it is a normal phenomenon of Hong Kong as an international city that some parents would arrange their children to study abroad.

Overall speaking, it is our top priority and also our common goal, to prevent and control the epidemic in order to revive our economy soon. The Government will continue with our anti-epidemic efforts to suppress the epidemic so that our economic activities and daily lives could resume normal as soon as possible.