

LCQ22: Alleviating the financial burdens of members of the public

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 6):

Question:

The economic downturn brought about by the epidemic has resulted in a significant reduction in the income of quite a number of families and a high unemployment rate. A member of the public who has been unemployed for nearly a year called my office, complaining in tears about his not being able to meet expenses such as those arising from the upcoming Lunar New Year and payments for salaries tax (including provisional tax). On the other hand, the Finance Committee of this Council scrutinized on the 21st of last month the Government's funding application for the fourth round of injection into the Anti-epidemic Fund. At that meeting, I again suggested allowing members of the public to make early withdrawal of part of the accrued benefits from their Mandatory Provident Fund (MPF) accounts in order to alleviate their financial difficulties. The Chief Secretary for Administration (CS) undertook to discuss with the Financial Secretary (FS) whether there was any room to relax the relevant policies. In this connection, will the Government inform this Council:

(1) of the progress of the discussion between CS and FS, and the expected time when the outcome will be available;

(2) as unemployed members of the public have, time and again, indicated that at present they are already heavily debt-ridden and can turn to nowhere to take out loans, and that they hope to get back the accrued benefits from their MPF accounts as soon as possible to address their imminent needs, whether the Government has viewed my dedicated page on social media platforms so as to gain an understanding of the public's disappointment and disgruntlement with the Government, as well as to review how the existing policies lack popularity; if not, whether it will view the dedicated page immediately and set up an MPF enquiry hotline to listen to the public's demands;

(3) whether, apart from considering my aforesaid suggestion, the Government will request the Mandatory Provident Fund Schemes Authority (MPFA) to make arrangements to allow members of the public to use the accrued benefits in their MPF accounts as a guarantee for taking out from banks an "MPF guaranteed extra low-interest tax loan" of an amount equals or doubles the amount of their accrued benefits, and to pay part of the loan interest on their behalf, so as to help members of the public tide over the Lunar New Year and pay for their salaries tax which is about to fall due, as well as let members of the public know about the value of the existence of MPFA which has been making investment losses for 10 consecutive years and dubbed a

kingdom for retired senior officials; and

(4) whether, in order to alleviate the financial burdens on those members of the public who are unemployed, seeking jobs and forced to take unpaid leave, the Government will consider exempting all taxpayers from paying salaries tax (including provisional tax) for one year?

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, and the immense pressure that the general public and the entrepreneurs are facing. To cope with the impact of the epidemic on different sectors of society, the Government has introduced multi-faceted relief measures amounting to more than \$300 billion, through the Budget and four rounds of the Anti-epidemic Fund, with a view to assisting the community to tide over the difficult times. The Government would continue to work together with the people in the fight against the epidemic, to ease the pressure of economic downturn facing the people and different sectors of the community, to fortify the economy, and to get prepared for reviving our economic development after the epidemic.

In consultation with the Labour and Welfare Bureau, my reply to the various parts of the question raised by the Hon Tse is as follows:

(1) & (2)

As pointed out by the Government in response to Members' earlier questions, the very design of the Mandatory Provident Fund (MPF) System is to allow the steady accumulation of MPF benefits for investment and value growth during the working life of scheme members. Accrued benefits should therefore be preserved in the System as far as possible and should only be withdrawn upon retirement of the employees. The MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we relax the preservation requirement on accrued benefits and allow scheme members to make early withdrawal to meet short-term financial needs or contingency, there would be leakage of the accrued benefits from the system from time to time and damage the accumulation for value growth, thereby undermining the integrity of the MPF System and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

There was suggestion raised at the meeting of the Finance Committee held on December 21, 2020, to allow members of the public to make early withdrawal of MPF accrued benefits derived from employees' contributions. The Government had further deliberated on the suggestion internally and after thorough consideration of relevant policy objectives and long-term implications, it was unanimously considered not appropriate to pursue the suggestion. Thus, we have no intention at this stage to allow members of the public to make early

withdrawal of MPF accrued benefits derived from employees' contributions.

The Government has been monitoring the views expressed by the public on both online and offline platforms regarding Government's policies, anti-epidemic strategies and relief measures, etc. This helps us to provide targeted assistance to industries and people that have been hard-hit by the epidemic through a series of focused relief measures. 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. Meanwhile, the Government will continue to gauge the views from the community. The Financial Secretary has also invited all sectors of society to offer their views on the coming Budget, in a bid to join hands with the people and tackle the prevailing challenges with collective wisdom.

(3) & (4)

Allowing the public to use the accrued benefits of their MPF accounts as loan guarantee is in essence drawing on the accrued benefits. As mentioned above, the proposal would involve leakage of the accrued benefits from time to time and undermine the integrity of the MPF System. Hence, it is considered not appropriate to implement the proposal.

Regarding the salaries tax, to relieve the financial burden of the public, the 2020-21 Budget 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, 1.32 million of whom do not have to pay tax for the YA concerned. The revenue forgone amounts to about \$18.8 billion.

The Inland Revenue Department (IRD) 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 year of assessment may apply to IRD for holding over of the whole or part of the provisional tax under the Inland Revenue Ordinance. 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). IRD will process such applications as quickly as possible. Furthermore, taxpayers who encounter financial difficulties in settling their tax bills on time may apply to IRD for payment of tax by instalments before the due date of the tax demand notes. For instalment plans approved by IRD for settlement of salaries tax and personal assessment demand notes for YA 2019/20 issued between August 2020 and August 2021, provided that the instalment plans are duly adhered to, no surcharge will be imposed on the taxpayers for a maximum period of one year counting from the respective due dates of the demand notes.

To give more targeted support for the unemployed and their families who face immediate economic difficulties, the Government has launched the "Special Scheme of Assistance to the Unemployed" under the Comprehensive Social Security Assistance (CSSA) Scheme to temporarily relax the asset limits for able-bodied persons by 100 per cent from June 1, 2020 to May 31,

2021. To render further assistance to the unemployed, the Government will implement another time-limited new arrangement under the special scheme. Specifically, the cash value of insurance policies of able-bodied CSSA applicants will not be counted as assets during the grace period of one year. In other words, for unemployed CSSA applicants whose applications are submitted within the six-month period of the new arrangement, all insurance policies owned by them, irrespective of cash value, will not be counted in the asset test during the one-year grace period. The Government will announce the details later.

Apart from these time-limited, short-term arrangements for immediate assistance, the CSSA Scheme has been providing employment support services for able-bodied persons. The Chief Executive's 2019 Policy Address has announced a series of improvement measures on the CSSA Scheme, with particular focus on enhancing the employment support services. Apart from increasing the relevant special allowances, the collaboration among the service-providing non-governmental organisations, the Labour Department and the Employees Retraining Board is also enhanced to provide more vocational training and employment choices to the unemployed who is willing to work.

[LCQ13: Employment and economic statistics](#)

Following is a question by the Hon Wong Kwok-kin and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 6):

Question:

Will the Government provide the following employment and economic statistics for 2019 (adopting the first quarter of 2004 as the base period, i.e. first quarter of 2004=100):

(1) the respective (i) numbers of employed persons, (ii) Nominal Wage Indices, (iii) Real Wage Indices, (iv) Nominal Indices of Payroll per Person Engaged, and (v) Real Indices of Payroll per Person Engaged, in respect of the various (a) industries and (b) occupations, broken down by gender; if such information is unavailable, whether it will compile the relevant statistics; and

(2) the (i) Nominal Gross Domestic Product (GDP), (ii) Real GDP, and (iii) year-on-year growth rates of such figures?

Reply:

President,

Our response to various parts of the questions is provided below:

(1) The number of employed persons (excluding foreign domestic helpers) by gender for various industries and occupations in Hong Kong in 2019 is set out in Annex 1, whereas the nominal and real wage indices for selected industries and selected occupational groups and the nominal and real indices of payroll per person engaged for selected industries during the same period are set out in Annex 2 and Annex 3 respectively. Owing to sample size and data constraints, the Government has neither compiled wage indices broken down by gender nor indices of payroll per person engaged broken down by gender and occupation.

(2) Hong Kong's Gross Domestic Product (GDP) at current market prices (i.e. in nominal terms) and in chained (2018) dollars (i.e. in real terms) in 2019 as compared to 2004 are as follows:

	2019
GDP in nominal terms (HK\$)	2,865.7 billion
Compared with 2004	+117.6 per cent
GDP in real terms (HK\$)	2,799.7 billion
Compared with 2004	+62.1 per cent

[LCQ20: Mandatory Provident Fund schemes](#)

Following is a question by the Hon Luk Chung-hung and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 6):

Question:

Regarding Mandatory Provident Fund (MPF) schemes, will the Government inform this Council:

(1) of the following information as at December 31, 2020,

(i) a breakdown of the number of MPF scheme members by age group, the average amount of accrued benefits in each account, and the average yearly rate of return of MPF accounts;

(ii) the number of holders of Tax-deductible Voluntary Contribution Accounts under MPF schemes and among them, the number and percentage of those who were civil servants; the total amount of funds involved in this type of accounts, and the amount of funds involved in those accounts held by civil servants and its percentage in the total amount;

(iii) the number of MPF scheme members who had been employed by the same employers since participating in the MPF schemes concerned, and its percentage in the total number of scheme members, together with a breakdown of the average amount of accrued benefits and the average rate of return of their accounts by age group and monthly salary group; the respective percentages of the sum of contributions and the total investment returns in the accrued benefits of such accounts; the number of civil servants among such members; and

(iv) the number of MPF accounts in which the accrued benefits derived from employers' contributions had been used to offset severance payments and long service payments (commonly known as the offsetting mechanism), and the amount involved; the percentage of such accounts in the total number of MPF accounts; the progress of the legislative work to abolish such offsetting mechanism and the implementation timetable; and

(2) of the new measures put in place to (i) further lower the management fees of MPF schemes, (ii) offer more investment plans with guaranteed return, and (iii) ensure that employees will not be subject to retaliation for lodging complaints about their employers defaulting on MPF contributions; whether "full portability" of MPF benefits will be implemented expeditiously, so that employees may transfer all the accrued benefits derived from their employers' mandatory contributions to MPF schemes of their own choice?

Reply:

President,

In consultation with the Mandatory Provident Fund Schemes Authority (MPFA), Civil Service Bureau and Labour and Welfare Bureau, my reply to the various parts of the question raised by the Hon Luk is as follows:

(1)(i) As of November 30, 2020, there were about 4 459 000 persons participating in the Mandatory Provident Fund (MPF) schemes, with an average accrued benefits of scheme members amounting to \$246,000. In terms of overall investment return, since the establishment of the MPF System in December 2000 and until November 2020, the annualised return of MPF after netting fees and expenses was 4.5 per cent, which was higher than the inflation rate of 1.8 per cent over the same period.

The MPFA does not keep information on the number of scheme members and breakdown of the accrued benefits and investment returns in members' accounts by different age groups.

(ii) As of November 2020, there were around 43 200 tax deductible voluntary contribution (TVC) accounts, with a total contribution of \$2,575 million. The

Government and the MPFA do not keep information on the number TVC account holders who are civil servants.

(iii) A scheme member under the same employment can hold more than one account under MPF schemes of different trustees. Looking from the account level, as at December 2019, around 90 000 employee contribution accounts were set up when the MPF System was launched in December 2000 and received contributions continuously under the same scheme. The average accrued benefits derived from mandatory contributions of these accounts amounted to \$423,000. Out of these 90 000 accounts, about 30 000 accounts received both mandatory contributions and voluntary contributions. The average accrued benefits of these 30 000 accounts amounted to \$1,015,000.

Except from the above, the MPFA does not have information on the number of employees being employed by the same employer since the launch of MPF System to date, nor the age, income, contribution amount, accounts' investment returns of their accounts and whether the account members were civil servants.

(iv) Since July 2001, the MPFA has been collecting from trustees data about the amount of claims for offsetting Severance Payment (SP)/Long Service Payment (LSP) against MPF accrued benefits every quarter. As of June 2020, the total amount of SP/LSP offsetting claims amounted to around \$49 billion. The MPFA does not keep information on the number of relevant accounts.

On the abolition of the arrangement of offsetting SP and LSP with accrued benefits attributable to employers' mandatory contributions under the MPF System (offsetting arrangement), the Government is working at full steam in taking forward the related preparatory work, including drafting the bills. The abolition of the offsetting arrangement cuts across different policy areas and involves complex issues. The Government is currently pressing ahead with the preparatory work and examining whether there is room to simplify the implementation and administration of the abolition proposal, with a view to completing the drafting of the bills as soon as possible. It is planned to introduce the bills into the next term of the Legislative Council in the next legislative year.

(2) The Government and the MPFA have all along been committed to enhancing the effectiveness of the MPF System as the second pillar of the overall retirement protection framework in Hong Kong, including lowering fees. The overall fund expense ratio to the total asset under management has dropped from 2.1 per cent in 2007 to 1.44 per cent in November 2020. Further to the introduction of low fee funds in 2012, the fee-controlled Default Investment Strategy (DIS) in 2017, and the one-stop MPF Fund Platform in 2019, the Government and the MPFA are preparing for the establishment of the eMPF Platform. The eMPF Platform seeks to tackle the existing decentralised model of MPF scheme administration and high-cost issues by standardising, streamlining and automating administration work. It has the benefits of enhancing operational efficiency of the MPF System, thereby creating room for fee reduction and a predominantly paperless experience. With an eMPF Platform fee level in the range of 30 to 40 basis points in the two-year transitional

stage, we expect that scheme members can enjoy an average of around 30 per cent upfront cut in scheme administration costs, with corresponding reduction to the topline fees. Our target is to complete the development of the eMPF Platform by 2022 at the earliest for trustees to migrate to the eMPF Platform in batches, in order to facilitate the full operation in around 2025 the earliest for bringing benefits to scheme members. The capabilities of the eMPF Platform to process centrally the MPF administration work and scheme members' information kept by different MPF schemes or trustees will assist the consolidation and analysis of data such as employment and contribution of scheme members, while facilitating introduction of future reform initiatives such as "Full Portability".

Lowering the fees of MPF schemes would also help improve the net investment return received by scheme members. As of November 2020, the total MPF assets grew into a sum of more than \$1 trillion, of which more than 30 per cent (or around \$360 billion) were net investment return after fees. The annualised return of MPF after fees and expenses was 4.5 per cent, higher than the inflation rate of 1.8 per cent over the same period. Overall speaking, the growth in investment return is steady. Currently, MPF schemes provide scheme member with more than 400 funds of different risk and return combinations. Scheme members can choose a suitable investment portfolio according to their individual circumstances such as age and risk tolerance. Amongst these investment choices, the DIS funds are designed to diversify investment risks and are particularly suitable for those scheme members who do not have the time or investment knowledge to manage their MPF benefits. Since the implementation of the DIS in April 2017, the annualised returns of the Core Accumulation Fund and Age 65 Plus Fund under the DIS are 6.3 per cent and 4.8 per cent respectively, which out-perform inflation and other similar types of mixed asset funds.

As for the protection to employees against default MPF contribution by their employers, the MPFA treats every case of complaints by the employees in strict confidence, and respects complainants' decision to remain anonymous. To protect employees who lodge complaints, the MPFA will not disclose to employers the source of complaints or the complainants' identity during the investigation unless consent is obtained from the complainants. Even if an employee lodges an anonymous complaint with the MPFA about non-compliance with the Mandatory Provident Fund Schemes Ordinance by his/her employer, the MPFA will still process the complaint and conduct investigation as appropriate.

Process Review Panel in relation to the Regulation of Mandatory Provident

[Fund Intermediaries publishes 2020 Annual Report](#)

The Process Review Panel in relation to the Regulation of Mandatory Provident Fund Intermediaries (PRP) published its 2020 Annual Report today (January 6), covering the work of the PRP from May 1, 2019, to April 30, 2020.

The PRP Chairman, Mr Eugene Fung, SC, said, "The PRP selected five cases relating to the Mandatory Provident Fund (MPF) intermediaries for detailed review. Leveraging on Members' professional knowledge, the PRP has made a number of comments and suggestions to the Mandatory Provident Fund Schemes Authority (MPFA) for further enhancing the regulatory regime in relation to the MPF intermediaries."

He added, "I am pleased to learn that the MPFA has made positive responses to the PRP's recommendations and spared no effort in continuously improving its internal procedures and guidelines that are conducive to strengthening the regulatory regime of MPF intermediaries."

The 2020 Annual Report has been uploaded to the website of the Financial Services and the Treasury Bureau at www.fstb.gov.hk/fsb/en/topical/doc/prp_mpfi_2020_e.pdf.

The PRP welcomes views of the public and market participants on the PRP's work. The comments can be referred to the PRP via email at enq@fstb.gov.hk.

[Mobile specimen collection stations and community testing centres provide free testing for persons subject to compulsory testing](#)

With the prolonged local COVID-19 epidemic situation, there has been a widespread number of confirmed cases across all districts. Some of the confirmed cases have been asymptomatic which indicates the existence of many silent transmission chains within the community. The Government has exercised the power under the Prevention and Control of Disease (Compulsory Testing for Certain Persons) Regulation (Cap. 599J) to cover a number of buildings across the territory under compulsory testing notices and require residents, workers

and visitors to undergo testing. To facilitate persons covered under the compulsory testing notices to undergo testing, the Government has arranged for testing service providers to set up mobile specimen collection stations at a number of locations in various districts to provide free and convenient testing services for them.

The opening dates and operating hours of the mobile specimen collection stations already in operation in various districts providing free COVID-19 nucleic acid testing services for the general public are at the Annex. Two new mobile specimen collection stations will be set up in Wuhu Street Temporary Playground, Hung Hom, and the badminton court of Affluence Garden, Tuen Mun, respectively, while the mobile specimen collection station at Cheung Sha Wan Community Centre will also extend its service period to January 8. The Government has taken into account the testing service needs of individual buildings covered under compulsory testing notices and the existing testing services near the buildings in the course of setting up mobile specimen collection stations.

The Government will decide whether it is necessary to increase the number of stations, adjust or extend the operation periods of the stations after reviewing their usage and the public's demand for the testing service.

Apart from mobile specimen collection stations, persons subject to compulsory testing can also choose to attend any of the community testing centres in all districts to receive testing free of charge. The operating hours of the centres are from 8am to 1.30pm and from 2.30pm to 8pm daily. The centres provide booking as well as on-site registration services. Members of the public are only required to input simple personal information, and select the testing centre and time slot in the 24-hour appointment booking system (www.communitytest.gov.hk). The centres accord priority to those who make bookings in advance.

A Government spokesman said, "The testing service providers will provide specimen collection services by combined nasal and throat swabs at the mobile specimen collection stations and community testing centres for testing free of charge. Generally speaking, mobile specimen collection stations only provide testing services for local residents and workers who are subject to compulsory testing."

People whose test results are negative will be informed by SMS notifications through their mobile phones. Persons subject to compulsory testing must properly keep the relevant records. If any specimen tested shows a preliminarily positive result, the specimen will be referred to the Public Health Laboratory Services Branch of the Department of Health (DH) for a confirmatory test. Confirmed cases will be followed up and announced by the Centre for Health Protection of the DH.

The Government reminds the public that they can undergo COVID-19 testing for free through various means. For details on other free-of-charge testing means other than mobile specimen collection stations and community testing centres, please refer to the following

webpage: www.coronavirus.gov.hk/eng/early-testing.html. If a person has symptoms, he or she should seek medical attention immediately and should not attend the mobile specimen collection stations or community testing centres.

The spokesman urged all individuals who are in doubt about their own health condition, or individuals with exposure to infection risk (such as individuals who visited places with epidemic outbreaks or contacted confirmed cases) to undergo testing promptly for early identification of infected persons.