

Effective Exchange Rate Index

The effective exchange rate index for the Hong Kong dollar on Wednesday, May 27, 2020 is 109.2 (up 0.2 against yesterday's index).

LCQ1: Assistance provided for the unemployed

Following is a question by the Hon Ho Kai-ming (Hon Luk Chung-hung to ask on his behalf) and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (May 27):

Question:

Quite a number of people have become unemployed due to the Coronavirus Disease 2019 epidemic. In view of this, the Government has implemented, under the existing Comprehensive Social Security Assistance Scheme (CSSA), a "Special Scheme of Assistance to the Unemployed" with relaxed asset limits, which is applicable for the six-month period from June 1 to November 30 this year. Recently, I have received quite a number of requests for assistance from unemployed persons applying for CSSA. They have relayed that the relevant application procedure is cumbersome and the eligibility criteria are stringent, and some officers of the Social Welfare Department (SWD) made things difficult for them, displayed poor attitude, and even persuaded them to give up their applications. In this connection, will the Government inform this Council:

(1) of the number of CSSA applications received from the unemployed by SWD in each of the past 12 months and, among such applications, the number of those in which the applicants did not comply with the original asset limits but would have complied with the relaxed asset limits;

(2) of the procedure for SWD to vet and approve CSSA applications from the unemployed, as well as the number of such applications and when the vetting and approval of all such applications will be completed, as envisaged by it; whether it will consider expediting the vetting and approval procedure so that the unemployed may obtain the assistance as early as possible; and

(3) of the current staffing establishment of SWD for processing CSSA applications; whether SWD will, in the light of the aforesaid view, review the workload of the relevant officers and consider increasing the manpower, so as to improve the services and raise the efficiency of vetting and approval of CSSA applications from the unemployed; if so, of the details; if not, the reasons for that?

Reply:

President,

The Comprehensive Social Security Assistance (CSSA) Scheme provides a safety net to help persons and families who cannot support themselves financially to meet their basic needs. The Scheme is non-contributory, but applicants have to pass a means test to ensure public resources are used on those who are genuinely in need.

Having considered the unprecedented challenges posed by the coronavirus disease 2019 (COVID-19) in Hong Kong, the Chief Executive announced on April 8, 2020 the second round of anti-epidemic measures including the provision of a time-limited unemployment support scheme through the CSSA system, with a view to providing timely and basic assistance to the unemployed during this difficult time. The Finance Committee (FC) of the Legislative Council approved the related funding on April 18. The Social Welfare Department (SWD) will temporarily relax the CSSA asset limits for able-bodied persons (including able-bodied adult singletons and able-bodied adults and children under family cases) by 100 per cent for six months. The relevant scheme will be effective from June 1 to November 30 (i.e. the asset limits will revert to the normal level on December 1). Separately, under the existing CSSA arrangement, the value of an owner-occupied residential property of households with able-bodied persons will be disregarded for a grace period of the first 12 months. This arrangement will also apply to applicants under the six-month unemployment support scheme.

The 2019 Policy Address has also announced a series of measures to improve the CSSA. These measures include increasing the maximum rent allowance significantly, raising the maximum level of disregarded earnings substantially from \$2,500 to \$4,000 per month, strengthening the employment services, and extending a range of supplement and special grants to eligible non-elderly able-bodied recipients, etc. The relevant proposal has already been submitted to the FC for approval, following which the Government will implement the measures as soon as possible. Meanwhile, the Government adjusts CSSA payment rates according to the price index movements every year to maintain the purchasing power of the payments. During the period between 2011 and 2019, the CSSA payments registered a cumulative increase of about 40 per cent. The Government has submitted a proposal to the FC this year to increase the CSSA payments by 3.6 per cent from February 1, 2020. Upon FC's approval, the relevant increase will take retrospective effect from February 1.

Since the outbreak of COVID-19 in the community, the Government has implemented a series of disease control measures in view of the development of the pandemic. These measures include special work arrangement for civil servants and various arrangements to minimise social contact, etc. In this connection, the Social Security Field Units (SSFUs) of SWD has put in place restrictive measures on public services involving face-to-face contact since early February 2020 to reduce the risk of community infection. Nevertheless, SWD has been implementing special measures, such as facilitating applicants to make use of the application drop boxes outside the SSFUs, or to provide application information by post and email, etc to ensure timely processing of

applications for the CSSA and timely disbursement of the relevant payments to eligible applicants and existing recipients. The SSFUs have also continued to arrange meetings with individual applicants as necessary in order to actively process their applications without delay. In view of the Government's announcement on the gradual resumption of public services made on April 28, all SSFUs of the SWD have resumed opening to the public starting from May 4.

SWD will keep in close view the development of the pandemic and adjust its arrangements as appropriate. I must also stress that SWD is committed to serve those in need and provide various social welfare services for them. The Government believes that most of the unemployed CSSA recipients are only in need of temporary assistance to tide over the difficulties. During this difficult time, the society should lend a helping hand to those in financial needs by providing them basic assistance.

My reply to the Member's question is set out below:

(1) The number of CSSA applications under the unemployment category received by SWD in the past year (i.e. from May 2019 to April 2020) is set out in Annex. The six-month unemployment support scheme will be effective from June 1 to November 30, 2020.

(2) Generally, if CSSA applicants or their guardians/appointees provide all the necessary information, the application procedures can be completed in four weeks. During the period when the SSFUs shortened their opening hours in response to the pandemic, SWD has continued to process CSSA applications in a timely manner with the aforementioned special measures.

(3) At present, SWD has more than 1 300 social security grade officers working in various SSFUs in the territory. They are responsible for processing and approving applications and cases of CSSA and Social Security Allowance (including Old Age Allowance, Old Age Living Allowance and Disability Allowance). To cope with the recent and anticipated increase in workload related to the CSSA Scheme, SWD has adopted a two-pronged approach to step up the manpower of the SSFUs starting from May 2020. SWD has assigned additional staff to share the workload through temporary internal redeployment, and engaged over 70 experienced retired social security grade officers under the Post-retirement Service Contract Scheme to assist in processing and vetting CSSA applications.

LCQ7: Land premium arrangements for the housing projects of the Hong Kong Housing Society

Following is a question by the Hon Andrew Wan and a written reply by the

Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 27):

Question:

The Government revised in January 2019 the arrangements for payment of land premiums by the Hong Kong Housing Society (HKHS) for its housing projects, namely (i) for its rental estates: reducing from one third of the full market value of land premium (FMVP) to a nominal premium at \$1,000, (ii) for the domestic portions of subsidized sale flat (SSF) projects: reducing from one half to one third of FMVP and (iii) for the non-domestic portions of SSF projects: maintaining the arrangement of charging FMVP. In this connection, will the Government inform this Council:

(1) of the year in which the Government started charging land premiums equivalent to one third of FMVP for the rental estates developed by HKHS, the justifications for pitching the amount of land premiums at that rate, and the reasons for not charging premiums at a lower rate at that time;

(2) given that HKHS and the Hong Kong Housing Authority (HA) alike build public rental housing units, whether the Government will waive the land premiums charged to HKHS for its rental estates so as to align the land premium arrangements for the two bodies; if not, of the reasons for that;

(3) of the year in which the Government started charging land premiums equivalent to one half of FMVP for the domestic portions of SSF projects developed by HKHS, the name of the first housing court for which a land premium at that rate was paid, the justifications for pitching the amount of land premiums at that rate, and the reasons for not charging premiums at a lower rate at that time;

(4) of the date the FMVP of which is used as the basis for calculating the land premiums payable by HKHS for its SSF projects;

(5) given that HKHS has to pay land premiums for its SSF projects, whereas HA only has to pay land costs (the actual amounts of which are lower) and a nominal premium at \$1,000 for such type of projects, whether it has assessed if this situation was the primary reason leading to the higher per-square-foot prices for the relevant units sold by HKHS as compared with those of the units sold by HA; if it has assessed, of the results;

(6) as some members of the public have pointed out that low income families have found those units under HKHS' SSF projects unaffordable given their relatively higher prices, whether the Government will consider amending the land premium arrangements for the housing projects of HKHS to align them with those for HA;

(7) whether it knows the following details of each of the housing projects developed/to be developed by HKHS in the past five financial years and in the next three financial years respectively (set out in a table):

(i) category to which the project belongs (namely rental estate, Flat-for-

Sale Scheme or SSF project),
(ii) name of the housing estate/court,
(iii) district in which the housing estate/court is located,
(iv) financial year in which the site concerned was/will be handed over by the Government,
(v) date/prospective date on which public applications were/will be accepted for occupancy/purchase,
(vi) number of units,
(vii) prices/prospective prices (if applicable),
(viii) land premium payable (in million dollars), and
(ix) average land premium per unit (in million dollars); and

(8) whether the Government will consider, where the non-domestic portions of HKHS' SSF projects include social welfare and community facilities, waiving the land premiums concerned or charging a nominal premium only?

Reply:

President,

The Hong Kong Housing Society (HKHS) is an important partner of the Government's housing policy and plays an active role in providing low to middle-income families with rental units and subsidised sale flats (SSF). The HKHS has been developing subsidised housing projects on a self-financing basis on sites granted to the HKHS by the Government at concessionary land premium.

Having consulted the Lands Department, my consolidated reply to the question is as follows:

(1) and (3) The Government had been charging land premium at one-third of the full market value (FMV) for HKHS' rental estate projects since 1950s. The then Government considered that the relevant concessionary premium was adequate in enabling the HKHS to provide rental units at low and affordable rent to low-income families. As for SSFs, the Government had been charging land premium at one-half of FMV for HKHS' SSF projects since 1980s. The then Government considered that the relevant concessionary premium was adequate in enabling the HKHS to break even while selling SSFs at below market value. The first site granted for HKHS' development of SSF project at such concessionary premium is Clague Garden Estate in Tsuen Wan.

(2), (5) and (6) The Government announced on June 29, 2018 the new pricing mechanism for the Home Ownership Scheme (HOS) under the Hong Kong Housing Authority (HA). Under the relevant mechanism, the selling price of HOS units is determined based on the affordability test which uses the median monthly household income of non-owner occupier households as the reference point, and ensures that at least 75 per cent of units are affordable. Since the HKHS generally makes reference to the discount rate provided in the preceding HOS sale exercise in formulating pricing for its SSFs, under the new HOS pricing mechanism, the HKHS may need to offer a correspondingly higher discount rate for its SSF. This may lower HKHS' income and affect its financial

sustainability.

Against the above background, the Government reviewed the land premium arrangements for HKHS' subsidised housing projects and revised the arrangements in January 2019 as follows: from the previous one-third of FMV to a nominal premium at \$1,000 for HKHS' rental estates; and from the previous one-half of FMV to one-third of FMV for domestic portion of HKHS' SSF projects, while maintaining the existing arrangement of charging FMV for non-domestic portion of the SSF projects. The Government believes that the revised land premium arrangements would help mitigate the financial impact of its new HOS pricing mechanism on the HKHS, and strengthen HKHS' long-term financial sustainability. This will enable the HKHS to continue to provide rental units and SSFs at affordable rentals and prices to address housing needs of the public.

The HA and the HKHS assumes different yet complimentary roles in providing public housing. The HA is the major organisation responsible for developing public rental housing and SSFs, whereas the HKHS plays the role of "housing laboratory" apart from providing rental units and SSFs. The two organisations also differ in structure and mode of operation. Therefore, the Government does not consider it necessary to adopt entirely the same land premium arrangement for subsidised housing projects of the two organisations.

As mentioned above, under the existing mechanism, the discount rate and selling price of SSFs are determined based on the affordability of the applicants, and are not linked to the land premium. The selling price of respective SSF projects and units are affected by various factors, including the location of the project, orientation and views of the flat, fittings and facilities provided in the flat, etc. Hence, direct comparison of the selling prices of different projects may not be appropriate.

(4) The land premium payable by the HKHS for respective SSF project is calculated by the Government based on the market value of the land at the time of the grant to the HKHS.

(7) Information on subsidised housing projects completed by the HKHS in the past five financial years and estimated to be completed in the coming three financial years are set out at Annex.

(8) According to information provided by the Lands Department, under the existing mechanism, the Government would grant land by private treaty (PTG) at nominal, concessionary or full market premium for specific uses in justified circumstances, in accordance with the relevant policies in meeting the economic, social and community needs of Hong Kong. All PTGs for specified uses are subject to consideration by relevant departments from technical perspectives, scrutiny by relevant policy bureaux for giving policy support on a case-by-case basis, and approval by the Chief Executive-in-Council (CE-in-C) or its delegated authority. The Government would charge full market premium unless approval by the CE-in-C was obtained for granting concessionary or nominal premium with the support by the relevant policy bureau. This arrangement also applies to the portion used for social welfare or other community facilities under sites granted to the HKHS for subsidised

housing development. In general, if support is given by the relevant policy bureau, the portion used for social welfare or other community facilities may be granted at nominal premium.

LCQ2: Preventing emergence of local terrorism

Following is a question by the Hon Martin Liao and a reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (May 27):

Question:

When making public in March this year the overall law and order situation of Hong Kong in 2019, the Police indicated that during the "anti-extradition amendment bill incidents", online publicity materials had already "turned into weapon-making handbooks or even guides to kill police", and the violent acts concerned also involved the use of petrol bombs, corrosive liquids, genuine firearms and bullets and explosives. "In order to express their dissatisfaction with society and the government, rioters chose to hurt the public and cause social panic, which exactly is the behaviour of home-grown terrorism." The Police have repeatedly pointed out that the community must vigilantly guard against the emergence of home-grown terrorism. In this connection, will the Government inform this Council:

- (1) whether it has assessed the risk of attacks by home-grown terrorists in Hong Kong at present; if so, of the assessment outcome;
- (2) whether it has adjusted its counter-terrorism strategies in response to the changes in the aforesaid risk of attacks; if so, of the details; and
- (3) of the measures in place to raise public vigilance against home-grown terrorism, e.g. educating youngsters with immature minds to say "No" clearly to violence, so as to prevent home-grown terrorism from taking root in Hong Kong?

Reply:

President,

My consolidated reply to the three parts of Hon Liao's question is as follows:

Because of the incident of anti-legislative amendment, a series of processions and public assemblies have been staged in Hong Kong and ended up

in violence since June last year. There were even some 10 cases involving explosives and firearms, which were extremely alarming in both destructive power and quantities. These cases are similar to overseas terrorist activities in terms of their modus operandi, showing signs of the breeding of local terrorism in Hong Kong.

First, the various types of explosives seized by the Police include TATP (triacetone triperoxide), ANFO (ammonium nitrate/fuel oil), HMTD (hexamethylene triperoxide diamine), DNT (dinitrotoluene) and black powder, which are very powerful explosives commonly used in overseas terrorist attacks. Examples are the bombing at a federal building in Oklahoma of the United States in 1995, the serial bombing of the underground and buses in London of the United Kingdom in 2005, the bombing at government buildings in Oslo of Norway in 2011, the serial bombing at an airport and a metro station in Brussels of Belgium in 2016, the serial bombing at churches and hotels in Sri Lanka in 2019, etc. These terrorist attacks took place in different corners of the world and led to severe casualties.

Second, the detonation methods intended to be used by the persons involved in these cases resemble those commonly used in attacks by different terrorists around the world. For example, the Police seized a bomb made of a pressure cooker and nails; the same kind of pressure cooker bomb was used by terrorists in the marathon bombing in Boston of the United States in 2013, which resulted in three deaths and 264 injuries. Besides, the Police seized detonating devices made of mobile phones; similar remote devices made of mobile phones were used in the serial bombing in New York and New Jersey of the United States in 2016, which resulted in 34 injuries. The Police also seized pipe bomb (which could be hurled like hand-grenades), and similar bomb was used in the bombing in New York subway station in 2017, which resulted in three severe injuries.

Third, the Police seized extremely toxic and highly flammable chemicals of alarming types and quantities, which include potassium nitrate, ammonium nitrate, sulphuric acid, sulphur, acetone, strong acids, ethanol, cyanide, zinc cyanide, etc. If these raw materials are used for launching attacks, they will cause severe injuries and deaths.

Besides explosives, the Police seized five genuine guns and a large quantity of bullets in their operations, including a semi-automatic rifle. The same kind of rifle was used in the mass shooting on a crowd of concertgoers in Las Vegas of the United States, which resulted in over 50 deaths and 500 injuries.

The Police is conducting full investigation into relevant cases, identifying sources of the items concerned and whether organised crimes were involved in the acts of committing the offences, and closely monitoring the risk regarding the threat of local terrorism. Currently, the terrorist threat level of Hong Kong is "moderate". The Hong Kong Special Administrative Region (HKSAR) Government is keeping a close watch over the situation and enhancing the gathering of intelligence, and does not rule out the escalation of the terrorist threat level.

The HKSAR Government will combat terrorism with the most stringent laws. If sufficient evidence is found upon investigation, the Police and the Department of Justice will consider prosecution under the United Nations (Anti-Terrorism Measures) Ordinance (UNATMO), and will also consider freezing the related property to cut off their funding sources and thereby prevent them from recruiting members. Regardless of whether UNATMO is used, cases of explosives and firearms per se are very serious offences and infringe the Crimes Ordinance, the Firearms and Ammunition Ordinance, the Organized and Serious Crimes Ordinance, etc. with a maximum penalty of life imprisonment.

To prevent and combat terrorist activities, the HKSAR Government set up the Inter-departmental Counter-terrorism Unit (ICTU) in 2018, comprising members from six disciplinary forces, namely the Police, Immigration Department, Customs and Excise Department, Correctional Services Department, Fire Services Department and Government Flying Service. The Government's counter-terrorism (CT) strategy covers four areas, namely prevention, preparedness, response and recovery. The setup of ICTU provides an inter-departmental CT platform on top of the existing CT framework so that various departments can collaborate to take forward a series of initiatives, which include establishing a CT intelligence exchange mechanism and work platform for various departments to enhance integration and analysis of intelligence; conducting inter-departmental CT exercises and training to ensure preparedness at all times, as well as strengthening the co-operation and synergy among various departments.

In light of the numerous cases of explosives and firearms, the HKSAR Government has enhanced the internal CT preparedness. Departments and agencies concerned have devised relevant action plans to ensure immediate and effective responses in the event of terrorist attacks.

Terrorist attacks pose harm to everyone in society, and CT is an issue concerning all members of society. Bombs are indiscriminate and will, once exploded, harm people around by killing, causing physical disabilities and destroying buildings. No one in the vicinity can escape from the explosion should it occur. Members of society should stay vigilant to guard against the breeding of local terrorism by, inter alia, heightening alertness, reporting to the Police under safe conditions, and co-operating with the Police in their law enforcement duties. The HKSAR Government will enhance CT awareness among members of the public through public education. Law enforcement agencies will also educate the public through exercises on the strategy of "Run, Hide and Report", i.e. running away from the scene as soon as possible or hiding at sheltered places, and reporting to the Police under safe conditions.

Regarding youngsters, the Government will continue to instill among them correct values through various youth programmes so that they can say no to violence. The Government will also emphasise the law-abiding awareness to help students understand that they need to take responsibility for their own behaviour, and that the consequence of having a criminal record for life will have a profound impact on their future, so that they can realise the

importance of law compliance.

Thank you President.

Tax exemption for Anti-epidemic Fund

The Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order will be gazetted and take effect on May 29. The Order seeks to implement tax exemption from the year of assessment (YA) 2019-20 to most of the financial assistance or relief under the Anti-epidemic Fund (AEF) provided to businesses or individuals.

"In view of the unprecedented challenges arising from the coronavirus disease 2019 epidemic, the Government has established the AEF and two rounds of relief measures have been rolled out. Apart from certain measures that have no tax consequences in respect of the sums received under the AEF, other measures entail tax liabilities under the Inland Revenue Ordinance.

"To enable businesses and individuals to fully benefit from the assistance under the AEF, the beneficiaries shall be exempt from the payment of profits tax and salaries tax in respect of the assistance unless the sums are paid for general business activities and are not paid in a matching arrangement," a Government spokesman said.

A summary of the proposed tax treatment for the two rounds of measures under the AEF is in the Annex. The Government will adopt the same principles to provide tax exemption as and when further relief measures are rolled out under the AEF.

As most taxpayers are starting to file tax returns for YA 2019-20, commencement of the Order upon gazettal provides clarity and certainty of the tax treatment. Employers and employees need not report the sums exempted in tax returns upon commencement of the Order. Businesses or individuals that have already filed their tax returns can furnish the Inland Revenue Department with a written notification to amend relevant information. Employers should file a revised Employer's Return for the relevant employee(s).

The Order will be tabled at the Legislative Council for negative vetting on June 3.