

**For discussion
on 5 January 2004**

**LEGISLATIVE COUNCIL PANEL
ON FINANCIAL AFFAIRS**

**Rationalising the directorate establishment in the
Financial Services and the Treasury Bureau and
the Inland Revenue Department**

Purpose

This paper briefs Members on the proposed rationalisation of the directorate establishment in the Financial Services and the Treasury Bureau and the Inland Revenue Department and invites Members' views thereon.

Proposals

2. We propose to rationalise the directorate establishment under the Financial Services and the Treasury Bureau and the Inland Revenue Department with effect from 1 April 2004 to better meet government policy objectives. These proposals will generate overall net savings of **\$966,060** in terms of notional annual salary cost at mid-point and **\$1,315,992** in terms of full annual average staff cost, including salary and staff on-cost. The changes include -

(a) Deletion of directorate posts-

(i) deleting an Administrative Officer Staff Grade C (D2) post in the Treasury Branch due to streamlining as a result of the introduction of the operating expenditure envelope funding approach and the full scale adoption of the One-Line Vote arrangement for controlling officers; and

(ii) deleting a Chief Assessor post (D1) in the Training

Section of the Inland Revenue Department to reflect changes in job requirements.

(b) Upgrading/ creation of directorate posts-

- (i) upgrading on a permanent (vs supernumerary) basis the post of Deputy Secretary (Treasury)² in the Treasury Branch, from Administrative Officer Staff Grade B (D3) to Administrative Officer Staff Grade B1 (D4) ranking, to carry out long-term duties and responsibilities of overseeing Government's revenue, investments and tax portfolios; and
- (ii) creating a permanent Administrative Officer Staff Grade C (D2) post in the Financial Services Branch to cope with the long-term increase in workload arising from new policy initiatives to facilitate the development of financial markets and enhance market infrastructure governing financial services.

(c) Redeployment/ redistribution of duties-

- (i) redeploying a permanent post of Chief Treasury Accountant (D1) from the "Management Accounting" Division to the "H" Division in Treasury Branch to rationalise the directorate structure in the light of changes in responsibilities and workload;
- (ii) redistributing the duties of the four existing Principal Assistant Secretaries (D2) in the Financial Services Branch to promote synergy and hence more pro-active response to changing market needs; and
- (iii) redeploying an Assistant Commissioner post (D2) from Unit 2 to the restructured Headquarters Unit in Inland Revenue Department to reflect changes in job requirements and implement its business process re-engineering plans.

3. The proposals for the Establishment Subcommittee (ESC) of Finance Committee are attached in Appendices I to III. Subject to Members' views, we intend to invite ESC to consider our proposals on 11 February 2004.

Advice Sought

4. Members are invited to advise on the above proposals.

Financial Services and the Treasury Bureau
December 2003

**PROPOSALS FOR ESTABLISHMENT SUBCOMMITTEE OF
FINANCE COMMITTEE**

**GOVERNMENT SECRETARIAT : FINANCIAL SERVICES AND THE
TREASURY BUREAU (FINANCIAL SERVICES BRANCH)**

PROBLEM

The Financial Services Branch (FSB) of the Financial Services and the Treasury Bureau needs to strengthen its directorate support to cope with the long-term increase in workload arising from new policy initiatives to facilitate the development of financial markets and enhance market infrastructure governing financial services. As existing policies become more sophisticated and complicated, there is also a need to re-distribute duties and responsibilities among directorate staff at the Principal Assistant Secretary (PAS) level to promote synergy and hence more pro-active response to changing market needs.

PROPOSAL

2. We propose to create one permanent post of Administrative Officer Staff Grade C (AOSGC) (D2) as PAS(Financial Services)5 (PAS(FS)5). We also propose to re-distribute the duties and responsibilities among FSB's directorate officers at PAS level.

JUSTIFICATION

3. The financial services industry is one of the four major pillars of the Hong Kong economy. Hong Kong is now the thirteenth largest banking centre in the world and the third largest in Asia after Japan and Singapore. Our stock market has grown to become the eighth largest in the world and the second largest in Asia after Japan. We are the seventh largest centre for foreign exchange trading. The financial services industry provides employment to 6% of our workforce and accounts for 12% of our GDP.

4. The further development of the financial services industry is essential to strengthening our future economic growth. Hong Kong plays a vital role in raising foreign capital for Mainland enterprises, and provides an important gateway for international investors to reach the Mainland market. In the last decade, over HK\$754 billion of capital raised for Mainland enterprises was raised

through the Hong Kong market. Cooperation between Hong Kong and the Mainland in different financial services sectors is growing. At the international level, there is increasingly keen competition among financial markets to attract users, products and capital. To enhance Hong Kong's position as an international financial centre and the premier capital formation centre for the Mainland, we must compete on our strengths. The principal role of the government is to ensure that the legal framework, regulatory environment and market infrastructure are meeting the needs of the market users, both local and international. These require the Administration to devote resources at the directorate level on a permanent basis which is proportionate to the sophistication, breadth and depth of the policy initiatives on financial services.

Facilitating Financial Market Development

5. Market development is an important initiative that we will pursue as a matter of priority. We will build on Hong Kong's strengths as the gateway to Mainland China and a major international financial centre in the Asian time zone. With China's accession to the World Trade Organization (WTO), the implementation of the Closer Economic Partnership Arrangement (CEPA), and the state-owned enterprise reform and infrastructure development, new business opportunities are opening up for Hong Kong's financial services industry to play a role in the development of new financial products and expanding into the Mainland markets. We should step up our efforts to ensure that the legal framework in respect of the financial markets is conducive to the operation of market players including investors, financial intermediaries and issuers, and enhance the quality of our markets by upgrading corporate governance in the light of international development. These would help retain the business that is already in Hong Kong, and attract new players and capital to our markets.

6. In the banking area, we will have to ensure the successful implementation of the deposit protection scheme and the scheme for providing personal RMB business by banks in Hong Kong. We will monitor the implementation of a Commercial Credit Reference Agency which would help enhance the credit risk management capability of banks and thus facilitate greater access to bank credit by small and medium sized enterprises. We will also facilitate and coordinate the legislative work required for bank mergers, as part of our efforts to encourage consolidation in the banking sector.

7. In the insurance sector, we are committed to maintaining Hong Kong's status as an international insurance centre. Specifically, we will capitalize on the opportunities brought about by the opening up of the Mainland insurance market and seek to encourage more insurers to set up their regional headquarters here. We, together with the Insurance Authority (IA), are considering a series of

measures to promote reinsurance and captive insurance business in Hong Kong. On the regulatory front, we will ensure that Hong Kong's regulatory requirements continue to be in line with international standards.

8. For the fund management sector, we will strive to provide a favourable business environment for maintaining the presence of international fund management companies and attracting new players. To enhance our competitiveness at the international level, we need to identify regulatory impediments to market development, such as laws and regulations that limit the design of new financial products, in consultation with the market, and remove unnecessary barriers with reference to provisions in other jurisdictions. We will also join hands with interested parties to enhance investor education and the awareness of fund product features.

9. The regulatory regime governing offers of investment to the public is not up-to-date and in many aspects burdensome. It has become apparent that the legislative amendments and other piecemeal measures introduced over the years cannot accommodate the diversity required for offering structures and other market practices prevalent in international financial markets today. We need to devote resources to revamp and maintain the regulatory regime to cope with the rapid changes in the means of fund raising, the increasingly popular use of derivatives and other instruments for corporate finance purposes, etc. with a view to facilitating fund raising activities and strengthening our position as a major international capital formation centre for the Mainland. The exercise would involve a comprehensive review of relevant local laws and regulations governing offers of investment, which in turn requires in-depth study of regulatory reforms introduced in other major financial centres, extensive consultation with market players and investors, and ultimately substantial legislative amendments to the Companies Ordinance (CO) and the Securities and Futures Ordinance.

10. The bond market is a relatively undeveloped part of the financial market. More work is needed to increase the depth and breath of this market through a multi-pronged approach by stepping up engagement with the industry bodies and market players, encouraging the public sector to issue bonds (in particular retail bonds), and exploring new channels for distribution of bonds to retail investors (e.g. through the brokers at the retail level). In particular, we will endeavor to create a favourable environment that is conducive to the development of the bond market by providing the necessary financial infrastructure, simplifying the issuance process and offering appropriate tax incentives. We will also continue our efforts in educating the investors on the bond market together with the relevant industry bodies and regulators.

11. Following the implementation of CEPA, we will work with various sectors in the financial services to facilitate further exchange of professional talents and tap the vast opportunities in the Mainland market. We will engage the market in exploring ways to attract liquidity and promote the introduction of new products, thereby enhancing the depth and breadth of our market. We will also work with the industry in this regard in promoting the participation of market users in Hong Kong. We have already joined hands with other interested parties in promoting Hong Kong in various cities in the Mainland and should continue to extend our engagement efforts under the aegis of CEPA through various forums like the Hong Kong–Guangdong Cooperation and Hong Kong–Shanghai Cooperation.

Enhancement of Market Infrastructure

12. Developing a modern and robust market infrastructure is a key element in enhancing the status of Hong Kong as a major international financial centre. As competition in securities markets increasingly focuses on the ability of a market to provide value-added services through technology upgrading, innovation and user-friendly access, we see a strong need to build an infrastructure that will enhance the diversity and effectiveness of clearing and settlement of transactions and ensure the reliability and integrity of the risk management system.

13. In this regard, we undertake extensive co-ordination among financial regulators such as the Securities and Futures Commission (SFC), the Hong Kong Monetary Authority (HKMA) as well as relevant market operators including the Hong Kong Exchanges and Clearing Limited (HKEx) in taking further various initiatives, including developing a scripless securities market which would further enhance efficiency and security in the system. The HKEx has completed its consultation in late December 2003, and we expect a detailed operational model will be available in the second quarter of 2004. In taking forward the scripless initiative, we need to develop and put in place the necessary legal framework to replace the existing paper-based system. To do so we have to engage stakeholders such as the share registrars, custodians, clearing and settlement houses, issuers and legal professionals to ensure that the proposal is acceptable to market participants. This involves complicated legal issues such as the transfer of ownership and linkages with overseas jurisdictions which need to be carefully examined. Considerable amendments to the CO, securities and futures legislation and other related laws and regulations are also envisaged. In the process we need to ensure a smooth transition from a physical share certificate system to a scripless system, and the benefits and costs of the new system are equitably shared amongst stakeholders so that the interests of investors are protected.

14. Clearing and settlement systems for funds and securities are essential infrastructures for the smooth functioning of financial markets. To enhance the general safety and efficiency of such systems and provide legal certainty to transactions effected through such systems, we will need to devise new legislation to provide for a formal regulatory regime and for settlement finality in such systems. This would also facilitate the early admission of Hong Kong Dollars into the Continuous Linked Settlement (CLS) System, which is a global clearing and settlement system for cross-border foreign exchange transactions. We will aim to secure early implementation of these initiatives and oversee their smooth operation.

15. To strengthen our risk management ability, we conduct market contingency rehearsals on a regular basis. This involves major government officials from the Financial Secretary to relevant directorate officers, as well as all major financial market regulators and operators. We provide the necessary support as the project manager and coordinator, and simulates relevant scenarios for activating and testing the risk management readiness of major players in each rehearsal. In addition, to enhance cross-market surveillance and risk management, we also provide support for the Financial Stability Committee since its inception in May 2000. This Committee has further strengthened its terms of reference on the recommendations made by the International Monetary Fund Financial Sector Assessment Programme in mid 2003.

16. The long-term increase in workload arising from all the above initiatives, together with ongoing commitment, necessitates the support of an additional officer at AOSGC rank on a permanent basis. A re-distribution of responsibilities and workload among the PASs is also necessary to promote synergy. We have considered but rejected the option of creating a supernumerary post for the purpose. We do not consider that a time-limited post can cope with the workload on an ongoing basis. The proposed post, if approved, will be designated as PAS(FS)5. An organization chart showing the proposed changes is at Enclosure 1.

Encl. 1

Re-distribution of duties and responsibilities

17. The existing four PAS posts were created from 1986 to 1999 to address new policy issues relating to companies, banking, securities and MPF and retirement schemes as they emerge over time. A brief description of the duties of these posts when they were first created is at Enclosure 2. These duties have evolved over time to cater for new initiatives arising from the development of the financial markets and as policy and legislative projects on financial services become more complicated and sophisticated.

Encl. 2

18. The workload and level of responsibility at the PAS level have increased to a level that due degree of attention cannot be accorded to new policy initiatives. As a stop-gap measure, the HKMA has lent its support to FSB in December 2002 with a secondee who has been temporarily deployed to perform policy functions at a PAS level. FSB cannot rely on this temporary arrangement to provide support for the additional long term workload.

19. With the proposed fifth PAS post, we propose to rationalize the allocation of duties and responsibilities among the PASs in FSB as follows to enhance synergy .

PAS(FS)1

20. PAS(FS)1 will take on the regulation of listing and market development issues in relation to debt market, financial products, fund management industry and offers of investment. He will provide policy input on a number of issues including disclosure of interests and market misconduct. He will be responsible for the policy matters relating to the housekeeping of Insider Dealing Tribunal, Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal, and provide secretariat support for the Process Review Panel of the SFC. He will also deal with matters relating to HKEx and promotion of Hong Kong as an international financial centre overseas and in the Mainland.

PAS(FS)2

21. PAS(FS)2 will oversee matters relating to the development of market infrastructure including scripless securities market. He will also oversee investor compensation, and supervision of intermediaries in the securities and futures markets. He will coordinate among the regulators on risk management matters including market contingency planning and other cross-market issues such as providing support for the Financial Stability Committee. He will be responsible for the maintenance and regular update of the Securities and Futures Ordinance in the light of market development. He will be in charge of housekeeping matters relating to the SFC, like processing its budget, annual reports, appointments, and subsidiary legislation made by the SFC which requires prior consultation with the FS. He will also coordinate CEPA related matters in the financial services sector.

PAS(FS)3

22. PAS(FS)3 will tackle insurance policy matters, for example, the review of the institutional set-up of the IA; feasibility study of establishing policyholders' protection funds; and consultancy study on the supervisory

framework of the assets of long term insurers. All these are major projects that involve considerable policy input and have attracted much interest of the relevant stakeholders. Moreover, he will deal with retirement scheme policy matters and the ongoing review of the relevant legislation. On this front, he is specifically responsible for the Administration's interface with the Mandatory Provident Fund Schemes Authority (MPFA), such as handling MPFA's submissions to the Government as required under the law (e.g. the Authority's annual corporate plan and report). In addition, he is responsible for providing support to the Council of Financial Regulators chaired by the FS and the internal administration of FSB. Lastly, he is the subject officer responsible for matters relating to human resources development in the financial services sector.

PAS(FS)4

23. PAS(FS)4 will deal with the policies in respect of companies, from their incorporation to dissolution. He will also be in charge of policy responsibility for bankruptcy matters and the self-regulatory regime of accountants. He will oversee the work of the Companies Registry and the Official Receiver's Office, and coordinate trade matters in respect of financial services under the World Trade Organization. Among the major initiatives, there are a number of areas which require substantial policy input. These include the implementation of recommendations made by the Standing Committee on Company Law Reform (SCCLR) to modernize the CO and improve corporate governance. He will also be responsible for taking forward the proposals to enhance the oversight of the public interest activities of auditors and to establish a Financial Reporting Review Panel.

PAS(FS)5

24. PAS(FS)5 will be responsible for the review and maintenance of Banking Ordinance, and liaison with HKMA on banking and monetary issues. He will take on the development and monitoring of the deposit protection scheme. He will also coordinate and facilitate legislative work required for bank mergers. In addition, he will coordinate input into Hong Kong's participation in international forums such as International Monetary Fund, Asia Pacific Economic Cooperation, Organization for Economic Co-operation and Development, and the Financial Action Task Force against money laundering.

25. The revised duty lists of PAS(FS)1, PAS(FS)2, PAS(FS)3, PAS(FS)4 and PAS(FS)5 are at Enclosures 3 to 7 respectively.

Financial Services and the Treasury Bureau
(Financial Services Branch)
December 2003

Organization Chart of Financial Services Branch, Financial Services and the Treasury Bureau

Permanent Secretary for Financial Services and the Treasury (Financial Services)
(AOSGA1) (D8)

Financial Services Division

**Economic Analysis Division &
Office of the Commissioner of Insurance**

Deputy Secretary
(Financial Services) 1
(AOSGB1) (D4)

Deputy Secretary
(Financial Services) 2
(AOSGB) (D3)

PAS(FS)1
(AOSGC) (D2)

PAS(FS)2
(AOSGC) (D2)

PAS(FS)5
(AOSGC) (D2)

PAS(FS)3
(AOSGC) (D2)

PAS(FS)4
(AOSGC) (D2)

- regulation of listing
- market development issues
- disclosure of interests and market misconduct
- matters relating to HKEx
- promotion of Hong Kong as an international financial centre
- housekeeping of IDT, MMT and SFAT
- secretariat support for PRP for SFC

- development of market infrastructure
- investor compensation and supervision of intermediaries
- coordination of CEPA related matters
- risk management matters
- maintenance of the Securities and Futures Ordinance
- housekeeping of Securities and Futures Commission

- review and maintenance of Banking Ordinance
- policy and legislative matters on banking and monetary issues
- deposit protection scheme
- liaison with HKMA
- action against money laundering
- participation in international forums (IMF, OECD, APEC and FATF)

- policy on insurance matters
- retirement scheme policy matters
- liaison and interface with MPFA
- support for Council of Financial Regulators
- human resources development in the financial services sector
- branch administration

- policy on companies matters
- policy on bankruptcy matters
- regulatory regime of accountants
- trade matters on financial services under WTO
- housekeeping of CR and ORO

Proposed new post

Background Note on the Existing PAS Posts in FSB

PAS (Companies)

This post was transferred from the then Economic Services Branch to the then Monetary Affairs Branch in 1986 for dealing with companies matters and accounting laws.

PAS (Banking and Monetary)

This post was created in 1989 for dealing with matters relating to bank rescue arrangements, Government-owned banks, nursing of vulnerable banks and the Asian Development Bank.

PAS (Securities)

This post was created in 1992 for dealing with matters relating to the development and regulation of the securities and futures markets, and monitoring the work of the SFC.

PAS(Retirement Schemes and Insurance)

This post was created in 1999 for dealing with matters relating to insurance, MPF and retirement schemes.

**Proposed Job Description of
Principal Assistant Secretary (Financial Services) 1**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Financial Services) 1

Main Duties –

1. To oversee the regulation of listing and market development issues in relation to debt market, financial products, fund management industry and offers of investment;
2. To deal with policy and matters relating to disclosure of interests in securities, Insider Dealing Tribunal and Market Misconduct Tribunal;
3. To deal with matters relating to the Hong Kong Exchanges and Clearing Limited;
4. To coordinate the operation of the Securities and Futures Appeals Tribunal and provide secretariat support for the Process Review Panel for the Securities and Futures Commission; and
5. To coordinate the promotion of Hong Kong as an international financial centre overseas and in the Mainland, including Hong Kong-Guangdong and Hong Kong-Shanghai Co-operation forums.

**Proposed Job Description of
Principal Assistant Secretary (Financial Services) 2**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Financial Services) 1

Main Duties –

1. To oversee matters relating to the development of market infrastructure including scripless securities market;
2. To provide policy input on investor compensation and supervision of intermediaries in the securities and futures markets;
3. To be responsible for coordination of Closer Economic Partnership Arrangement (CEPA) related co-operation in the financial services sector;
4. To coordinate among the regulators on risk management matters including market contingency planning and coordinating cross-market issues for the Financial Stability Committee;
5. To deal with the maintenance and regular review of the Securities and Futures Ordinance in the light of market development; and
6. To undertake housekeeping of the Securities and Futures Commission.

**Proposed Job Description of
Principal Assistant Secretary (Financial Services) 3**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Financial Services) 2

Main Duties –

1. To deal with insurance policy matters including the review of the institutional set-up of the Insurance Authority, feasibility study of establishing policyholders' protection funds and consultancy study on the supervisory framework of the assets of long term insurers;
2. To deal with retirement scheme policy matters and the ongoing review of the relevant legislation;
3. To be responsible for the interface with the Mandatory Provident Fund Schemes Authority (MPFA) such as handling MPFA's submissions to the Government as required under the law;
4. To provide support for the Council of Financial Regulators;
5. To deal with matters relating to human resources development in the financial services sector; and
6. To be responsible for the internal administration of the Financial Services Branch.

**Proposed Job Description of
Principal Assistant Secretary (Financial Services) 4**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Financial Services) 2

Main Duties –

1. To deal with policy matters in respect of companies, from their incorporation to dissolution;
2. To carry policy responsibility for bankruptcy matters;
3. To oversee the self-regulatory regime of accountants;
4. To coordinate trade matters in respect of financial services under the World Trade Organization; and
5. To oversee the work of the Companies Registry and the Official Receiver's Office.

**Proposed Job Description of
Principal Assistant Secretary (Financial Services) 5**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Financial Services) 1

Main Duties –

1. To be responsible for the review and maintenance of Banking Ordinance;
2. To provide input on policy and legislative matters and to liaise with the Hong Kong Monetary Authority on banking and monetary issues;
3. To take on the development and monitoring of the deposit protection scheme;
4. To coordinate actions against money laundering by the Financial Action Task Force; and
5. To coordinate input into Hong Kong's participation in international forums such as International Monetary Fund, Organization for Economic Co-operation and Development and Asia Pacific Economic Cooperation.

**PROPOSALS FOR ESTABLISHMENT SUBCOMMITTEE OF
FINANCE COMMITTEE**

**GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE
TREASURY BUREAU (THE TREASURY BRANCH)**

PROBLEM

We need to re-organise and rationalise the directorate structure of the Treasury Branch in the light of changes in responsibilities and workload.

PROPOSAL

2. We propose to –
 - (a) make permanent the present supernumerary post of Administrative Officer Staff Grade B1 (AOSGB1) (D4) by deleting the permanent post of Administrative Officer Staff Grade B (AOSGB) (D3);
 - (b) delete one permanent post of Administrative Officer Staff Grade C (AOSGC) (D2); and
 - (c) redeploy one permanent post of Chief Treasury Accountant (CTA) (D1).

JUSTIFICATION

A permanent post of Administrative Officer Staff Grade B1 (D4) as Deputy Secretary (Treasury)2

- Encl. 1
3. There are three permanent posts of Deputy Secretary in the Treasury Branch each overseeing a specific portfolio of work as indicated in the organisation chart at Enclosure 1. One of them, the Deputy Secretary (Treasury)1, is ranked at AOSGB1 (D4) level. The remaining two are ranked at AOSGB (D3). On 23 May 2001, Members discussed EC(2001-02)9 and endorsed the creation of a supernumerary post of AOSGB1 (D4), held against a permanent AOSGB (D3) post, for three years to reflect the expanded responsibilities of the post of Deputy Secretary (Treasury)2 having regard to the importance and complexity of work to be undertaken. The supernumerary post will lapse on 8 June 2004. We have reviewed the level required of this post having regard to the latest development and its future

Encl. 2 work. The main duties of the post are listed in Enclosure 2.

4. The Administration has been making major equity investments and providing loans in support of economic and social development to improve Hong Kong's competitiveness and living environment. In the last several years, the Deputy Secretary (Treasury)² participated in negotiations with commercial parties which culminated in the Government taking strategic investment decisions in the Hong Kong International Theme Park, the Cyberport and the International Exhibition Centre. He has provided the main input with respect to the financial aspects of the study of the merger of the two railway companies and the proposed privatisation of the Airport Authority. He has taken charge of negotiations with the Urban Renewal Authority and the Housing Authority on the kind and quantum of financial support to be extended to them to enable them to achieve their mission in a financially optimal manner, as well as provide suggestions on financing options for these entities such as disposal of assets. To illustrate his huge portfolio, we attach at

Encl. 3

Enclosure 3 statements of Government investments and loans under the Capital Investment Fund (\$487.7 billion) and the Loan Fund (\$32.4 billion¹) as at 31 March 2003. Government's efforts in making major equity investments and providing loans in support of economic and social development will continue in future.

5. In addition, given the fiscal situation and the fundamental change in the structure of our public finances, the Administration needs to develop and execute strategies to raise revenue both for the shorter term through capital financing means as well as for the longer term such that we can fund our expenditure on a continuous basis. For instance, in order to meet cashflow needs in the short to medium term, the Administration has mapped out and will implement an extensive asset sale and securitisation programme which is expected to raise \$112 billion over a period of five years. The programme includes the sale of civil service and 'home starter' housing loans, sale of Government's shares in railway companies, privatisation of the Airport and securitisation of toll roads. The Administration will also be actively considering the issuance of Government bonds to raise additional capital revenue to supplement the programme. For the longer term, the Administration is considering measures which can improve our fiscal position and broaden our tax base. These measures include the introduction of a goods and services tax (GST). The Treasury Branch has set up an Inter-departmental Study Committee to conduct an in-depth study on GST. The Committee will research into the experience of overseas jurisdictions in implementing GST and devise a detailed GST framework which is suitable for Hong Kong. The Deputy Secretary directs and oversees the work.

6. The Deputy Secretary is also in charge of the programme to negotiate with other jurisdictions comprehensive agreements for avoidance of double taxation (CDTAs), which is aimed at promoting investment in Hong Kong. Many of our key trading and investment partners have responded positively to Hong Kong's approach for holding bilateral talks on such agreements and such negotiations are usually carried out by very senior officials in these jurisdictions. Negotiations with

¹ Approximately half of the loans pertaining to housing have now been sold to the Hong Kong Mortgage Corporation.

four countries have been held in 2003 and negotiations with four others are being arranged for 2004. We expect that such negotiations will continue in the coming years until a network of CDTAs have been set up with our major trading and investment partners.

7. Having regard to these developments, we foresee workload and the level of responsibilities of the post will remain the same or even increase in the foreseeable future. As such we propose a permanent upgrading.

8. Before putting forward the above recommendation, we have again considered the option of redistributing the duties of the three Deputy Secretary posts in the Treasury Branch. We have come to the conclusion that this option is neither practicable nor desirable.

Deletion of one permanent post of Administrative Officer Staff Grade C (D2)

9. The Deputy Secretary (Treasury)¹ is underpinned by six directorate officers, five ranked at D2 and one ranked at D1. Four of the D2 posts which are internally known as Resource Principal Assistant Secretaries (Resource PASs) are responsible for the financial aspects including the use and provision of resources for some 11 bureaux, 55 departments and 11 offices/statutory bodies/groups under their schedule. Specifically they advise on the financial implications of policy initiatives from bureaux and departments, examine requests for additional resources including vetting of submissions to the Policy Committee, Executive Council, and various committees and panels of the Legislative Council, assist in the allocation of resources and preparation of the annual Estimates of Expenditure as well as oversee in-year management of expenditure. A copy of the responsibilities and duties of the Resource PAS posts is at Enclosure 4.

Encl. 4

10. Upon the introduction of the operating expenditure envelope funding approach in 2002 and the full scale adoption of the One-Line Vote arrangement for controlling officers in 2003, bureaux and departments have been given greater flexibility in the deployment of resources. The work of the Resource PASs now focuses more on the policy and strategic aspects of funding initiatives than on the day-to-day management of resources within each operating expenditure envelope.

11. In the light of these changes we see scope for streamlining the directorate structure under Deputy Secretary (Treasury)¹ and propose to delete one of the four Resource PAS posts. We will make consequential adjustments for supporting staff administratively.

Redeployment of one post of Chief Treasury Accountant (CTA) (D1)

12. H Division is headed by an Assistant Director of Accounting Services (ADAS) with no permanent directorate support for the time being. The Division serves as the central office for co-ordinating the preparation of the Budget and related data on fiscal forecast. It coordinates resource allocation and budget work, provides Government's medium range forecast (MRF), compiles the necessary

materials for reference by the principal officials involved in preparing the budget, coordinates the central requirements of financial information system, as well as liaising with IMF, credit agencies, press, academics and other interested parties on fiscal and economic data.

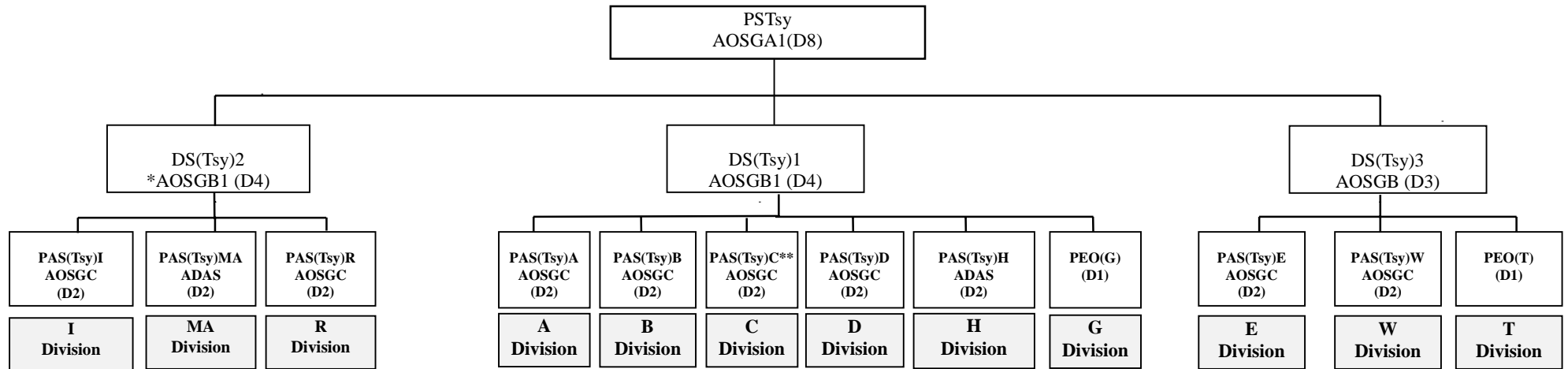
13. The work of H Division has become more complex and demanding in recent years following the introduction of the envelope funding approach and the surfacing of a structural deficit problem in our public finances. The Division needs to refine the ground rules on the authority and flexibility in the redeployment of resources by Bureaux/Departments, improve reporting and controlling mechanisms and revise the contents and presentation of the annual estimates. It also needs to review the expenditure ceilings to be imposed on all bureaux and departments and recommend realistic savings targets. Separately, the H Division is heavily involved in the preparation of the accrual-based accounts and needs to provide advice to the Treasury on the information needs of the new Government Financial Management Information System.

14. We carried out a review of the responsibilities under H and the Management Accounting (MA) Divisions of Treasury Branch. As a result, the MA Division, also headed by an ADAS, has swapped its CTA for an STA of the H Division on a trial basis since 2002 to help H Division to deal with the increased work at the directorate level. The change has been made possible partly because of the difficulties to push for revision of government fees and charges and other initiatives in the light of the financial climate. The work of the former CTA(MA) is now undertaken by the STA redeployed from H Division. In the light of the successful trial, we propose to continue the redeployment on a permanent basis.

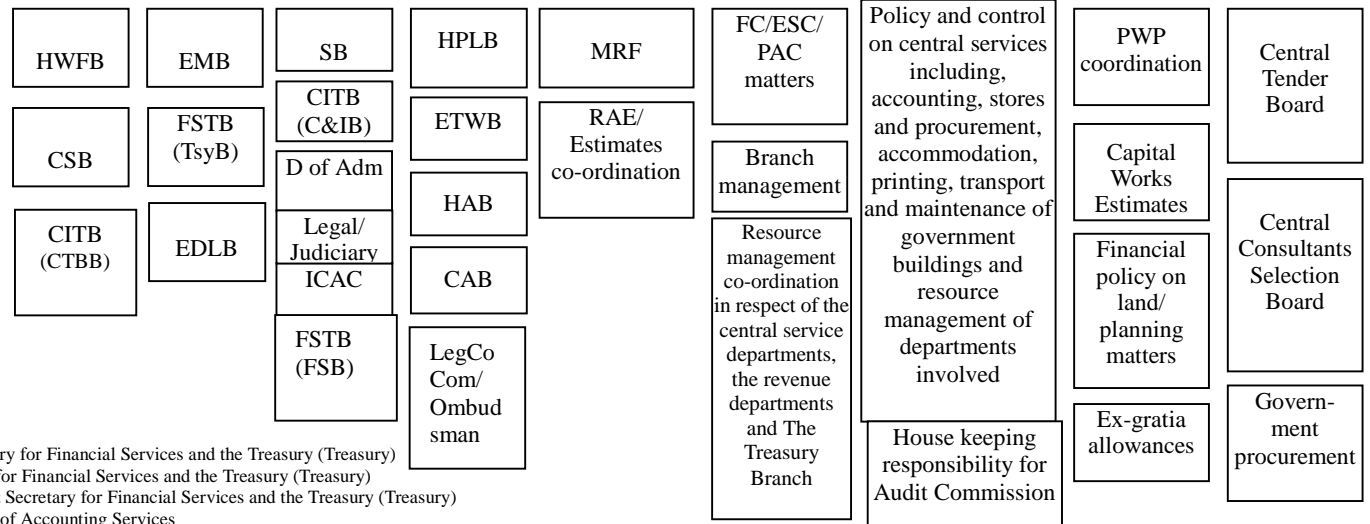
Encls. The job descriptions of the former CTA(MA) and the present CTA(H) are at 5 & 6 Enclosure 5 and 6 respectively.

Financial Services and the Treasury Bureau
(The Treasury Branch)
December 2003

Organisation of Financial Services and the Treasury Bureau (The Treasury Branch)
(as at 1.12.2003)



Use and provision of resources for (A - D Division) :



- Legend**
- PS (Tsy) Permanent Secretary for Financial Services and the Treasury (Treasury)
 - DS(Tsy) Deputy Secretary for Financial Services and the Treasury (Treasury)
 - PAS(Tsy) Principal Assistant Secretary for Financial Services and the Treasury (Treasury)
 - ADAS Assistant Director of Accounting Services
 - PEO Principal Executive Officer
 - CTA Chief Treasury Accountant
 - MRF Medium Range Forecast
 - RAE Resource Allocation Exercise
 - EPP Enhanced Productivity Programme
 - CIF/LF Capital Investment Fund/Loan Fund
 - RDS Railway Development Strategy
 - FC Finance Committee
 - ESC Establishment Subcommittee
 - PAC Public Accounts Committee
 - PWP Public Works Programme

#MA Division is responsible for financial policies and overseeing related matters of the approved loan portfolio under the Loan Fund

Proposed Changes

- *Supny post held against one 'AOSGB' (D3) post for 3 years w.e.f. 8.6.2001. Proposed to be made permanent
- **Proposed to be deleted
- @ Proposed to be redeployed to H Division

Job Description of Deputy Secretary (Treasury)2

Rank : Administrative Officer Staff Grade B1 (D4)

Responsible to : Permanent Secretary for Financial Services and the Treasury (Treasury)

Main Duties :

- (1) Policy responsibility for –
 - revenue and taxation
 - management of Government's assets
 - financial arrangements for major infrastructure projects outside the Public Works Programme
 - Government's investment and loan portfolios
 - trading funds
 - fees and charges
 - government utilities
 - fiscal reserves;
- (2) Formulating strategies for and overseeing negotiations on comprehensive double taxation programmes;
- (3) Vetting private sector participation infrastructural proposals insofar as they impinge on the financial position of the Government;
- (4) Resource management for Inland Revenue Department and Rating and Valuation Department and the revenue protection and taxation programmes of Customs and Exercise Department and Civil Aviation Department;
- (5) Coordinating the preparation of revenue, Capital Investment Fund and Loan Funds estimates;
- (6) Supervising the work of Investment, Management Accounting and Revenue Divisions; and
- (7) Representing Government's interest as shareholder in statutory bodies including attendance at Board of Directors and committee meetings.

資本投資基金 Capital Investment Fund

投資報表

STATEMENT OF INVESTMENTS

項目	2002年4月 1日結餘 Balances at 1.4.2002 \$'000	核准投資 Investments Approved \$'000	支出 Payments Made \$'000	其他投資 Other Investments \$'000	2003年3月 31日投資總額 Total Investments at 31.3.2003 \$'000	所持有股份 (股數) Nominal Holdings (No. of shares)	Descriptions
股本投資							EQUITY HOLDINGS
機場管理局	36,648,000	36,648,000	—	—	36,648,000	366,480	Airport Authority
亞洲開發銀行	87,243	87,688	36,369,760	278,240	87,243	1,350	Asian Development Bank
香港科技園公司	250,000	2,435,000	87,243	—	250,000	(a) 1,836,397,594	Hong Kong Science and Technology Parks Corporation
香港國際主題樂園有限公司	4,153,687	(b) 3,250,000	250,000	—	4,498,073	(c) 4,498,073,000	Hong Kong International Theme Parks Ltd.
國際展覽中心	—	2,000,000	344,386	—	—	N.A.	International Exhibition Centre
九廣鐵路公司	39,120,000	37,500,000	498,073	(b) 4,000,000	39,120,000	391,200	Kowloon-Canton Railway Corporation
地鐵有限公司	25,149,734	32,244,236	—	—	25,899,525	(d) 3,928,217,721	MTR Corporation Ltd.
新香港隧道有限公司	56,250	N.A.	32,188,100	(6,288,575)	56,250	5,625,000	New Hong Kong Tunnel Company Ltd.
應用研究局	175,000	175,000	—	—	175,000	175,000,000	The Applied Research Council
貿易通電子貿易有限公司	61,125	56,125	175,000	—	61,125	611,250,000	Tradelink Electronic Commerce Ltd.
股本投資總額	105,701,039	N.A.	344,386	749,791	106,795,216	N.A.	TOTAL FOR EQUITY HOLDINGS
其他資本投資							OTHER CAPITAL INVESTMENTS
香港房屋委員會 永久政府資本額	13,488,797	N.A.	—	—	(e) 3,488,797	N.A.	Hong Kong Housing Authority - Permanent government capital
住宅房屋出資額	312,332,229	N.A.	—	13,488,797	(f) 327,880,598	N.A.	Contributions to domestic housing
非住宅股本	24,606,067	N.A.	—	327,880,598	(f) 23,041,835	N.A.	Non-domestic equity
香港出口信用保險局	20,000	20,000	—	—	20,000	N.A.	Hong Kong Export Credit Insurance Corporation
市區重建局	—	10,000,000	20,000	—	2,000,000	N.A.	Urban Renewal Authority
公司註冊處營運基金	138,460	N.A.	2,000,000	—	138,460	N.A.	Companies Registry Trading Fund
機電工程營運基金	706,600	N.A.	—	138,460	706,600	N.A.	Electrical and Mechanical Services Trading Fund
土地註冊處營運基金	118,300	N.A.	—	706,600	118,300	N.A.	Land Registry Trading Fund
電訊管理局營運基金	212,400	N.A.	—	118,300	212,400	N.A.	Office of the Telecommunications Authority Trading Fund
郵政署營運基金	2,101,000	N.A.	—	212,400	(g) 2,101,000	N.A.	Post Office Trading Fund
其他資本投資總額	353,723,853	N.A.	2,000,000	13,984,137	369,707,990	N.A.	TOTAL FOR OTHER CAPITAL INVESTMENTS
總計	459,424,892	N.A.	2,344,386	14,733,928	476,503,206	N.A.	GRAND TOTAL
			108,644,163	367,859,043			

N.A. – 不適用 Not applicable

2002-03 數字 Figures

累積數字 Cumulative figures

資本投資基金 Capital Investment Fund

貸款報表

STATEMENT OF LOANS

項目	2002年4月 1日結餘 Balances at 1.4.2002 \$'000	核准貸款 Loans Approved \$'000	貸款發放 Loans Made \$'000	貸款償還 Loans Repaid \$'000	2003年3月31日 未償還貸款 Loans Outstanding at 31.3.2003 \$'000	Descriptions
香港房屋委員會	7,045,407	N.A.	— 12,795,588	(941,488) (6,691,669)	6,103,919	Hong Kong Housing Authority -
香港科技園公司	—	1,043,000	—	—	—	Hong Kong Science and Technology Parks Corporation
香港國際主題樂園有限公司	267,418	5,619,000	620,239 (a) 887,657	—	887,657	Hongkong International Theme Parks Ltd.
貿易通電子貿易有限公司	—	425,000	— 200,000	— (200,000)	—	Tradelink Electronic Commerce Ltd.
公司註冊處營運基金						Companies Registry Trading Fund
- 撥歸資產的貸款	55,340	N.A.	— 276,700	(27,670) (249,030)	27,670	- loan for appropriated assets
- 供作營運資金的貸款	—	20,000	—	—	—	- loan for working capital
- 有期貨款	—	150,000	100	(100)	—	- term loan
公司註冊處營運基金總額	55,340	N.A.	— 276,800	(27,670) (249,130)	27,670	Total for Companies Registry Trading Fund
機電工程營運基金						Electrical and Mechanical Services Trading Fund
- 撥歸資產的貸款	151,400	N.A.	— 302,800	(30,280) (181,680)	121,120	- loan for appropriated assets
- 供作營運資金的貸款	—	(b) 150,000	—	—	—	- loan for working capital
機電工程營運基金總額	151,400	N.A.	105,000 407,800	(105,000) (30,280) (286,680)	121,120	Total for Electrical and Mechanical Services Trading Fund
土地註冊處營運基金						Land Registry Trading Fund
- 撥歸資產的貸款	47,320	N.A.	— 236,600	(23,660) (212,940)	23,660	- loan for appropriated assets
郵政署營運基金						Post Office Trading Fund
- 撥歸資產的貸款	360,160	N.A.	— 900,400	(90,040) (630,280)	270,120	- loan for appropriated assets
總計	7,927,045	N.A.	620,239 15,704,845	(1,113,138) (8,270,699)	7,434,146	Total

N.A. – 不適用 Not applicable

2002-03 數字 Figures

累積數字 Cumulative figures

註：

(a) 這包括截至二〇〇三年三月三十一轉作本金的利息，為 2,765.7 萬元。

(b) 這些是給予營運基金的透支額。

Notes :

(a) This includes capitalized interest amounting to \$27.657 million as at 31 March 2003.

(b) These are overdraft facilities for the Trading Funds.

貸款基金 Loan Fund

貸款報表

STATEMENT OF LOANS

項目	2002年4月 1日結餘 Balances at 1.4.2002 \$'000	核准貸款 Loans Approved \$'000	貸款發放 Loans Made \$'000	貸款償還 Loans Repaid \$'000	2003年3月31日 未償還貸款 Loans Outstanding at 31.3.2003 \$'000	Descriptions
房屋貸款						HOUSING LOANS
香港房屋協會 完成計劃	21,430	146,019	—	(4,932)	16,498	Hong Kong Housing Society - Completed Schemes
郊區公共房屋 (i) 對面海	18,748	30,300	146,018	(129,520)	17,990	Rural public housing (i) Tui Min Hoi
(ii) 沙頭角	81,033	110,500	30,000	(2,762)	78,271	(ii) Sha Tau Kok
夾心階層住屋貸款計劃	384,483	1,380,000	110,500	(32,229)	314,178	Sandwich class housing loan scheme
首次置業貸款計劃	14,953,000	18,000,000	1,380,000	(1,065,822)	13,861,000	Home starter loan scheme
			14,953,000	(1,092,000)		
本地政府人員 - 年息 3½ 至 5 厘的貸款	5,483	179,800	—	(686)	4,797	Local government officers - Loans 3½% to 5% p.a.
			179,767	(174,970)		
香港平民屋宇有限公司	7,043	10,000	—	(7,043)	—	Hong Kong Settlers Housing Corporation Ltd.
			10,000	(10,000)		
公務員的房屋資助購屋貸款	6,569,099	10,438,000	210,805	(1,564,342)	5,215,562	Housing assistance for civil servants - housing loans
			(b) 5,215,562	—		
香港教育學院	—	30,000	—	—	—	Hong Kong Institute of Education
			4,175	(4,175)		
房屋貸款總額	22,040,319	30,324,619	210,805	(2,742,828)	19,508,296	TOTAL FOR HOUSING LOANS
			22,029,322	(2,521,026)		
教育貸款						EDUCATION LOANS
給予學校/教師的貸款						Loans to Schools/Teachers
給予學校的貸款	10,541	222,086	—	(3,075)	7,446	Loans to schools
			221,488	(214,022)		
給予買位計劃學校的貸款	291,375	490,000	—	—	291,375	Loans to schools in the bought place scheme
			291,375	—		
給予直接資助計劃學校的貸款	83,655	181,961	—	(17,667)	65,988	Loans to schools in the direct subsidy scheme
			181,961	(115,973)		
給予非牟利國際學校的貸款	161,643	188,391	—	(14,435)	147,208	Loans to non-profit-making international schools
			188,391	(41,183)		
私立學校改善斜坡貸款計劃	—	100,000	—	—	—	Slope improvement loan scheme for private schools
			—	—		
為專上教育機構提供開辦課程貸款	203,170	5,000,000	477,806	(17,613)	663,363	Start-up loan for post-secondary education providers
			680,976	(17,613)		
給予受訓教師的貸款	30	N.A.	—	(26)	4	Loans to teachers in training
			77,076	(77,072)		

N.A. – 不適用 Not applicable

	2002-03 數字 Figures
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	累積數字 Cumulative figures
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貸款基金 Loan Fund

貸款報表 (續)

STATEMENT OF LOANS
(Continued)

項目	2002年4月 1日結餘 Balances at 1.4.2002 \$'000	核准貸款 Loans Approved \$'000	貸款發放 Loans Made \$'000	貸款償還 Loans Repaid \$'000	2003年3月31日 未償還貸款 Loans Outstanding at 31.3.2003 \$'000	Descriptions
給予學生的貸款						Loans to Students
大學、香港專業教育學院、 菲臘牙科醫院、香港教育 學院及香港演藝學院的學 生	3,382,353	N.A.	518,209 8,040,580	(c) (862,953) (5,002,971)	3,037,609	Students of the universities, the Hong Kong Institute of Vocational Education, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts
免入息審查貸款計劃	1,180,303	N.A.	753,056 2,121,397	(c) (104,118) (292,156)	1,829,241	Non-means-tested loan scheme
為專上學生提供須經入息審 查的貸款	21,514	N.A.	53,980 75,529	(951) (986)	74,543	Means-tested loan for post-secondary students
認可專上學院的學生	65,232	N.A.	7,191 184,990	(c) (12,831) (125,398)	59,592	Students of approved post-secondary colleges
香港留英學生	703	N.A.	— 173,452	— (309) (173,058)	394	Hong Kong students in the United Kingdom
教育貸款總額	5,400,519	N.A.	1,810,242 12,237,215	(1,033,978) (6,060,432)	6,176,783	TOTAL FOR EDUCATION LOANS
其他貸款						OTHER LOANS
勞工						Labour
給予因工作而受傷的僱員及 死亡僱員遺屬的貸款	1,315	10,000	420 (b) 1,291	(c) (444) —	1,291	Loans to employees injured at work and dependants of deceased employees
開展職業性失聰補償計劃的 貸款	50,000	115,000	— 115,000	(13,000) (78,000)	37,000	Loan for starting up occupational deafness compensation scheme
給予僱員補償援助基金管理 局的過渡貸款	50,000	280,000	22,299 (a) 82,299	— (10,000)	72,299	Bridging loan to Employees Compensation Assistance Fund Board
給予破產欠薪保障基金委員 會的過渡貸款	—	695,000	— —	— —	—	Bridging loan to Protection of Wages On Insolvency Fund Board
漁農礦產						Primary Products
漁業貸款	65,700	100,000	26,045 (b) 84,399	(7,346) —	84,399	Fisheries loans
嘉道理農業貸款基金 - 禽畜廢物管制計劃	2,997	80,500	— (a) 19,744	(1,647) (18,394)	1,350	Kadoorie Agricultural Aid Loan Fund - Livestock waste control scheme
家禽飼養場東主的貸款	248	80,000	— 14,638	(60) (14,450)	188	Loans to poultry farmers
海魚養殖戶的貸款	14,236	200,000	— 130,189	(c) (5,375) (121,328)	8,861	Loans to mariculturists
給予家禽批發商及零售商的 貸款	2,007	570,000	— 81,498	(c) (1,226) (80,717)	781	Loans to poultry wholesalers and retailers
魚類統營處貸款基金—給予 漁民的貸款	1,705	65,000	— 46,645	(1,465) (46,405)	240	Fish Marketing Organization Loan Fund—loans to fishermen
向受禽流感影響的家禽批發 商和零售商提供貸款	13,468	146,000	— 15,423	(10,957) (12,912)	2,511	Loans to poultry wholesalers and retailers affected by avian flu

N.A. – 不適用 Not applicable

	2002-03 數字 Figures
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	累積數字 Cumulative figures
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貸款基金 Loan Fund

貸款報表 (續)

STATEMENT OF LOANS
(Continued)

項目	2002年4月 1日結餘 Balances at 1.4.2002 \$'000	核准貸款 Loans Approved \$'000	貸款發放 Loans Made \$'000	貸款償還 Loans Repaid \$'000	2003年3月31日 未償還貸款 Loans Outstanding at 31.3.2003 \$'000	Descriptions
發展工業部- 香港科技園公司						Development of Industrial Estates - Hong Kong Science and Technology Parks Corporation
將軍澳工業邨貸款	126,713	900,000	—	(126,713)	—	Tseung Kwan O Industrial Estate loan
			(a) 295,663	(295,663)		
土地發展						Land Development
市區重建局	19,936	100,000	—	(19,936)	—	Urban Renewal Authority
			31,150	(31,150)		
工業						Industry
香港生產力促進局- 特別用途大樓	117,229	266,970	—	(13,026)	104,203	Hong Kong Productivity Council- special purpose building
			(a) 267,810	(163,607)		
地產代理監管局						Estate Agents Authority
給予地產代理監管局的貸款	28,000	40,000	—	(28,000)	—	Loan to Estate Agents Authority
			40,000	(40,000)		
樓宇安全						Building Safety
改善樓宇安全綜合貸款計劃	25,843	700,000	53,620	(12,073)	67,390	Comprehensive building safety improvement loan scheme
			(b) 67,390	—		
旅遊業						Tourism
國際盛事基金	100,000	100,000	—	—	100,000	International Events Fund
			(b) 100,000	—		
海洋公園低地重建基金	—	500,000	—	—	—	Ocean Park Lowland Redevelopment Fund
			—	—		
中小型企業						Small and Medium Enterprises
中小型企業特別信貸計劃	184,870	5,000,000	76,317	(7,941)	253,246	Special finance scheme for small and medium enterprises
			253,246	—		
供水事宜						Water Supply
貸款予廣東省人民政府進行 水質改善工程	1,773,000	2,364,000	591,000	—	2,364,000	Loan to the Guangdong Provincial People's Government for water quality improvement project
			2,364,000	—		
資訊科技						Information Technology
給予香港互聯網註冊管理有 限公司的貸款	—	6,500	—	—	—	Loan to Hong Kong Internet Registration Corporation Limited
			—	—		
其他貸款總額	2,577,267	12,318,970	769,701	(249,209)	3,097,759	TOTAL FOR OTHER LOANS
			4,010,385	(912,626)		
總計	30,018,105	N.A.	2,790,748	(4,026,015)	28,782,838	GRAND TOTAL
			38,276,922	(9,494,084)		

N.A. - 不適用 Not applicable

	2002-03 數字 Figures
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	累積數字 Cumulative figures
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Job Description of Principal Assistant Secretary (Treasury) A/B/C/D

Rank : Administrative Officer Staff Grade C(D2)

Responsible to : Deputy Secretary (Treasury)1

Main Duties :

Assist the Deputy Secretary (Treasury)1 in looking after the financial aspects of a group of policy areas with the following specific duties -

- (1) Examining new policy initiatives to ensure that the resource requirements and financial implications are acceptable in the light of current and projected fiscal position and the guidelines set by the Financial Secretary;
- (2) Assisting the Deputy Secretary (1) in Resource Allocation Exercise to ensure that the allocations to bureaux and departments are in accordance with the guidelines and established rules;
- (3) Examining the draft Estimates submitted by bureaux and departments to ensure that they are within the approved budgetary allocation and in accordance with established rules;
- (4) Assisting bureaux and departments in seeking changes to the approved Estimates, when necessary and justified, including submissions to Finance Committee and its Establishment Subcommittee;
- (5) Approving proposals under delegated authority and giving advice to departments to ensure that they manage their resources in a manner consistent with established financial regulations and policies; and
- (6) Participating in policy reviews and other management studies with a view to promoting greater efficiency in use of resources.

Job Description
Chief Treasury Accountant, Management Accounts (MA) Division

Rank : Chief Treasury Accountant (D1)

Responsible to : Principal Assistant Secretary (Treasury) MA

Main Duties :

Assist the Principal Assistant Secretary (Treasury) MA in professional management accounting work including -

- (1) Reviewing the performance of the Operating Accounts and 5-Year Projections of the Government utilities and their fee proposals to ensure that the financial targets set by the respective Operating Accounts Committee chaired by the Permanent Secretary for Financial Services and the Treasury (Treasury) are met;
- (2) Preparing revenue estimates from Government utilities and monitor performance;
- (3) Considering fee/charging proposals of more complex/sensitive nature, or with service-wide implications;
- (4) Evaluating the financial implications or viability of proposals; and
- (5) Providing advice to bureaux/departments on matters relating to interest rates, discount rates and investment strategy; conducting review on interest rate for Government loans including student loans; and preparing regular statements on return of fiscal reserves.

Job Description
Chief Treasury Accountant, H Division

Ranks : Chief Treasury Accountant (D1)

Responsible to : Principal Assistant Secretary (Treasury) H

Main Duties :

Assist the Principal Assistant Secretary (Treasury) H in -

- (1) Conducting sensitivity analyses on the determination of Expenditure Guidelines and the allocation of Operating Expenditure Envelope, taking into account the Savings Target to be implemented and other relevant policy issues;
- (2) Performing scenarios analyses of Medium Range Forecast including the research of relevant economic and fiscal data and the recommendation on the use of various parameters;
- (3) Providing analytical and technical support for the formulation of budget strategies and the preparation of the Budget Speech and other budget-related publications; and
- (4) Providing analytical assessment and comments on IMF's statements and papers in respect of the fiscal policies and outlook in the Article IV Consultation.

**PROPOSALS FOR ESTABLISHMENT SUBCOMMITTEE
OF FINANCE COMMITTEE**

INLAND REVENUE DEPARTMENT

PROBLEM

We need to rationalise the organisation of the Inland Revenue Department (IRD) to reflect changes in work requirements due to the general recruitment freeze and to support the department's business process re-engineering plans to provide better taxpayer services.

PROPOSAL

2. With the support of the Secretary for Financial Services and the Treasury, the Commissioner of Inland Revenue (CIR) proposes to –

- (a) delete one Chief Assessor (CA) post in the Training Section; and
- (b) redeploy one Assistant Commissioner (AC) post from Unit 2 to the restructured Headquarters Unit (HQ Unit) with effect from 1 April 2004.

JUSTIFICATION

Deletion of the Post of CA (Training)

3. The Training Section, which is currently headed by a CA and comprises five non-directorate staff, provides training (which includes the organisation plus teaching work) to newly recruited Assistant Assessors (AA), and supports the Deputy Director of Inland Revenue (Operations) (DCIR(O)) in the overall co-ordination of the department's training plans and programmes for staff. Due to the general recruitment freeze, no recruitment exercise of AAs has been conducted since 1 April 2003. This situation will continue. As a result, the responsibilities of the Training Section have been substantially reduced. We see scope to downsize the section as well as to downgrade the ranking of the section head. The existing and proposed organisation charts of the Training Section are set out in Enclosure 1. DCIR(O), with support from the AC proposed to be posted to the HQ Unit, will continue to oversee and monitor the provision of suitable training for serving staff to ensure that their professional knowledge and expertise are kept abreast with the changing work requirements.

Redeployment of one AC from Unit 2 to Headquarters Unit

Present Organisation of IRD

Encls. 4. The present organisation chart of IRD and the main responsibilities of
2 & 3 the department's various units are set out in Enclosures 2 and 3. Units 1, 3 and 4 are each headed by an AC. Unit 2 handles the tax assessment of some three million individuals, 0.3 million employers and 1.2 million jointly owned properties. It has a staff force of 1,355 (44% of the establishment of the IRD), and is underpinned by 2 ACs. There is no AC in the Commissioner's Unit and the HQ Unit.

Business Process Re-engineering Plan and the Related Re-organisation

5. As part of the department's continued efforts in streamlining procedures and efficiency improvement, IRD has been implementing since 1999-2000 its Second Five-year Information Systems Strategic Plan (ISSP). Under this ISSP, the department's information technology infrastructure has been strengthened and it now possesses the capacity to process large quantities of transactions concurrently. Separately, the new Assess First Audit Later (AFAL) project allows assessments on returns which meet the pre-set criteria (about 70% of all returns) to be issued immediately without going through detailed examination upon receipt and are only subject to desk audit later on. These two major developments will enable the department to re-engineer its workflow and achieve economies of scale in the following manner –

- (a) to centralise the front-end handling of all inward mails, enquiries and issue of assessments at a centralised Document Processing Centre (DPC); and
- (b) to despatch outward mails and manage old records on a departmental basis through two other centralised processing centres viz. Output Despatch Centre (ODC) and Tax Records Centre (TRC) respectively.

6. The above three centralised processing centres will be established in early 2004 under the HQ Unit. They will take over certain cross-unit common functions and business processes. In addition, the Property, Test and Review (PTR) Section, the work of which is closely related to the DPC, will be transferred from Unit 2 to the HQ Unit. The restructured HQ Unit will be responsible for the issue and front-end processing of all tax returns filed by taxpayers and employers, as well as the issue of relatively straight forward assessments and will deal with related operational and technical matters including enquiries, objections and legislative amendments. It will also provide services to other business units including output despatch of correspondence, tax record management, counter and telephone

enquiries, IT support and staff training.

Redeployment of one AC from Unit 2 to HQ Unit

7. In view of the transfer of the wide-ranging activities from Unit 2 to the HQ Unit, we consider it necessary to redeploy one of the ACs currently in Unit 2 to oversee the work of the new HQ unit which will oversee increased responsibilities. AC1(Unit 2) will be re-designated as AC(HQ). He will continue to perform the full range of high level duties in respect of the tax type and assessments under his area of responsibility, oversee the operations of the centralised processing centres, monitor the assessing programmes under the AFAL System regarding the issue of assessments processed by the centres, administer the PTR Section in the handling of assessments for complicated cases, desk audits, objection processing, compliance matters, performance pledges and complaints, etc., as well as to give technical advice on Property Tax matters and deal with legislative amendments related to Property Tax.

8. AC(HQ) will also oversee and co-ordinate an in-depth study concerning IRD's work to facilitate the implementation of a Goods and Services Tax in the longer term. In addition, he will assist the DCIR(O) in overseeing IRD's training programmes after the deletion of the CA(Training) post and the Information Systems Division as well as IRD's service standards in view of the increased business needs and public expectation. This arrangement can relieve some of the workload of the DCIR(O) who can spend more efforts in assisting the CIR in formulating policies in tackling complex tax avoidance arrangements and tax evasion, and in strengthening tax audit and taxpayer education on tax compliance.

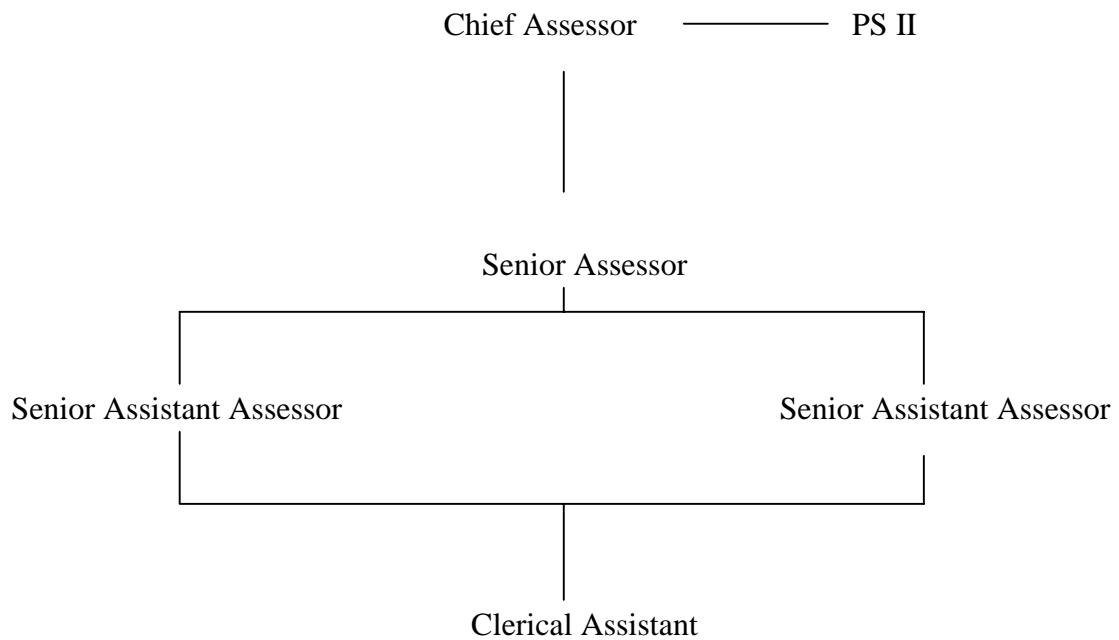
9. About 400 staff (340 of which from Unit 2) will be transferred from other units to the HQ Unit to perform the duties in the processing centres. Besides, 80 staff of the PTR Section will also be transferred from Unit 2 to the HQ Unit.

10. The restructured Unit 2 will be headed by an AC. It will continue to be responsible for assessing works which involve more complex cases, such as Non-AFAL assessments, post-assessment desk audit, objections, informer cases, penal action on non-compliance cases, etc. It will have an establishment of around 900 staff.

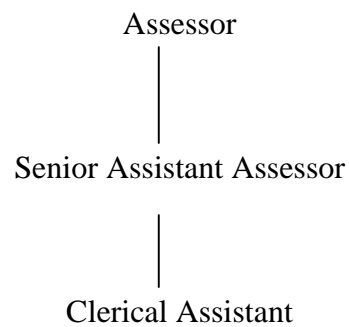
Encls. 4,
5 & 6
Encls.
7 & 8

11. The proposed organisation chart of IRD is at Enclosure 4. The job descriptions of the two present Unit 2 ACs are at Enclosures 5 and 6 while the proposed duties of the AC(HQ) and those of the remaining AC in Unit 2 after the re-organisation are at Enclosures 7 and 8.

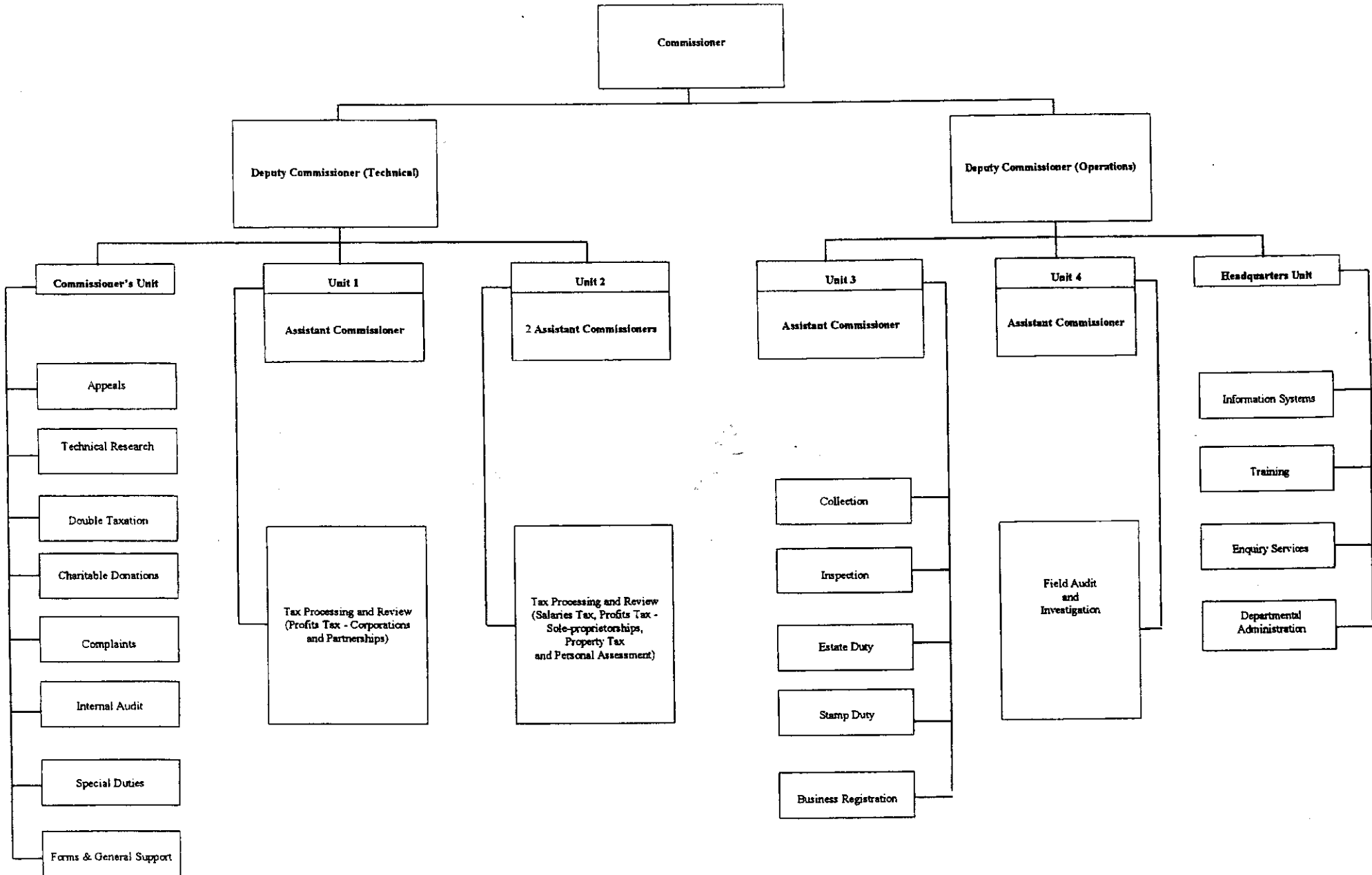
Existing Organisation Chart of the Training Section



Proposed Organisation Chart of the Training Section



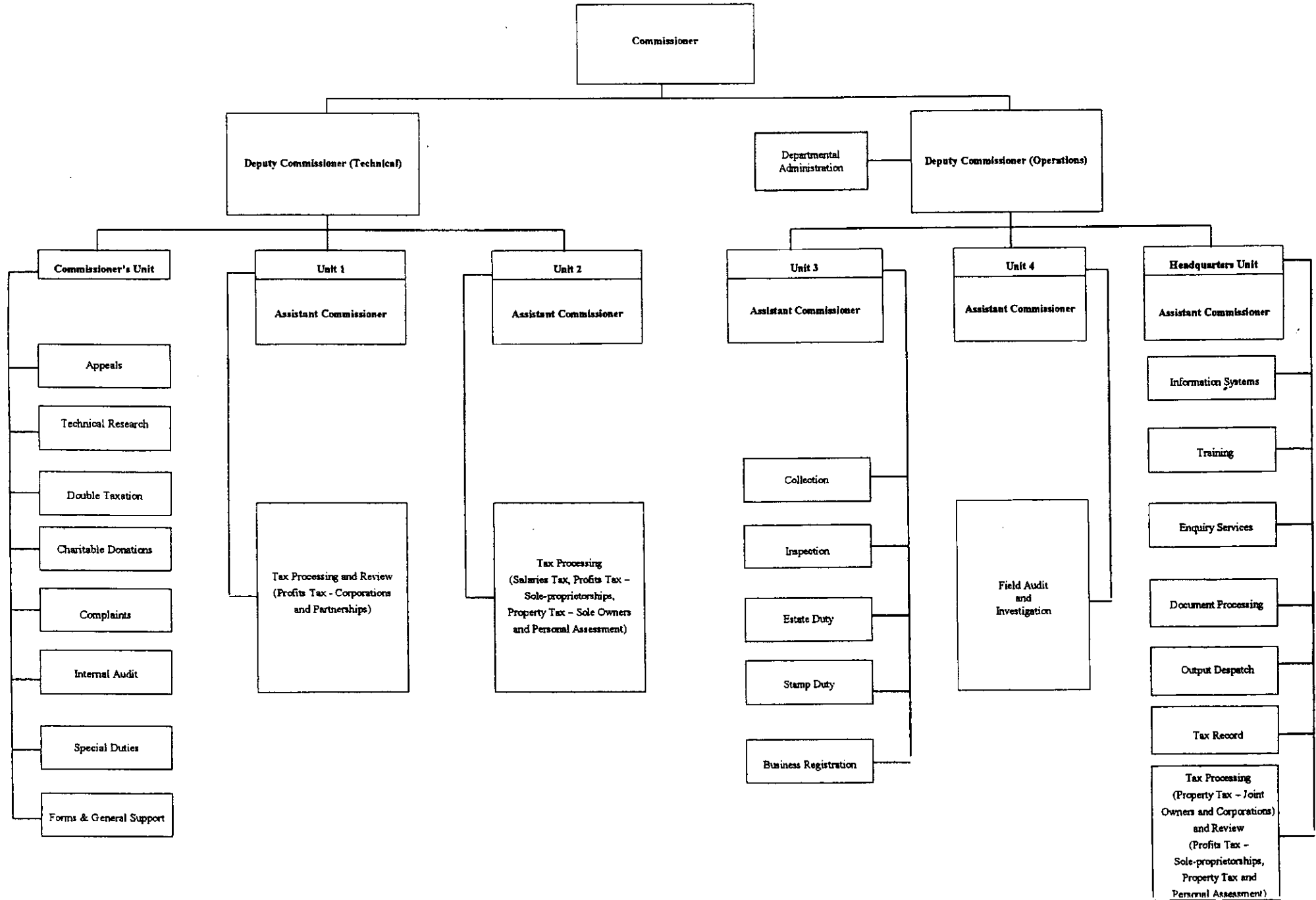
*Organisation Chart of Inland Revenue Department
as at 1.12.2003*



Main Responsibilities of the Units of IRD

<u>Unit</u>	<u>Main Responsibilities</u>
Unit 1	Assessment of profits tax for corporations and partnerships
Unit 2	Assessment of tax for individuals and assessment of property tax
Unit 3	Collection of tax and miscellaneous levies, including stamp duty, betting duty, estate duty and business registration fee
Unit 4	In-depth investigation of suspected tax evasion cases and field audit, including audits on business records and verification of the correctness of the rental income reported by property owners
Commissioner's Unit	<ul style="list-style-type: none">(i) Objection/Appeals against tax assessments to the CIR/Board of Review (Inland Revenue) and to the Courts(ii) Technical services, including legislation, research and development, charitable donations and retirement schemes, complaints and double taxation arrangement(iii) Internal audit
Headquarters Unit	<ul style="list-style-type: none">(i) Information systems, including maintenance of existing computer systems and further development(ii) Training(iii) Counter and telephone enquiry services(iv) Departmental administration

*Proposed Organisation Chart of Inland Revenue Department
as at 1.4.2004*



**Main Duties and Responsibilities of
Present Assistant Commissioner 1 (Unit 2) (D2)**

Responsible to : Deputy Commissioner of Inland Revenue (Technical) [DCIR(T)]

- (1) To oversee the overall administration of Unit 2, and to decide on establishment, human resource management and financial arrangement matters in the Unit, including preparation of revenue estimates, Programme Management Structure, Controlling Officer's Report and monitoring of Unit expenditures.
- (2) To plan and monitor the assessing programmes of the Unit.
- (3) To oversee the delivery of taxpayers' service in accordance with the performance pledges, including handling of taxpayers' complaints and the consequential changes in procedures, publicity, press enquiries and re-specification of statutory and non-statutory forms.
- (4) To coordinate with the Information Systems Division regarding the computerization need of Unit 2 and the development, maintenance and enhancement of the computer systems supporting the Unit's operations.
- (5) To oversee the Property, Test and Review Section.
- (6) To assist CIR and DCIR(T) in the deliberation on and implementation of budget proposals and other legal amendments, in particular its impact on operations.

**Main Duties and Responsibilities of
Present Assistant Commissioner 2 (Unit 2) (D2)**

Responsible to : Deputy Commissioner of Inland Revenue (Technical) [DCIR(T)]

- (1) To give technical advice and guidance to professional officers and issue tax rulings.
- (2) To monitor the progress and effective handling of objection cases.
- (3) To be in charge of compliance matters, including monitoring of the progress of informer's cases, detection of non-reporting of chargeable incomes, enforcement of Section 51C and 82A actions, and initiating prosecutions.
- (4) To handle applications for advance rulings and answer technical enquiries.
- (5) To oversee the PQS Section which deals with property dealing cases, queries of sources of fund, service companies and special technical projects.
- (6) To assist CIR and DCIR(T) in the deliberation on and implementation of budget proposals and other legal amendments related to tax on individuals.

**Main Duties and Responsibilities of
Assistant Commissioner (Headquarters) (D2)**

Responsible to : Deputy Commissioner of Inland Revenue (Operations) [DCIR(O)]

- (1) To oversee the overall administration of the Headquarters Unit, and to decide on establishment, human resource management and financial arrangement matters in the Unit, including preparation of revenue estimates, Programme Management Structure, Controlling Officer's Report and monitoring of Unit expenditures.
- (2) To plan and monitor the AFAL assessment programmes.
- (3) To monitor the operation of the Property, Test and Review Section, including its assessing programmes, objection processing, compliance matters, performance pledges and complaints; and to give technical advice and guidance to professional officers on Property Tax matters.
- (4) To assist CIR and DCIR(O) in the deliberation on and implementation of budget proposals and other legal amendments related to Property Tax.
- (5) To oversee and co-ordinate the in-depth study on Goods and Services Tax.
- (6) To oversee the operations of the Document Processing Centre, Output Despatch Centre, and Tax Records Centre.
- (7) To oversee the delivery of taxpayers' service by the Unit in accordance with the performance pledges, including handling of taxpayers' complaints and the consequential changes in procedures, publicity, press enquiries and re-specification of statutory and non-statutory forms.
- (8) To assist DCIR(O) in formulating strategic information technology plans, and overseeing the operation of the Information Systems Division and deployment of information technology resources within IRD Information Systems Strategic Plan and be IRD's coordinator of the e-government initiatives.
- (9) To assist DCIR(O) in identifying staff's training needs, overseeing and monitoring training programmes for the Department, and heightening the professional knowledge of IRD staff.
- (10) To oversee the taxpayer services function of the Department including the chairmanship of the Service Standard Committee and to recommend improvement of the Department's performance pledges.

**Main Duties and Responsibilities of
Assistant Commissioner (Unit 2) (D2)**

Responsible to : Deputy Commissioner of Inland Revenue (Technical) [DCIR(T)]

- (1) To oversee the overall administration of Unit 2, and to decide on establishment, human resource management and financial arrangement matters in the Unit, including preparation of revenue estimates, Programme Management Structure, Controlling Officer's Report and monitoring of Unit expenditures.
- (2) To plan and monitor the non-AFAL assessing programmes related to returns for individuals.
- (3) To monitor the progress and effective handling of objection cases.
- (4) To give technical advice and guidance to professional officers, issue tax rulings and handle applications for advance ruling.
- (5) To oversee the delivery of taxpayers' service by the Unit in accordance with the performance pledges, including handling of taxpayers' complaints and the consequential changes in procedures, publicity, press enquiries and re-specification of statutory and non-statutory forms.
- (6) To be in charge of compliance matters, including monitoring of the progress of informer's cases, detection of non-reporting of chargeable incomes, enforcement of Section 51C and 82A actions, and initiating prosecutions.
- (7) To coordinate with the Information Systems Division regarding the computerization need of Unit 2 and the development, maintenance and enhancement of the computer systems supporting the Unit's operations.
- (8) To assist CIR and DCIR(T) in the deliberation on and implementation of budget proposals and other legal amendments related to tax on individuals.
