

**Special Meetings of the Finance Committee of the Legislative Council
to Examine the Estimates of Expenditure 2020-21
Public Finance**

(10:20 am - 11:00 am on 6 April 2020)

Speaking Note of the Secretary for Financial Services and the Treasury

Chairman and Honourable Members,

This session of the special meetings of the Finance Committee will examine the expenditure estimates of the Treasury Branch and related departments. The policy areas under the Treasury Branch's purview cover revenue and financial control, provision of central support services within the Government and maintenance of government properties. Before the question session begins, I would like to brief Members on a few points.

Estimates of Expenditure

2. The estimated total expenditure of the Treasury Branch and the departments under its purview for 2020-21 is about \$84.511 billion. The amount represents an increase of \$74.726 billion (i.e. more than sevenfold) over the original estimate of \$9.785 billion for the last year. The increase is mainly attributed to a substantial rise in the non-recurrent expenditure under Head 147 of the Treasury Branch, from the approved estimate of \$34 million in the last financial year to an estimate of \$74.851 billion this year, as a result of the implementation of one-off relief measures. The one-off relief measures include a cash payout scheme¹ and two one-off electricity charges subsidy schemes² (i.e. electricity charges subsidy for eligible residential accounts and supplementary electricity charges subsidy for eligible public housing tenants affected by redevelopment, major repair or improvement works). Discounting the non-recurrent expenditure, the estimated total recurrent expenditure of the

¹ The cash payout scheme involves a non-recurrent expenditure of \$71.008 billion in 2020-21.

² The supplementary electricity charges subsidy for eligible public housing tenants affected by redevelopment, major repair or improvement works and the electricity charges subsidy for eligible residential accounts involve non-recurrent expenditures of \$500,000 and \$3.842 billion respectively in 2020-21.

Treasury Branch and the departments under its purview is \$9.464 billion, which is \$56 million (around 0.6%) less than the original estimate for the last year.

Key Areas of Work in the Coming Year

3. As regards our work in the coming year, I would like to brief Members on the following key areas.

4. On public finance, the Government will continue to exercise fiscal prudence to ensure healthy public finance. Our current fiscal reserves of about \$1,100 billion enable us to roll out countercyclical measures of a massive scale to support our people and enterprises in light of the economic situation in Hong Kong. While we expect a fiscal deficit of \$139.1 billion in 2020-21, more than \$120 billion of it is related to the one-off relief measures (including the cash payout scheme), which will not incur long-term financial commitments. Such special measures and the ever-growing expenditure, however, will deplete our fiscal reserves. Take the 2020-21 financial year as an example. Our reserves, which are equivalent to 22 months of government expenditure at the beginning of the year, will drop to a level equivalent to 16 months of government expenditure at year-end. In the coming years, government expenditure will enter a consolidation period. We should, in future, be more mindful of the Government's long-term affordability when we increase spending, which should be commensurate with the growth in revenue. To increase our revenue, we need to maintain the growth and vibrancy of our economy. We will also consider seeking new revenue sources or revising tax rates in due course. The scale of the one-off relief measures may also have to be progressively reduced.

5. On international tax co-operation, we will keep close watch on the latest developments of the work of the Organisation for Economic Co-operation and Development on setting rules for the imposition of a global minimum tax rate, and assess the impact on our tax regime. The Government will invite scholars, experts and members of the business community to tender advice on the matter, with a view to ensuring that Hong Kong's tax regime not only is in line with new developments in the international tax scene, but also helps maintain our premier business environment and competitiveness.

6. We will also continue to expand Hong Kong's network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs), so as to reduce the tax burden on our enterprises and individuals running businesses overseas. So far, Hong Kong has signed 43 CDTAs, and negotiations with 14 tax jurisdictions are underway. Our target is to bring the total number of CDTAs to 50 by the end of 2022.

7. Regarding the cash payout scheme, the Financial Secretary announced in the Budget that a sum of \$10,000 would be disbursed to each Hong Kong permanent resident aged 18 or above, with a view to encouraging and boosting local consumption on the one hand, and relieving people's financial burden on the other. While the Appropriation Bill is under scrutiny, , we, together with a number of departments and banks, are proceeding at full steam with the preparation work, including drawing up the procedures and designing and developing the computer systems, in order to launch the scheme and announce the details as soon as possible. To facilitate early disbursement of the money to citizens in an orderly manner, the registration procedures and the entire workflow design will be developed based on the principles of simplicity, convenience and security. Our target is to commence registration in July and disburse the sum starting from summer vacation.

8. Chairman, my colleagues and I will be happy to answer any questions from Members.

Financial Services and the Treasury Bureau
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