

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 11 January 2024

The Council continued to meet at Nine o'clock

MEMBERS PRESENT

THE PRESIDENT

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, GBM, GBS, JP

THE HONOURABLE TOMMY CHEUNG YU-YAN, GBM, GBS, JP

THE HONOURABLE JEFFREY LAM KIN-FUNG, GBM, GBS, JP

THE HONOURABLE STARRY LEE WAI-KING, GBS, JP

THE HONOURABLE CHAN HAK-KAN, SBS, JP

THE HONOURABLE CHAN KIN-POR, GBS, JP

PROF THE HONOURABLE PRISCILLA LEUNG MEI-FUN, SBS, JP

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, GBM, GBS, JP

THE HONOURABLE MICHAEL TIEN PUK-SUN, BBS, JP

THE HONOURABLE STEVEN HO CHUN-YIN, BBS, JP

THE HONOURABLE FRANKIE YICK CHI-MING, GBS, JP

THE HONOURABLE MA FUNG-KWOK, GBS, JP

THE HONOURABLE CHAN HAN-PAN, BBS, JP

THE HONOURABLE KWOK WAI-KEUNG, JP

THE HONOURABLE MARTIN LIAO CHEUNG-KONG, GBS, JP

IR DR THE HONOURABLE LO WAI-KWOK, GBS, MH, JP

THE HONOURABLE JIMMY NG WING-KA, BBS, JP

DR THE HONOURABLE JUNIUS HO KWAN-YIU, BBS, JP

THE HONOURABLE HOLDEN CHOW HO-DING, JP

THE HONOURABLE SHIU KA-FAI, JP

THE HONOURABLE YUNG HOI-YAN, JP

THE HONOURABLE CHAN CHUN-YING, JP

THE HONOURABLE LAU KWOK-FAN, MH, JP

THE HONOURABLE KENNETH LAU IP-KEUNG, SBS, MH, JP

THE HONOURABLE VINCENT CHENG WING-SHUN, MH, JP

THE HONOURABLE DOREEN KONG YUK-FOON

THE HONOURABLE STANLEY LI SAI-WING, MH, JP

THE HONOURABLE ROBERT LEE WAI-WANG

THE HONOURABLE DOMINIC LEE TSZ-KING

IR THE HONOURABLE LEE CHUN-KEUNG, JP

DR THE HONOURABLE TIK CHI-YUEN, SBS, JP

DR THE HONOURABLE JOHNNY NG KIT-CHONG, MH, JP

THE HONOURABLE CHAU SIU-CHUNG

DR THE HONOURABLE CHOW MAN-KONG

DR THE HONOURABLE DAVID LAM TZIT-YUEN

THE HONOURABLE LAM CHUN-SING

THE HONOURABLE LAM SO-WAI

THE HONOURABLE NIXIE LAM LAM

DR THE HONOURABLE DENNIS LAM SHUN-CHIU, JP

THE HONOURABLE LAM SAN-KEUNG, JP

THE HONOURABLE DUNCAN CHIU

THE HONOURABLE YIU PAK-LEUNG, MH, JP

DR THE HONOURABLE WENDY HONG WEN

THE HONOURABLE DENNIS LEUNG TSZ-WING, MH

THE HONOURABLE LEUNG MAN-KWONG, MH

THE HONOURABLE EDWARD LEUNG HEI

THE HONOURABLE KENNETH LEUNG YUK-WAI, JP

THE HONOURABLE CHAN YUET-MING, MH

THE HONOURABLE ROCK CHEN CHUNG-NIN, SBS, JP

THE HONOURABLE CHAN PUI-LEUNG

THE HONOURABLE CHAN YUNG, BBS, JP

THE HONOURABLE SUNNY TAN

THE HONOURABLE JUDY CHAN KAPUI, MH, JP

IR THE HONOURABLE CHAN SIU-HUNG, JP

THE HONOURABLE CHAN HOI-YAN

THE HONOURABLE JOEPHY CHAN WING-YAN

THE HONOURABLE CHAN HOK-FUNG, MH, JP

IR THE HONOURABLE GARY ZHANG XINYU

THE HONOURABLE LILLIAN KWOK LING-LAI

THE HONOURABLE BENSON LUK HON-MAN

DR THE HONOURABLE KENNEDY WONG YING-HO, BBS, JP

THE HONOURABLE EDMUND WONG CHUN-SEK

THE HONOURABLE KINGSLEY WONG KWOK, BBS, JP

THE HONOURABLE YANG WING-KIT

REVD CANON THE HONOURABLE PETER DOUGLAS KOON HO-MING,
BBS, JP

THE HONOURABLE TANG FEI, MH

THE HONOURABLE TANG KA-PIU, BBS, JP

THE HONOURABLE LAI TUNG-KWOK, GBS, IDSM, JP

PROF THE HONOURABLE LAU CHI-PANG, BBS, JP

THE HONOURABLE KENNETH FOK KAI-KONG, JP

THE HONOURABLE LOUIS LOONG HON-BIU

DR THE HONOURABLE NGAN MAN-YU

THE HONOURABLE CARMEN KAN WAI-MUN

DR THE HONOURABLE TAN YUEHENG, JP

DR THE HONOURABLE SO CHEUNG-WING, SBS, JP

THE HONOURABLE YIM KONG

THE HONOURABLE ADRIAN PEDRO HO KING-HONG

THE HONOURABLE SHANG HAILONG

PROF THE HONOURABLE CHAN WING-KWONG

PROF THE HONOURABLE WILLIAM WONG KAM-FAI, MH

MEMBERS ABSENT

THE HONOURABLE PAUL TSE WAI-CHUN, JP

THE HONOURABLE ELIZABETH QUAT, SBS, JP

THE HONOURABLE LUK CHUNG-HUNG, JP

THE HONOURABLE TONY TSE WAI-CHUEN, BBS, JP

THE HONOURABLE CHU KWOK-KEUNG

DR THE HONOURABLE HOEY SIMON LEE, MH, JP

THE HONOURABLE STANLEY NG CHAU-PEI, SBS, JP

THE HONOURABLE ANDREW LAM SIU-LO, SBS, JP

THE HONOURABLE MAGGIE CHAN MAN-KI, MH, JP

PUBLIC OFFICERS ATTENDING

MR JOSEPH CHAN HO-LIM, JP
UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

MR HO KAI-MING, JP
UNDER SECRETARY FOR LABOUR AND WELFARE

MR VICTOR TAI SHEUNG-SHING, JP
UNDER SECRETARY FOR HOUSING

DR LIBBY LEE HA-YUN, JP
UNDER SECRETARY FOR HEALTH

CLERKS IN ATTENDANCE

MS AMY YU, ASSISTANT SECRETARY GENERAL

MS MIRANDA HON, ASSISTANT SECRETARY GENERAL

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): This Council will continue with the debate on the motion on “Addressing the needs of the middle class”.

Mr Adrian Pedro HO, please speak.

MOTION ON “ADDRESSING THE NEEDS OF THE MIDDLE CLASS”**Continuation of debate on motion which was moved on 10 January 2024**

MR ADRIAN PEDRO HO (in Cantonese): Thank you, President. I would like to thank Ir LEE Chun-keung for proposing the motion on concern about the middle class.

In reply to an oral question on the support for middle-class people at a meeting of the Legislative Council held last month, the Secretary for Financial Services and the Treasury mentioned that one-off relief measures had been introduced under the Budgets in a timely manner, such as providing tax concessions to taxpayers under salaries tax or tax under personal assessment, and providing rates concession, so as to relieve the tax burden on the taxpayers. Nevertheless, when I chatted with many of my middle-class friends, especially when we talked about the electronic consumption vouchers in recent years, they would complain that they had to give even more to the Government before they could get the consumption vouchers on hand. The only measure that they can really benefit from is that when they or their family members reach the age of 60, they can take public transport at \$2 per journey. It is perfectly true that they “pay large amounts of tax but enjoy few welfare benefits”.

In reality, it seems that the Government has not taken care of the middle-class people correspondingly. This may be due to the fact that they are self-reliant to a certain extent, thus rendering the Government less worried about them, such that it has failed to truly understand their difficulties and needs. Therefore, I very much hope that the Government will give further thoughts to policies regarding the middle class, so that they will no longer be left out by the Government in policy implementation.

Hong Kong people have to pay a large amount of expenditure every month for living in Hong Kong. Middle-class families with a certain degree of financial capability are of course ineligible for public housing. Some of them are not even eligible to apply for Home Ownership Scheme flats, so they can only turn to buy a private flat of exorbitant per-square-foot price for self-occupation on which they have to put in decades of hard work in their prime years. For those who have not yet saved up enough for the down payment, they can only rent a flat, and the rents are very high as well. When they have to shoulder all the heavy burdens of housing and supporting the family, etc., how can these sandwich-class people have any spare capacity to plan for the future?

Therefore, I hope that the Government can be more empathetic towards the situation of the middle-class people. In addition, I suggest that the Government should waive the payment of provisional tax for the middle-class people to relieve their non-essential tax burden, and to streamline certain administrative procedures. Besides, I highly welcome the introduction of tax deductions for domestic rents by the Government since the tax season two years ago, which can benefit families that have not yet attained home ownership. In order to enhance the effectiveness of the policy, I suggest that the Government should raise the cap on tax deductions for domestic rents from \$100,000 at present to, say, \$150,000, so as to help more middle-class families that have not yet attained home ownership and hence need to rent a flat.

In order to cope with the high cost of living in Hong Kong, both of the couples in many middle-class families have to go out to work. Since they have to take care of their families at the same time, many of them would employ foreign domestic helpers (“FDHs”) to assist them. As such, employing FDHs is definitely helpful to facilitating the middle-class people to work wholeheartedly. FDHs contribute to taking care of the elderly and child rearing, but a tax deduction for the expenses of employing FDHs has not been implemented for a prolonged period. In fact, data of the Census and Statistics Department have also revealed that there are nearly 340 000 FDHs in Hong Kong in recent years, showing that they do play a role. I hope the Government can introduce a tax deduction for the expenses of employing FDHs, so as to further alleviate the burden of middle-class families.

Lastly, I would like to talk about the relationship between supporting the middle class and healthy ageing. I consider that the middle-class people are capable of playing a crucial role in healthy ageing. To this end, I strongly propose that the Government should educate the public to proactively plan for and engage in health investment, so as to alleviate the existing burden of the middle-class

people. This would also motivate them to save up for their silver-haired life in the future during their prime years and take good care of themselves, thereby realizing ageing in place, as well as reducing the burden of the Government in the long term.

With these remarks, President, I support the original motion and the amendment.

MS NIXIE LAM (in Cantonese): Thank you, President. I am also very grateful to Ir LEE Chun-keung for proposing this motion, which offers me the opportunity to explain to all of you how heavy the pressure borne by the middle class is. Speaking of the middle class, what would come to your mind? People dressed up in suits? Enjoying coffee in a hotel? Taking photos to check in when travelling? Or enjoying Omakase? Actually, if you talk to some close middle-class friends around you, they may tell you: “Yes, on Instagram, it appears that our life is very relaxed, and we are having a great time every day.” But in fact, all of them can only keep their suffering to themselves. A few years ago, the global economy was still not too bad, and there was flow of funds as well. Although the middle-class people had to support parents and rear children, they still managed to withstand it at that time. Yet, with the uncertain economic situation in recent years, even if people have spare money, they would save it up and dare not spend it recklessly. When the internal circulation turns weak, businesses would naturally get worse and bonus would even be reduced. Yet, they still have to make mortgage payments, pay healthcare expenses, as well as pay for their children’s school fees, textbooks, tuition fees, etc. Recently, they even have a “green bomb” to defuse. As a result, they can barely make ends meet.

In fact, this situation is nothing new. Since I started my political career in 2012, I have firstly served as a member of the District Council in a middle-class district. The aspirations that the voters reflected to me back then are basically more or less the same as those nowadays. Not being entitled to social welfare, they have already been hard pressed by the cost of living. On the front of tax payment, are there any measures to help them? Hong Kong’s unemployment rate has hit a record low, and shortage of labour exists in all trades and sectors. In order to unleash the labour force, it is necessary to transfer the human resources by employing domestic helpers. Yet, the middle-class people merely hope that a tax deduction for the expenses of employing foreign domestic helpers would be introduced to alleviate their burden, but nothing has been achieved so far.

Referring to the relevant figures, the middle class makes up nearly half of the population in Hong Kong, but their aspirations are often neglected. Take concessions such as electricity charges subsidy for instance, they often focus on assisting the low-income people. Should we not think about how we can alleviate some of the pain points of the middle class in certain ways? For example, how can we assist in giving them “a break”? Today, I would like to share with you through this platform some of the aspirations that the middle-class people have personally expressed to me.

First of all, they are indeed desperate for receiving “child health care vouchers”. In fact, children often need to see a doctor during the first few years. I have not experienced this yet, since my child is still very small. People have said that children often fall ill before the age of four or five. Even though the Government provides dental care services and free influenza vaccination, parents tend to be more nervous because their children are weaker as they are still small. Therefore, parents would immediately rush their children to the hospital to see a doctor when they are slightly ill. In the case of children’s dental care, for example, of course there is no problem if their teeth are in good condition. In some special cases, such as children with hyperdontia, surgery must be performed within a limited period of time. If they wait for public healthcare services, they would have to wait for three to five years, and it would be too late if they miss the growth period. They must go to a private hospital and consult a specialist, but the bill may easily reach \$50,000 to \$60,000. That mother has told me that at this stage, children may have problems not only with their teeth, but also their eyes. If the Government can provide “child health care vouchers”, it can help the middle-class families to reduce this kind of expenses.

The second issue relates to the allocation of tax allowances. In fact, both of the couples in middle-class families often have to work. They very much hope that the tax allowances are not calculated on a family basis. Instead, the father can claim part of the tax allowances, and the mother can also claim part of the tax allowances at the same time. In this way, there is no need for the one earning a higher income to claim tax deductions on every occasion, while the one earning a lower income—very often the mother—is not entitled to any tax deductions. Nevertheless, she also contributes to the family, so how should we deal with it?

Thirdly, they have mentioned the expenditure on supporting parents. In recent years, the Government has been actively promoting retirement in the Greater Bay Area. This is also an issue frequently mentioned by a number of Members

present here. But in many cases, they cannot claim the tax allowance since their dependent parents have stayed in Hong Kong for less than 180 days. Yet, in reality, even if the elders are not residing in Hong Kong, it does not imply that the children do not need to support their parents. Is there anything we can do for them in this regard? Can we be more flexible in handling this? How can we look at this issue clearly?

President, many middle-class friends have told me that it is not that they do not want to have children and only keep puppies, nor do they dislike children, but to a certain extent, the pressure of life is really great. They have worked hard to complete their studies and have their own lives, so there is no reason for them to jump into the fire again and continue to burn themselves. In fact, the support policies are interrelated. If we can enable them to save money in one aspect, they will have more funds to strengthen the impetus for the economy. There will then be a stronger driving force for the entire social machine, thereby creating a more vigorous atmosphere in the entire community. I hope the Government can be more innovative, adopt a fresh mindset, and come up with more ways to help the middle class to “take a breath”.

President, I so submit.

REVD CANON PETER DOUGLAS KOON (in Cantonese): President, the middle-class people have always been accustomed to standing on their own feet. They have been striving hard for development, as well as working all day long until very late at night in order to make ends meet. Their goal is to improve the life of their family through moving upward, so that their next generation can grow up in a better environment. Yet, in recent years, there are fewer and fewer opportunities for “moving upward” in Hong Kong. The economy is slowing down rapidly, coupled with the aggravation of inflation, the prices of all basic necessities are exorbitant. The business environment has also continued to deteriorate, with quite a number of enterprises having scaled down their structure. As a result, there is a succession gap or shrinkage of senior job positions, the middle class is deprived of many promotion opportunities, and the rate of pay rise is far worse than before as well. Quite a lot of the middle-class people have even chosen to move downward in order to make ends meet. They are not only bearing heavy livelihood burden, but their quality of life is also deteriorating.

In fact, the middle class has all along been the mainstay supporting Hong Kong's society and economy. Nevertheless, they have always "paid large amounts of tax but enjoyed few welfare benefits", and hence they feel being neglected by the Government for a long time. Their resentment has been growing over time, which would never be in the interest of the stable development of Hong Kong in the long term.

President, tackling the housing problem tops the agenda of the current-term Government. The property prices have been soaring in recent years, while the grass-roots people can receive housing benefits provided by the Government, the middle-class people often feel helpless and they are the first to bear the brunt. According to the findings of the 2021 Population Census, for households living in private housing and with mortgage payment or loan repayment, the median monthly mortgage payment and loan repayment was \$13,500, representing an increase of nearly 30% when compared with that of five years ago. During the same period, the outstanding period of mortgage payment or loan repayment for private housing rose from 17 years to 20 years, with both the median mortgage payment and outstanding period of mortgage payment reaching record highs since 2001. The data have reflected that expenditure on mortgage repayment accounts for a larger proportion of people's income, and the mortgage tenor has also been lengthened, showing that the middle-class people are facing an increasingly heavy burden of mortgage repayment or renting a flat. Although insufficient supply is the root cause of the problem of high property prices, distant water cannot put out a nearby fire. In order to alleviate the middle-class people's burden of mortgage repayment, I suggest that the Government should, in the Budget to be delivered next month, consider extending the entitlement period for the tax deduction for home loan interest for middle-class families to 25 years. Besides, the ceiling of tax deduction should be increased from \$100,000 a year at present to \$150,000. In addition, concessions on rates or government rent should again be provided to ease the pressure of economic downturn that the middle class is currently facing.

President, "having to support elderly parents, spouse and children" is also the current situation of most middle-class families. Nowadays, many middle-class people have to shoulder the responsibility of taking care of their elderly parents. On the other hand, many parents are willing to spend a huge sum of money to nurture their children for their future. A survey has revealed that the parents interviewed would spend about 20% of the total expenditure of their family on children's living and learning expenses. Amidst the inflated commodity prices at present, a typical middle-class family has little income left after meeting all the expenditure. It can be said that they may look affluent on the outside, but their

lives are actually full of frustration. I hope that the Government can consider raising the dependent parent allowance and child allowance based on inflation, while at the same time increasing the regularized student grant of \$2,500 a year, so as to demonstrate the Government's concern for the livelihood pressure faced by middle-class families.

To sum up, addressing the difficulties faced by the middle class and expanding the coverage of social welfare policies is an important step in promoting social stability. I sincerely hope that the Government will not forget to address the needs of the middle class in various aspects such as economic, industrial and professional development, and formulate appropriate measures to enable them to continue to lead Hong Kong to shine.

With these remarks, President, I support the original motion and the amendment.

MR BENSON LUK (in Cantonese): Thank you, President. President, to start with, I would like to thank Ir LEE Chun-keung for proposing the Members' motion on "Addressing the needs of the middle class". I am also grateful to Mr Frankie YICK for proposing the amendment.

Many middle-class people have complained that they are regarded as a stratum which "has to pay tax but enjoys few welfare benefits". Most of the middle-class people have all along been toiling hard quietly, and they would not haggle too much over the fact that they have to give more but get less in return. They have been upholding their role relentlessly as contributors to economic growth and stabilizers of society.

Unfortunately, the drastic changes in the world and three years of epidemic have rendered our economy very weak. Property prices have now begun to fall, and the stock market has also been sluggish, the middle class has even started to be fraught with problems in sustaining themselves. It may also be difficult for them to continue to play the role as the backbone of society. In fact, the proportion of middle-income families in Hong Kong has declined in recent years. According to the data of the Census and Statistics Department's Quarterly Report on General Household Survey, the total number of households with a monthly income between \$30,000 and \$60,000 accounted for 29.6% of the total number of households in 2018, whereas the same figure dropped to 28.2% in 2023.

The authorities must stay vigilant against the decline in the number of middle-class people, since the challenges faced by the middle class would undermine social stability. This also implies that there are gaps in the middle of various social strata. For instance, it would be more difficult for young people with grass-roots background to continue to strive for advancement through moving upward to the middle class. Therefore, the SAR Government must provide effective measures to support middle-class families, so as to ensure that the upward mobility of the entire social ladder can be maintained as in the past.

We have been discussing this issue for such a long time, but what is “middle class”? In fact, there are no clear criteria for an official definition, nor has a specific range of income or asset levels for the “middle class” been set out. In the past, some senior officials earning more than \$300,000 a month have described themselves as the “middle class”, whereas studies conducted by some non-governmental organizations in the community have pointed out that people earning some \$20,000 a month are in fact regarded as the “marginal middle class” as well. But we are aware that the incomes of these two groups differ enormously, and the needs of their family, the needs of their daily life and the characteristics of their lifestyle vary. Therefore, we need to adopt a clearer definition in order to implement targeted measures.

In this connection, I hope the authorities can conduct studies on the following three aspects, so as to provide the middle class with appropriate and tailor-made assistance in the long term.

First of all, the authorities can attempt to define “middle class” from an administrative perspective and establish a “dividing line of the middle class” for the middle-class people, the concept of which is similar to that of the “poverty line”. The SAR Government can make use of quantitative data (e.g. personal income, household income, total asset value, etc.) as indicators, and it can also make reference to factors such as educational attainment, job position and rank, etc. We are not conducting an academic study, but we are trying to formulate a more generalized administrative standard to support the middle-class people who may encounter difficulties. For instance, the Home and Youth Affairs Bureau has just launched the Youth Dashboard. In fact, can the Government also consider launching a “middle class dashboard”, so as to allow both the SAR Government and the public to have sufficient transparency and awareness to respond to the needs of the middle class?

Secondly, as in the case of youth policies, the well-being of the middle class is very important, which is also a key factor for maintaining social stability. With this in mind, I hope that the authorities can study how to bring the implementation of policies relating to the middle class to a higher level, such that they would be handled at the level of Policy Bureaux. For example, is it possible to set up at least a committee or a dedicated authority responsible for promoting policy initiatives that are favourable to the middle class?

Lastly, financial support is the most direct and practical measure to the middle class. The Business and Professionals Alliance for Hong Kong will put forward a series of many tax concession measures that would benefit the middle class in our proposal for the Budget for the coming year. We hope that the Government and the Financial Secretary will study and take on board our proposals in a practical manner.

With these remarks, President, I will support the original motion and the amendment.

PROF PRISCILLA LEUNG (in Cantonese): President, I rise to speak in support of the original motion and the amendment.

I remember that in 2009, I proposed in this Council to strive to lower the proportion of the costs to be borne by middle-class people in receiving legal aid, as well as the application threshold. The reason was that I had a lot of personal experiences. I remember that in one case, on the Mid-Autumn Festival, a middle-class person came to the School of Law of the City University of Hong Kong, where I am engaged in teaching. He said on his knees that he was involved in a very unreasonable lawsuit, but he was neither poor nor rich enough to hire a lawyer. Besides, when I joined the Legislative Council in 2008, the first issue I dealt with was the Lehman Brothers incident. At that time tens of thousands of middle-class people could not afford to go to court. They were unable to fight for their own rights to get real justice. As such, the middle class in Hong Kong society as a whole would face a major crisis of becoming the proletariat. Hence, the trend of “the middle class becoming the proletariat” must be prevented in our society.

I remember that in 2013, the then Financial Secretary John TSANG mentioned that watching French movies, listening to French music or enjoying coffee might be the behavioural pattern of the middle class. LUI Tai-lok said that

the income of the middle class should be roughly between \$20,000 and \$50,000 per month, but the consumption pattern, size of the residence, spending power, attitude towards life, etc. should also be taken into account. I believe that practitioners in certain professions may all be classified as the middle class, but if their income is only about \$20,000—as I can see, the starting salary in some sectors, including the media, is actually not high—do you think they belong to the middle class? In my view, their whole mindset probably belongs to the middle class, but can their salaries support a middle-class life? A senior official whose monthly salary reaches some \$300,000 has said that he belongs to the middle class too. Right, I guess wage earners with an income of hundreds of millions of dollars may also say that they are the “upper middle class”. However, those we need to help now are the “poor middle class”.

In clothing/healthcare, dining, living and commuting, clothing refers to the wearing of clothes, whereas healthcare refers to seeking medical consultation. Given the consumption pattern of the middle class, they actually tend to spend as much as they earn. As a result, they become miserable when they retire. Nowadays, many middle-class people born in the baby boom have a monthly income of \$50,000 to \$100,000, but they become miserable after selling their properties, perhaps owing to poor planning or economic downturn, and they are worried that they may become homeless in the future. Hence, I consider it necessary for Hong Kong society to address the problems of population ageing and the large number of middle-class people (including the poor middle class which accounts for at least 20% to 30% of the population), and think about how to cope with the challenges arising from population ageing and retirement.

Besides, some middle-class people have become unemployed due to the economic downturn. Therefore, since 2008, I have repeatedly proposed to the Government to launch a loan scheme for occupation switching. This year, I wish to strive for \$1 billion funding because these middle-class people really do not want to become Comprehensive Social Security Assistance recipients. If they really get unemployed, they will become the proletariat, lose their home and ultimately have no way out but to commit suicide. This is about the dignity of life.

In my view, these people have made significant contributions to Hong Kong society, but basically, they cannot enjoy any welfare benefit. They cannot apply for legal aid when they are in the most difficult times, and they are not eligible for public housing either. As such, I hope that when they retire in their old age, there will not be any change to the “\$2 Scheme”, which offers a concessionary fare

across the territory. I have been working in the district for 10 years, and the retired middle-class people said that this is the only thing of help to them from Hong Kong society, with which they can work as volunteers or continue to work part-time with no need to worry about the high travelling expenses after retirement. In my view, this is a long-term investment rather than just a welfare benefit. Some of the middle-class people I know have their own income. They are actually unwilling to take advantage of this \$2 concession. They do not wish to admit that they are old. This is the attitude of baby boomers towards life.

I hope that the Government will listen to these voices and help those who do not want to retire to reintegrate into society, as well as provide assistance to those who cannot retire, so that they will not fall from the middle class into the proletariat.

President, I so submit.

DR NGAN MAN-YU (in Cantonese): President, the middle class gives us the impression that they live in abundance without worries. However, after some three years of the epidemic, the life of the middle class is not as good as it used to be. Nowadays, with inflated commodity prices, high global interest rates and persistently high property prices, the middle class's expenditure on various aspects such as supporting their parents, retirement protection, healthcare and children's education have substantially increased. The pressure on the middle-class families has become increasingly heavy.

However, what is meant by "the middle class"? There is no universal definition in society. Different organizations adopt different standards or indicators, including income, asset, education level and occupation. Nevertheless, it is generally agreed by the public that the middle class is the cornerstone for maintaining social stability and development. In a healthy society, the middle class should be in the majority. Regrettably, the number of middle-class people in Hong Kong has been decreasing in recent years.

As shown by the information of the Census and Statistics Department, there were 183 300 domestic households with a monthly income of \$30,000 to \$35,000 in the third quarter of 2023, representing a decrease of 2 200 domestic households over the same period in 2022. In addition, the stock and property markets have started to decline in recent years. The nominal assets of the middle class can be said to have greatly shrunk.

The middle class often calls themselves the “sandwich class”, meaning that they are sandwiched in the middle of the whole society. They do not have the abundant assets and wealth of the upper class. Nor can they receive the Government’s support in various aspects like the low-income people do. Although the income of the middle class is a bit higher than that of the grass roots, their daily expenses are increasing. They can be described as the representatives of people who have “paid large amounts of tax but enjoyed few welfare benefits”. In the past, the Democratic Alliance for the Betterment and Progress of Hong Kong (“DAB”) has all along hoped that the Government can put forward support measures for the middle class, but the Government has often refused to take the initiative to alleviate the hardship of the middle class on the grounds that there is no urgent need to do so, or that there is need to examine the impact on public finance.

As a matter of fact, many middle-class families are just the “poor middle class”. Their actual disposable income, net of expenses, is in fact not much. For example, let us look at the figures. As shown by the “2019/20 Household Expenditure Survey”, housing accounted for 44% of the expenditure of households in private housing. In comparison, it accounted for only 11.8% of the expenditure of households in public housing. The actual life and consumption of middle-class families are obviously subject to many constraints. Their quality of life is not as high as expected in society. Hence, they warrant society’s concern. In particular, the Government should look carefully into the real needs of the middle class.

I have a few suggestions. Firstly, most middle-class families would employ foreign domestic helpers (“FDHs”) to take care of their children and elderly family members, but in recent years, employers have been plagued by problems such as the varying quality of FDHs and high agency fees. DAB hopes that the Government will establish an FDH Authority to be responsible for the licensing of agencies, vetting and approval, training and inspection in a “one-stop” manner, as well as stepping up efforts to combat non-compliant agencies and penalize FDHs for job-hopping. At the same time, to prevent employers of FDHs from being forced to accept increase in price and transfer of costs from agencies, the Government should proactively explore more sources of FDHs to ensure that there is sufficient supply in the market and avoid over-reliance on a single country.

Secondly, in respect of healthcare, many middle-class families would take their children to private clinics for medical consultation because of time constraints. However, the fees charged by private clinics are high. Every time

their children fall ill, they may have to visit the doctor several times, costing thousands of dollars in total, thus putting great financial pressure on the families. I hope that the Government will expeditiously consider alleviating the burden of healthcare on families through public-private partnership, including studying the provision of full subsidies for eligible infants and children under the Hong Kong Childhood Immunisation Programme to receive vaccination at private healthcare institutions.

Lastly, given the interest rate hike, home ownership has become a major pressure for middle-class families. I hope that the Government can waive the stamp duty on residential properties for all first-time home buyers, subject to a ceiling of \$10 million. At the same time, I suggest that the Government should set the supply of Home Ownership Scheme flats at 15 000 units a year, so as to increase the supply of subsidized housing and alleviate the burden of the middle class.

President, the middle class not only represents social progress, but also the hope of upward mobility for the grass roots. In the wake of the epidemic, quite a number of middle-class people are experiencing varying degrees of crisis. The Government should proactively address the needs of the middle class and provide them with appropriate support as soon as possible.

President, I so submit.

MR CHAN HAK-KAN (in Cantonese): Thank you, President. President, I thank Ir LEE Chun-keung for proposing the motion on “Addressing the needs of the middle class”, which has facilitated our serious discussion in the Council on how to attend to and support the middle class.

President, in recent years, we often talk about the need to give the public a sense of happiness and fulfilment. Words are easy. But how can we enable this group of middle-class people, who pay large amounts of tax, work hard and bear great pressure, to have a sense of happiness and fulfilment? This is not easy. In my view, the focus of today’s motion lies in how to make them feel a sense of happiness and fulfilment.

Recently, we often say that many Hong Kong people go north for spending at weekends. The concept of “going north to spend money” is popular not only among the grass roots. I believe many middle-class people would also go north.

I have noted that quite a number of colleagues in the Legislative Council went north to a certain supermarket at weekends, bought a lot of things and carried many gifts back to Hong Kong. What is the reason for spending in the Mainland? The answer is that one can have a good consumer experience by paying just a small amount of money. At present, asset prices are going down. The economic situation is unstable. Many families have to cut expenditure, and middle-class families are no exception. If a family of three goes out for spending on Sunday with a budget of \$500, it may be barely enough even for patronizing a Hong Kong style café. However, if I go to Shenzhen for spending with a budget of \$500, I will be able to buy a lot of things and eat a lot of delicious food. The consumer experience aside, the livelihood and financial pressures of the middle class are immense. If I can buy a lot of gifts or daily necessities back to Hong Kong with a budget of \$500, it is really a good bargain and I will not feel the pinch. Hence, quite a number of middle-class people would go to the Mainland for spending. This is because they are facing financial difficulties.

Of course, the concept of giving the middle class a sense of happiness and fulfilment is not something abstract. Rather, it is necessary to start with doing the small things one after another. Recently, the SAR Government has put in place policies to support the middle class, including the offer of \$20,000 cash bonus to encourage childbirth, since many middle-class people do not intend to have children. After I learnt about this policy, a party comrade beside me said that he very much wanted to get the \$20,000. He is Mr Edmund WONG, nicknamed “Diamond WONG”. Mr WONG said that he wanted to get not only \$20,000, but also the full amount of \$60,000. However, some months have passed, but there is no further news. I have not been told any good news about it. So I wonder whether this is actually his personal problem or a professional issue. I am not in a position to comment on any personal problem, but I think it must be a professional issue. It is because Mr Edmund WONG, being an experienced certified public accountant, must know that \$60,000 is not enough to raise three children, as we must have seen from a television advertisement 10 years ago that it cost \$4 million to raise a child, and now it already costs \$6 million. Therefore, being a professional accountant, he absolutely will not decide to have children just because he will get \$20,000 or \$60,000.

President, as we can see, the middle class needs not only a little more financial support. What is more important is to make them feel the support for them from the whole society beyond financial support. Certainly, during the motion debate, some Honourable colleagues have proposed the provision of a tax allowance for children’s education, education vouchers, health care vouchers, etc.

These are very good measures. However, these measures alone are not enough. The whole society or the whole Government's policies should make them feel that there is no pressure in having children. They will not have to worry about all kinds of problems such as having to look for school places for their children all the time and the need for them to seek medical consultation. We need an atmosphere which makes them feel that the whole Government is supporting them in having children or living as the middle class, and society can also help them on various fronts.

Childbearing is only one example I have cited. There are many other examples which warrant collaboration between our Council and the Government to help, support and care for the middle class, so that they can have a greater sense of happiness and fulfilment in their lives.

Thank you, President.

MS LAM SO-WAI (in Cantonese): Thank you, President. I thank Ir LEE Chun-keung for proposing the Members' motion entitled "Addressing the needs of the middle class", and Mr Frankie YICK for his amendment.

The middle class is a major driving force for the advancement of society, but the Government has not made enough efforts to support middle-class people. Middle-class people have all along "paid large amounts of tax but enjoyed few welfare benefits". In addition, in the wake of the epidemic, Hong Kong's economy has not yet regained its original momentum. With limited income and increase in mortgage repayment expenses, the middle class bears a heavy financial burden.

At present, there is no clear and precise definition of "the middle class", but we can draw reference from the indicator set by the Organisation for Economic Co-operation and Development, which defines the income level of the middle class as between 75% and 200% of the regional median. In the case of Hong Kong, the median monthly household income in the third quarter of 2023 is \$30,000 on the average. With reference to this indicator, we can initially set the income indicator for the middle class as having a monthly household income between \$22,500 and \$60,000. I suggest that the Government can use this criterion to lay down a simple and clear definition of "the middle class", and formulate relevant policies focusing on the needs of the middle class, including policies on housing, welfare, healthcare and marital support.

Besides, I agree with the proposal in the amendment that the Government can study the establishment of a middle class commission to comprehensively review the policies or measures relating to the middle class from a focused and higher-level perspective, as well as formulate the criteria and regularly publish the relevant statistics.

As a Member returned by geographical constituencies through direct elections, I am not only concerned about the grass roots, but also serve many middle-class people. Hence, today, here I wish to ask the Government to provide more support to the middle class. Welfare benefits should not be provided to the grass roots alone. The middle class also have such a need. The Government should adjust the tax allowances every year by reviewing different data. When the economic situation is relatively poor—especially in this year’s fiscal deficit—it can consider substantially raising the child allowance and increasing tax concessions. Other measures which help the middle class can also be adjusted, for example, by relaxing the restrictions on the dependent parent or dependent grandparent allowance, and allowing a tax deduction for the expenses of employing foreign domestic helpers. Frankly, many middle-class families have to take care of both elderly parents and children. It is not easy for dual-income parents to go out to work. It is really difficult to do so without the aid of a domestic helper. I am single. Although I am not married, I also find it very hard to take care of my family members. President, I am an example. So, it is even more difficult for families with children.

Recently, many women have sought assistance on marriage and divorce issues. I hope the Secretary can substantially increase the resources in this regard. The grass roots need support in respect of marriage and divorce, but the middle class tends to “avoid washing their dirty linen in public”. Under Secretary HO, I hope that the authorities can increase the resources for marital support. This is a point of great concern to me.

Another point is that there are quite a number of young people and children with special educational needs (“SEN”) in the middle class, but they do not receive any support. A lot of care vouchers relating to children with SEN, living allowance for carers, and living allowance for persons with disabilities are provided to grass-roots families. What about the middle class? If a couple has a monthly income of \$100,000, is it enough to support the whole family? President, this is the plight of the middle class. I suggest that the Government should introduce a “SEN children’s learning resource voucher” especially for children with SEN.

On encouraging childbirth, I agree with Mr CHAN Hak-kan that a childrearing allowance should be provided to middle-class families. The annual amount of \$20,000 is not enough. An allowance should be provided for children aged zero to five. The Government should help the middle class in respect of marriage, divorce and all life planning.

Apart from the several aspects mentioned just now, the Government should also pay attention to carers with regard to their financial needs. Under Secretary HO, I have said many times that many resources are tilted towards grass-roots families. In fact, the middle class is also in great need of carer support services. I hope that in the coming year, the Government will strongly support the “sandwich carers”, i.e. the nearly 230 000 middle-class and middle-aged carers with high academic qualifications, and provide them with better carer support services. We are faced with a lot of social pressure. Under the present social atmosphere, many unpleasant incidents have occurred, including suicide cases. I do not wish to see any more tragedies happen in Hong Kong in 2024. I hope that various bureaux, such as the Health Bureau and the Labour and Welfare Bureau, will continue to support the middle class on different platforms in financial and other relevant aspects.

Thank you, President.

DR CHOW MAN-KONG (in Cantonese): President, many grass-roots people are eager to move up the social ladder and become the middle class. However, after becoming the middle class, they have to face high expenses and tax burden with little support from public finance, coupled with a large group of family members and colleagues who need to be taken care of. They can really lose sleep every night.

Currently, there are a number of unfavourable factors in Hong Kong, such as the sluggish stock market and uncertain property market, all of which have made the middle class the first to bear the brunt. In the face of high interest rates, all middle-class people who are working hard to make mortgage repayments have to bear large amounts of interest and instalment payments. At the same time, they also have to pay for their young children’s education and look after their elderly parents. In addition, all the daily living expenses are costly. These have already put them under immense pressure, let alone having a few more children.

As we are now in the consultation period of the new Budget, Ir LEE Chun-keung's original motion and Mr Frankie YICK's amendment are timely. I urge the authorities to squarely face the "three big mountains" of the middle class, namely childbearing, children's education and caring for elderly parents. In particular, it is necessary to alleviate the tax burden of the middle class and respond to their needs.

The SAR Government is aware that the fertility rate in Hong Kong is on the low side, and it has responded to this in the Policy Address. In particular, it has proposed to grant a \$20,000 "Newborn Baby Bonus", raise the tax deduction ceiling for domestic rents, etc., thus doing a lot more work than the last-term SAR Government. However, as far as the middle class is concerned, they actually have a greater expectation for their children to have the opportunity to receive comprehensive and quality pre-school education, with a view to "winning at the starting line".

The present child allowance is \$130,000 for each child, and the child allowance is doubled in the year of assessment in which the child was born, but it will return to the original level in the following year. However, as we all know—and I am a parent myself—in the first three years of a child's life, the burden is the heaviest, with expenditures for milk powder, diapers, post-natal care, playgroups, N classes, etc., all of which are costly. In addition, a survey has pointed out that "it costs \$6 million to raise a baby"—it is no longer \$4 million, not just the price for buying a yacht. In view of this, I propose to extend the "double tax allowance" to the first three years of the child's life instead of just one year, and introduce a measure allowing tax deduction for the expenses of employing foreign domestic helpers, so as to encourage childbirth. Such investment in the population is the most important investment for increasing the vitality of Hong Kong's population in the future.

It is not difficult to spot the fierce competition in Hong Kong's education. Primary schools have to prepare for the Internal Assessments for the Secondary School Places Allocation, and secondary schools for DSE (Diploma of Secondary Education Examination). The expenses on textbooks, tutorials, musical instrument classes, etc. cannot be taken lightly either. It is worth mentioning that according to the figures of the Education Bureau in 2023, there were 5 627 surplus places in Hong Kong's international schools in the past year, an increase of more than 20% over the previous year. This is actually not a good thing, since it proves that the middle class may have arranged for their children to study in subsidized schools instead, or they may have already left Hong Kong. In my written question

to the Education Bureau yesterday, I mentioned that the rate of decline in the number of teachers was far higher than the rate of training of teachers by various universities each year. Moreover, there was a great disparity. It is unlike what some people say or think now, that under the present situation of class reduction and school closure, there is no need for so many teachers. This is not the case at all. This will affect Hong Kong's impetus for growth. In this connection, Members of "G19" already proposed last year the introduction of a tax allowance of \$120,000 per annum for children's education expenses. Although this is not a very high allowance, it carries deep significance. Moreover, no matter how poor we are, we can never cut down on education. In this regard, we need to make the middle class feel valued.

I must also point out that all children have the responsibility to take care of their elderly parents. In respect of the middle class, even if they cannot live with their parents, it does not mean that they have not fulfilled their filial duties. As we all know, the median living space per capita in Hong Kong is only about 172 sq ft, far lower than that in the other regions in the Four Asian Tigers. If children who have established their own families can live with their parents in the same district or even in the same housing estate, they deserve much appreciation. However, under the current requirement, applicants for the dependent parent allowance must be residing with their parents. But not everyone in Hong Kong lives in a villa. In general, there are only two rooms in a flat. Applicants are required to live with their parents in order to be eligible for the allowance. May I ask what kind of system this is if not virtually non-existent? For this reason, I urge the Government to revise the present requirement for additional dependent parent allowance from residing in the same unit to residing in the same administrative district, so as to genuinely alleviate the financial burden of the middle class and incentivize them to take care of their parents.

President, I so submit.

MR ROBERT LEE (in Cantonese): Thank you, President. I rise to speak in support of Ir LEE Chun-keung's motion on "Addressing the needs of the middle class".

The support for the middle class is an issue of great concern to all of us. There is no objective definition of "the middle class", but according to OECD (Organisation for Economic Co-operation and Development), the monthly

household income of the middle-income class is between 75% and 200% of the local median. If we base the calculation on the latest figure of the median monthly household income in Hong Kong, which is \$30,000, the number of households with an income between \$22,500 and \$60,000 is about 1.18 million, accounting for 40% of the total. Meanwhile, in terms of occupation, professionals such as doctors, lawyers, financial practitioners, engineers and accountants are generally regarded as the middle class. They have made significant contributions to society and the economy. However, owing to the economic fluctuations and the impact of the epidemic over the past period, now Hong Kong's economy has not yet fully recovered. Coupled with the high interest rate environment, the middle class in Hong Kong is faced with an immense financial burden.

According to the information of the Census and Statistics Department, on average, housing took up about 40% of the expenditure of households in private housing, whereas the rental expenditure of grass-roots tenants in public housing accounted for only 10% of their income. Apart from the high expenditure on housing, the middle class also has to pay for their children's tuition fees, reserve funds for their future education, support their parents and meet retirement expenses. In this regard, the Government should consider providing various short-term tax concessions in next month's Budget to alleviate the pressure on the middle class.

First of all, I suggest that the Government should consider maintaining a certain amount of tax rebate and rates concession every year as long as it is within fiscal control. At the same time, I also agree to the measures proposed by Mr Frankie YICK, such as introducing tax concessions for the expenses of children's education and hiring foreign domestic helpers, as well as reviewing the amount of dependent parent allowance, so as to alleviate the tax burden of the middle class.

Apart from reducing the expenditure of the middle class, I suggest that the Government should increase the income of the middle class. Of course, such financial assistance does not mean direct handout of money. Rather, it means helping the middle class to increase their wealth through investment and financial management. Let us take a look at the new Capital Investment Entrant Scheme recently announced by the Government, which requires applicants to invest a certain amount of money into an investment portfolio set up and managed by the Hong Kong Investment Corporation Limited. Hence, the Government can also consider allowing eligible Hong Kong middle-class people with financial strength to participate in it. I believe this can provide the middle class with an investment

and financial management channel to grasp the opportunities arising from the development of innovation and technology in Hong Kong, as well as the growth of the Greater Bay Area. At the same time, the Government will no longer need to inject capital into the relevant funds, but can obtain capital directly from the market and share the fruits of investment with the public.

Besides, by drawing reference from overseas examples, the Government can consider enhancing the existing Mandatory Provident Fund System by allowing employees to open their own investment accounts, purchase individual quality stocks or exchange traded funds and make monthly contributions on their own. The relevant mandatory and voluntary contributions can be tax deductible. The mandatory contributions and tax deductible portions of the voluntary contributions can only be withdrawn after retirement. On the one hand, this can encourage the public to make investment to increase their wealth. On the other hand, the relevant capital can also activate the market. The Government can strengthen financial education to enable the middle class to add value to their wealth through asset management.

With these remarks, President, I support the motion.

DR KENNEDY WONG (in Cantonese): President, as mentioned by other Honourable colleagues just now, according to the definition of the Organisation for Economic Co-operation and Development (OECD), middle-class households in Hong Kong actually account for about 40% of all households in the territory. Working hard in silence, these middle-class people need to worry about housing expenses, be it rent or instalment payments for purchasing their flats, children's education, and so on. The Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") and I have always fervently hoped that the Government would pay more attention to the middle class. Hence, we support Ir LEE Chun-keung's original motion, but we have reservations about part of Mr Frankie YICK's amendment.

The recurrent expenditure of the SAR Government in 2023-2024 will slightly increase by about 3.3%. As we can see, injections in policy areas related to people's livelihood, including health, social welfare and education, are enormous, accounting for about 60% of the recurrent expenditure. Although some middle-class people may not have too much feeling about this, the expenditure related to the activities in which they like to participate, such as culture,

performing arts and sports, is after all mainly supported by the SAR Government. For this reason, I consider that the SAR Government is not one-sided with concern only for the grass roots in the recurrent expenditure.

However, Hong Kong's economy has in fact been relatively poor in recent years, and the recovery over the past year has fallen short of expectation. Some middle-class people bearing the burden of mortgage repayment for private properties also have to face the impact of interest rate hikes. The prices of quite a number of consumer goods and services have risen. In addition, in the face of a huge deficit, the SAR Government has stated clearly that it must raise revenue and reduce expenditure, and it also needs to consider adjusting the fees and charges for public services. Therefore, faced with financial pressure, the middle class is also relatively lacking in social security, which, in our view, must be addressed by the Government, so as to prevent the grievances of middle-class families from increasing and spilling in society, thus creating a potential problem of social discontent.

In my opinion, the most pressing task now is to find ways to boost Hong Kong's economy and enhance the appeal of Hong Kong on all fronts. DAB has all along been advocating appropriate night-time economic activities. It is also necessary to upgrade the reception standard and reception capacity of Hong Kong's tourism services, discuss with the Mainland to allow the residents of more provinces and cities to visit Hong Kong under the Individual Visit Scheme, as well as resume the issuance of the "multiple-entry" endorsements to Shenzhen residents, and at the same time step up publicity and promotion to the Association of South East Asian Nations and Middle East countries to attract consumer groups from these regions to come to Hong Kong. By integrating into the development of the Greater Bay Area, Hong Kong's innovation and technology industry can be promoted faster. Proper efforts should be made for the development of the Northern Metropolis as well as the Loop in cooperation with Shenzhen. The full promotion of these new areas of economic growth, as we believe, can certainly bring the middle class more high value-added jobs. As long as high-quality development can be achieved, the sense of fulfilment and happiness of the middle class will be enhanced.

Mr Frankie YICK has made several specific proposals in his amendment to support the middle class. In particular, he has suggested adjusting salaries tax downwards and lowering the marginal rate. In my view, it is necessary to obtain a broad consensus from various sectors in Hong Kong before such proposals can be taken forward. The Government is faced with a fiscal deficit and decline in

public revenue. I believe this may not be the best time to implement a major tax reform. Besides, regarding the introduction of an “education voucher scheme”, this will involve the use of the voucher subsidy by Direct Subsidy Scheme primary and secondary schools as well as private schools. This proposal will affect the ecology of Hong Kong’s education system and involve such questions as whether resources can be utilized fully in a fair manner. In our view, given the need of a thorough study to weigh the pros and cons, now it is hard to decide to give our support without a thorough study. Therefore, having reservations about the relevant proposals, DAB will abstain from voting on the amendment.

President, I so submit.

MR ROCK CHEN (in Cantonese): President, the middle class has all along been an important force in Hong Kong’s economy and society. However, in recent years, the economic impact brought by the epidemic, the downturn in the stock and property markets, inflation, high borrowing costs, etc. have all caused the middle class to run into unprecedented difficulties. Yet compared to the grass-roots families, the Government’s support for the middle class is not up to par. The Government has explained that as there is no universal definition of the middle class, it is difficult to propose targeted measures.

In this debate, many Honourable colleagues mentioned yesterday and today what is meant by the middle class according to the definition of OECD (Organisation for Economic Co-operation and Development). Based on OECD’s definition, the income of many middle-class people in Hong Kong exceeds the income limit for applying for Home Ownership Scheme flats. Hence, they can only rent or buy private residential properties. In view of this, I support Ir LEE Chun-keung’s motion to help the middle class reduce the burden on their livelihood, with a series of proposals to enable the middle class to realize the objectives of living in peace, working with contentment, diversification and upward development.

In respect of living in peace, back then the Government introduced the Home Starter Loan Scheme. Applicants could obtain low-interest loans, with which they could afford to make the down payment for purchasing private properties. The Scheme benefited nearly 80 000 applications at that time. In my opinion, one of the reasons why some middle-class people are still unable to buy their own home now may be related to the amount of the down payment. For this reason, I suggest that the Government should consider re-launching the Home Starter Loan Scheme

to help those middle-class people who do not have enough money for the down payment but have stable income to buy their own home.

I also support Mr Frankie YICK's proposal of introducing a tax deduction for the expenses on foreign domestic helpers ("FDHs") to alleviate the pressure on the middle class. I suggest that each taxpayer be entitled to the tax deduction for one FDH, subject to a cap with reference to the minimum wage of FDHs.

In respect of working with contentment, I also support Mr Frankie YICK's proposals to introduce a tax allowance for children's education and relax the restrictions on the dependent parent allowance. As regards adjusting salaries tax downwards, widening the tax bands for salaries tax, lowering the marginal rate and introducing a voucher scheme for Direct Subsidy Scheme primary and secondary schools and private schools, these are long-term policy objectives to which I have no objection in principle. However, these two policy areas (especially adjustment of the tax regime) will cause far-reaching implications. Given that public finance has recorded huge deficits for consecutive years and Hong Kong adopts a relatively narrow tax base, Mr YICK's proposals really need to be examined and analysed in a comprehensive and holistic manner. The relevant voucher scheme will also impinge on the layout of schools at all levels and the flow of students in the education sector as a whole, thus affecting the ecology of Hong Kong's education system. It is therefore necessary to conduct a thorough study to weigh the pros and cons. In the long run, the aforesaid two proposals are highly worthy of studying, but they can only be implemented in the right economic environment after various sectors in society have been consulted and a consensus has been reached.

Apart from government support, the middle class also attaches equal importance to and long for a prosperous, thriving and diversified economy with upward development, since the middle class also fervently wishes to make use of their own knowledge and abilities to work for the betterment of themselves and their families. Hence, the Government must comprehensively establish and enhance the functions and roles of Hong Kong's "eight centres", promote economic diversification, and develop high value-added and competitive industries in areas such as high technology, financial services, Chinese and foreign cultural and creative industries, education hub and cross-border e-commerce, so as to create more development opportunities for the middle class.

I so submit.

MS STARRY LEE (in Cantonese): President, Hong Kong has entered a new phase of advancing from stability to prosperity. Focusing on developing the economy and improving people's livelihood, the SAR Government has done a lot of work and made considerable achievements. In this new phase, we all consider that a social cohesion campaign is vitally important, and how to win the hearts of the middle class in the social cohesion campaign is indeed a top priority task. The middle class in Hong Kong is an important force for stability. Their well-being and stability are crucial to the fate of Hong Kong. In fact, I have always been gravely concerned about the situation of the middle class in Hong Kong. It is my hope to understand through various studies and research the emotional knots of the middle class, as well as all kinds of challenges they face.

About 10 years ago, I was admitted to Tsinghua University. My doctoral dissertation is in fact a study of the voting behaviour of the middle class in Hong Kong. After 10 years of efforts, my dissertation is now in progress. I hope I can publish it and share it with Members later.

Today, as each of us has only five minutes' speaking time, I cannot share with Members my research outcomes here. I hope that we can work together and contribute our efforts to win back the hearts of the middle class.

Today, I am grateful to Ir LEE Chun-keung of the Liberal Party. The Liberal Party has repeatedly expressed its concern for the middle class in this Council. Actually, apart from the Liberal Party, I believe that the concern for the middle class is a cross-party consensus. As two of my party comrades, Dr Kennedy WONG and Mr Rock CHEN, said just now, we agree with the general direction of supporting the middle class, but we consider that the individual policies in the amendment should be studied further.

As regards the SAR Government, I actually think that the new-term SAR Government has indeed done a lot of work since its assumption of office, but it seems that it has not paid enough attention to the emotional knots of the middle class or how to further win back their hearts. Let us take a look at the public officers who spoke on the Legislative Council Members' motions. I remember that last time, the Liberal Party also proposed a motion on tax concessions or support for the middle class. At that time the public officer who responded was from the Financial Services and the Treasury Bureau. As I remember, the one who spoke was Secretary Christopher HUI. This time, it seems that the team is led by the Under Secretary for Financial Services and the Treasury, who speaks on

behalf of the Secretary. In my view, to win back the hearts of the middle class and better understand the emotional knots of the middle class, we should not put the responsibility solely on the Financial Services and the Treasury Bureau. During our discussion, we said that the middle class is under immense pressure, and the middle class is the sandwich class. We understand this. However, I believe we all agree that mere tax adjustments and financial support are not enough to win back the hearts of the middle class. The need to win back the hearts of the middle class is in fact a very important part of the social cohesion campaign in Hong Kong's new phase of advancing from stability to prosperity.

Therefore, first of all, I urge the SAR Government to stop treating the issue of the middle class as simply a matter to be responded to under the portfolio of the Financial Services and the Treasury Bureau. In my view, this is too narrow-minded, giving people the impression that the hearts of the middle class can be won back just by offering some support financially or in terms of tax concessions. This is the first point I would like to raise. I hope the SAR Government will look into it later. As to whether a commission or other forms should be adopted, I think it can be further discussed. But on the whole, if all issues relating to the middle class are to be responded to by the Financial Services and the Treasury Bureau, I think it is too narrow-minded, giving people the impression that what needs to be done is merely to provide the middle class with financial support.

Secondly, we have to admit that in the wake of the disturbances arising from the opposition to the proposed legislative amendments, the emotional knots of the middle class in Hong Kong warrant our further study. Among them, there is a lot of information or phenomena which we actually need to face squarely. To start with, quite a number of middle-class people have indeed chosen to leave Hong Kong. This is something we all know.

In addition, a joint survey was recently conducted by five places, namely the Cross-Straits, Hong Kong, Singapore and Malaysia, to look into the four major indicators of social participation, motivation, executive ability and foresight of the respondents, especially the middle class. The findings revealed that Hong Kong's young people and adults between the age of 18 and 45 scored the lowest when compared with other regions. Simply put, when we come into contact with the middle class during this period, we feel that the middle class in Hong Kong does not have much motivation. The property and stock markets are sluggish or even quite poor, and the voter turnout rate in the election is low. We must admit that

this time, the voter turnout rate in the election is lower than the previous ones. One of the reasons is that fewer middle-class people have come out to vote. The SAR Government should in fact examine these phenomena. We certainly understand that to get more people to support the new electoral system, we need to continue to work hard. Yet, all these phenomena reflect that the emotional knots of the middle class in Hong Kong are yet to be untied (*The buzzer sounded*) ... I hope the SAR Government will do something.

PRESIDENT (in Cantonese): Ms Starry LEE, please stop speaking.

Mr LEUNG Man-kwong, please speak.

MR LEUNG MAN-KWONG (in Cantonese): Thank you, President. Recently, a phenomenon has become a heated topic on the Internet in the Mainland, attracting much attention. It is “the return of the middle class to poverty”, similar to what Ir LEE Chun-keung has mentioned in his speech, that the middle class is becoming like the grass roots. That is, the income of the middle class has dropped, and their consumption level has lowered. They consider that their lifestyle has returned to the grass-roots level. After some three years of the epidemic, Hong Kong’s economy upon the resumption of normalcy has fallen short of expectation. The property and stock markets are going downwards. The wealth of the middle class has shrunk substantially. Recently, quite a number of middle-class people have voiced their grievances on the Internet, and their plight has become the focus of discussion of the media. This is definitely an alarm to the Government.

The middle class has always been regarded as the cornerstone of social stability. They have even been praised as a stabilizer of the social fabric. The reason is that generally, with their abilities and resources, they are willing to take on more social responsibilities. By means of charitable donations, volunteer services, community participation, etc., they make contributions to society and support the underprivileged.

On the other hand, with stable jobs and income, the middle class has been a major force of consumption of goods and services in the past. The middle class is also an important source of business starters and entrepreneurs. According to statistics, more than 90% of the enterprises in Hong Kong are micro-enterprises with fewer than 10 employees, and the proprietors of these enterprises are mostly

from the middle class. Hence, these middle-class proprietors and micro-enterprises are an important pillar for Hong Kong's economic development, creating employment opportunities, and promoting innovation and economic diversification. They are also a social stabilizer, since they have contributed a lot to the maintenance of social stability and prosperity.

President, owing to their financial status, the middle class is usually regarded as a group of people who have the ability to meet their own needs in life. For this reason, their aspirations are more easily neglected by society. Members of the middle class, as seen from the outside, have their own cars, flats, children and even dogs or cats. On the surface, they lead a prosperous life, looking gorgeous, but in reality, they are hard up. Middle-class families often say that they have to pay large amounts of tax and a lot of expenses too, but they are entitled to the least welfare benefits. During economic recession, their livelihood pressure is even greater than that of the grass roots, and they need more attention in society.

I have a few suggestions on how to support the middle class. First of all, housing is usually the biggest expenditure item of the middle class, especially young middle-class families. In fact, home ownership in a high interest rate environment has brought them enormous financial pressure. In recent years, the so-called "progressive payment mortgage" has emerged in the market, which allows buyers to pay a smaller amount of down payment, with lower instalment and interest payment in the first 10 years of repayment. It is suitable for young middle-class families. The Government can launch more products of progressive payment mortgage, or introduce progressive payment mortgage in the sale of subsidized housing, so that young families can have an additional option.

Besides, the middle class has all along "paid large amounts of tax but enjoyed few welfare benefits". To alleviate the financial burden of middle-class taxpayers, I agree with and support the diversified measures of tax concessions proposed in the amendment, including providing additional child allowance, increasing the dependent parent allowance, continuing to reduce salaries tax, and raising the ceiling of the concessions, so as to realize the principle of "giving our community a respite". We understand that the Government may now have a financial crisis and situation which warrants attention. However, I think the provision of tax concessions for the middle class can encourage them to spend more money on other living expenses, thereby driving the economy in society. It will bring more advantages than disadvantages.

Lastly, the Policy Address has also introduced a number of measures to promote fertility, including the \$20,000 “Newborn Baby Bonus”, which can help to encourage different social strata, including middle-class families, to have children. However, the middle class has said that these measures for families with newborns do not seem to be relevant to them. For example, public housing allocation and priority selection of Home Ownership Scheme flats may not have much to do with them. For middle-class families that wish to buy private properties, can the Government consider reducing or waiving the stamp duty or ad valorem stamp duty for first-time home buyers with newborn babies, so as to boost the aspirations of middle-class families to have children? Let me request the Government again to consider introducing a tax deduction for the expenses of employing foreign domestic helpers, as well as a child health care voucher, so as to relieve the pressure of the middle class in taking care of their families.

President, the middle class is often the group most easily neglected in society. Despite their relatively handsome remuneration, they have to bear heavy living expenses, housing expenses and taxes. In addition, given the uncertain economic outlook at present, quite a number of middle-class people have their income drastically reduced. The Government’s welfare benefits basically have nothing to do with them, but they still have to pay the full tax. Their lives are not as stable as we have imagined. Hence, I hope that the Government can pay more attention to the middle class, and provide them with more appropriate support in its policies and ancillary measures in society.

With these remarks, President, I support the original motion and the amendment. Thank you, President.

MR LAM SAN-KEUNG (in Cantonese): President, I have checked the past records of proceedings of the Legislative Council. Over the years, whenever Members raised a subject relating to the middle class, the Government would invariably say that there was no international definition of “the middle class”, then talk about the many welfare measures launched by the Government and the future development plan, and consider its job done. I believe that today is no exception.

However, being Legislative Council Members, we have to keep bringing it up and speak repeatedly to fulfil our duties, since the Legislative Council does not find it acceptable. We have got to bother the Government until it heeds our views and takes action.

Today, Hong Kong needs to better the people's livelihood and pursue development. The purpose of development is to enable the people to lead a better life. If we only pursue the growth of economic figures while the people's quality of life is deteriorating both materially and spiritually, such development is meaningless.

The absence of any international definition of "the middle class" does not mean that Hong Kong cannot set its own definition. For example, in 1970, the King of Bhutan created the "Happiness Index". In fact, various sectors in society each have a definition of "the middle class" on their minds. Hence, I support Mr Frankie YICK's proposal of setting up a commission and laying down a definition of "the middle class", so as to better assist the Government in formulating policies, and establish a fair development platform for the middle class.

The most ideal society is a diamond-shaped society with the middle class in the majority. The middle class is the greatest driving force for social development. However, for some unknown reasons, the policies formulated by the governments of most developed regions often focus only on the rich and the poor, while the middle class is often being neglected or even exploited. Society is gradually becoming M-shaped, causing anger among middle-class people.

Nowadays, the middle class cannot rent any public rental housing unit, and they are not eligible for Home Ownership Scheme flats either. Nor can they afford private properties. They can only rent expensive properties in the urban area, or choose to live in more remote places, but the travelling expenses are higher. MTR and bus fares keep going up year after year. Tunnel tolls have just been adjusted upwards, and taxi fares have gone up again. They wish to buy a private car for commuting, but a parking space is even more expensive than a car.

The biggest burden is that they have to take care of their elderly parents and raise their young children at the same time. Even if the middle class can afford to see a doctor, they cannot afford to have an operation. If they have taken out an insurance policy, the premium will be raised substantially in the second year. The middle class cannot but wait in the long queues in public hospitals. Consequently, more than 80% of the patients in Hong Kong go to public hospitals to seek medical consultation, making the public hospitals overloaded. Eventually, the one who foots the bill is the Government.

With enormous living expenses, the middle class actually has no money left for consumption. The worst thing is that when encountering injustice, the middle class can only suffer in silence and has no way of redressing grievances. Rich people can hire lawyers to take their cases to court, and the poor can apply for legal aid, but the middle class cannot do so. Since the current financial eligibility limit for legal aid is HK\$430,000, the middle class is definitely not eligible for legal aid, but being ineligible does not mean that they have the money to hire a lawyer. The middle class can hardly afford the costs of the judicial proceedings if such costs are to be fully borne by them, which is tantamount to leaving them with no way of redressing grievances.

The Government has many policies to support the grass roots because it knows that the grass roots have no money. However, the Government assumes that the middle class has savings and does not need help. Yet the financial burden of middle-class families is absolutely not light. The wage level of the middle class may seem very high, but their quality of life may possibly be even lower than that of the grass roots.

The Financial Secretary will soon deliver the Budget. I hope that the Government can squarely address the plight of the middle class and review the means test criteria for various social security measures to see if they can be relaxed to help more middle-class people in need.

With these remarks, I support the original motion and the amendment.

MR YANG WING-KIT (in Cantonese): President, I rise to speak in support of Ir LEE Chun-keung's motion entitled "Addressing the needs of the middle class".

To talk about the needs of the middle class, first we need to know the definition of "the middle class". In fact, everyone has a different interpretation of the term "middle class". What is the monthly income of the middle class? If someone has a car or a flat, does he fall under the middle class? Today, many Honourable colleagues have mentioned the definition of "the middle class" set by the Organisation for Economic Co-operation and Development, and I am not going to repeat it. According to this definition, the middle class in Hong Kong has a monthly income between HK\$22,500 and HK\$60,000.

Based on this income, let us look at what problems and pressures are faced by the middle class. Let me cite an example. Suppose a family with an income of \$60,000 spends \$15,000 on mortgage repayment, \$20,000 on supporting “the four elders”, \$5,000 on transport and meals, \$5,000 on hiring a foreign domestic helper, \$5,000 on water, electricity and gas, \$5,000 on enrolling their child in a good kindergarten, and another \$5,000 on tutorials and extra-curricular activities. As such, they will remain in a state of living paycheck to paycheck, not to mention the management fees and rates, with fingers crossed that the whole family will be in good health and will not fall sick. The most terrible thing is that when they see the tax demand note at the end of the year, they will get a big headache with no idea where to find money to pay the tax.

To cut down expenditure, they think about every possible means. Even for buying a piece of clothes, they have to think twice, let alone having any travel plan. Bringing lunch back to the office, put in a more pleasant way, is for healthy eating. In reality, it is for saving money on lunch. Someone who lives uphill would walk 20 minutes up and down the hill every day in order to save the minibus fares, and he would claim to other people that walking every day is good for health. Someone works in a company which does not provide medical insurance. A visit to a private doctor would cost at least \$300 to \$400, and his company follows the Employment Ordinance closely, whereby only sick leave taken for at least four days will be counted as paid sick leave. Sick leave of four days means having to visit the doctor twice. In addition, the attendance bonus will be deducted. For this reason, if he falls ill, he will not dare to go to see the doctor and will insist on going to work even if he has a fever or a serious cough. When the colleagues sitting next to him tease him, “Do you love going to work very much?”, he can only smile bitterly without saying a word. The examples mentioned just now are typical miseries of the middle class. The situation of middle-class poverty has become increasingly serious. Now the life of the “poor middle class” is not much different from that of the grass roots.

In this year’s Budget, is there any room to support the middle class and help the middle class to relieve their pressure? For example, is it possible to revert the ceiling of reduction of salaries tax and tax under personal assessment to \$10,000, and offer rates concession for properties throughout the year? Can the “combination punches” proposed in last year’s Policy Address to promote fertility, which drew the line at 25 October, be slightly relaxed so that the “big bonus” and the two accommodation-related tax deductions can also benefit families that gave

birth to children last year? Can families with newborns be exempted from stamp duty for first-time home ownership? Can the Government adjust the dependent parent allowance, disabled dependant allowance and tax deduction for expenses of self-education, which have remained unchanged for four years? Can the child allowance be made progressive so that the more children one has, the more deduction one will get? Will the tax deduction for employing foreign domestic helpers be realized this year as expected? We very much hope that the Government can launch a “tax deduction for children’s medical expenses”, or even introduce a “child health care voucher”, so as to alleviate the pressure of the middle class.

Of course, it is not enough to solely rely on tax concessions to support the middle class. The Government has the responsibility to create a family-friendly workplace environment. Take sick leave as an example. Most of the companies in Hong Kong allow their employees to take paid sick leave of one or two days. Even if the legislation is amended to relax the four-day sick leave requirement, there will not be any great impact on employers. Furthermore, European countries such as France, Portugal and Belgium have already enacted legislation on the “right to disconnect” to protect employees’ right to rest. Places around the world are “trawling for talents”. If Hong Kong wishes to maintain its competitiveness in the international arena, it is time to introduce discussion on the “right to disconnect”.

Besides, the Government can step up the promotion of five-day work, flexible work arrangements and working from home, as well as increase paternity leave for men, introduce parental leave, and dovetail with the measures proposed in last year’s Policy Address to assist working families in childbearing, so as to further alleviate the pressure on employees in taking care of both their work and their families.

Middle-class people are burdened with immense living expenses. As they are the mainstay supporting Hong Kong’s economy, the Government should understand the needs of the middle class. When formulating policies, it should give more consideration to the middle class and provide more supporting policies. It is only when the middle class is better off that Hong Kong will be better off.

With these remarks, President, I support the motion.

DR WENDY HONG (in Cantonese): Thank you, President. President, the concern for the middle class is indeed a significant issue. Since the very first day I became a Legislative Council Member, I have put forward the vision of developing an olive-shaped society, strengthening the middle class and assisting young people in upward mobility. Why do I have such a vision? As a matter of fact, the middle class is the cornerstone of social stability. Connecting the grass roots and the rich, it is an important part in preventing rupture among the social strata.

The most ideal structure of a society is an olive-shaped social structure, i.e. large in the middle and small on the two sides, with the middle class as the mainstay. To build an olive-shaped society, the most crucial point is that the pathway for upward mobility should be smooth. In my opinion, to smoothen the pathway for upward mobility and promote social class mobility, there are two conditions: one is internal. The middle class and the grass roots actually serve as the reference of life for each other. Middle-class people work hard, rely on themselves in everything, contribute a lot but enjoy few welfare benefits. It is only when the quality of their accommodation and life is higher than that of the grass roots who rely on welfare benefits that people will have an internal motivation to move upward. Only then can more people be encouraged to pursue class mobility.

For promoting class mobility, there is also an external condition, that is, we need to ensure that the pathway for upward mobility is smooth. What people need is, after all, living in peace and working with contentment. Hence, in my view, we need two ladders: one is a housing ladder which enables people to move up; and the other is an employment ladder. We need to create diversified middle-class employment, so that those who work hard can become the middle class.

Today, I would like to highlight some of my basic judgments on Hong Kong's housing problem. The housing problem is a deep-rooted conflict in Hong Kong. The Government's mindset is to concentrate resources on building public housing at all costs. Our public housing policy carries a 70:30 ratio: 70% of the resources are allocated to public rental housing ("PRH"), and 30% to the Home Ownership Scheme ("HOS")—I actually think this mindset is wrong. In fact, Hong Kong does not lack PRH. What Hong Kong lacks is a housing ladder above PRH.

Currently, more than 30% of Hong Kong people live in PRH, which is the highest percentage in the world. In Asian regions such as Singapore, the Mainland, Japan and South Korea, their figures are all single-digit. In Europe, the highest is the one in the United Kingdom, which is about 20%. Today, 30% of our residents are living in PRH. Yet we are still putting a lot of efforts to build PRH.

However, over the past 10 years, the number of people waiting for PRH has increased by 80%. In fact, this is not a problem of supply, but a problem of demand. Why is there such a great demand for PRH? Because we had stopped building HOS flats for 10 years. Today, although the supply of HOS flats has resumed, the quantity supplied is grossly insufficient. The lack of a housing ladder between public and private housing has led to the rapid expansion of the sandwich class who are ineligible for PRH but cannot afford to buy private properties, i.e. the so-called “poor middle class”. They are a most miserable group in Hong Kong society.

The lack of a housing ladder has brought several serious consequences. The first one is the downward mobility of the middle class. We can see that some middle-class people deliberately lower and contain their own income in order to wait for PRH allocation. The second one is the lack of ways for PRH tenants to move up the social ladder. There is no turnover in 99% of the PRH units. PRH has become a trap. Once someone has moved in, he will hardly move out. It is very difficult for residents of subdivided units to be allocated a PRH unit. On the one hand, there is no turnover of PRH units, and on the other, the largest category of households in subdivided units is actually the sandwich class. They are ineligible to wait for PRH allocation. Besides, the labour force participation rate in Hong Kong is getting lower and lower because PRH has restricted our labour force. As a result, the expenditure on social welfare keeps soaring.

In my view, now we need to adjust the allocation of resources and build a housing ladder, with the focus of housing production shifting from the grass roots to the middle class, especially the sandwich class. I suggest that the ratio of PRH to subsidized sale flats in public housing should be adjusted from the 70:30 at present to 50:50. In addition to the housing ladder, we also need an employment ladder, but I will not go into the detail today.

President, the middle class needs our attention, but I do not think the middle class can be created by relying on welfare. Nowadays, Hong Kong’s financial situation does not allow us to take such measures as tax cuts. In my view, the

most crucial thing is to build employment and housing ladders, so that every member of the community can see the hope of moving upwards step by step.

Thank you, President.

DR TIK CHI-YUEN (in Cantonese): President, a few days ago, I saw a young nurse in my office who was handling the procedures for emigration to Australia. I asked her curiously whether she could continue to work as a nurse in Australia, and how the pay was different from that in Hong Kong. She said that she could continue to work as a nurse in Australia with no need to sit for any examination. As regards the pay, she said that the income after tax was about half of that in Hong Kong. I then realized that there was such a great difference, but I did not ask her the reason for emigration because everyone has a different reason for emigration.

Hong Kong's middle class has all along been the backbone of society. They have different professions, including social workers, teachers, healthcare workers and civil servants, promoting the development of society on all fronts in various trades and industries. At the same time, the middle class is also the sandwich class. In comparison, they contribute a great deal to society but receive very few welfare benefits which fit them. Despite this, they have remained steadfast in their role as facilitator in society.

According to my observation, middle-class people in Hong Kong have three characteristics. Firstly, they are self-reliant and seek continuous self-improvement. Through their own efforts, they keep learning and adding value to themselves, acquire various professional qualifications and achieve success, in the hope of creating better living conditions for themselves and their families.

Secondly, they proactively care about society and pay attention to current affairs. They also participate in various social services and volunteer activities, show concern about environmental protection, and wish to build a caring and healthy society and create a better social environment for the next generation.

Thirdly, with a global vision, middle-class people have the ability to analyse the current situation from an international perspective. They also take the time to actively participate in international affairs and help people who are in difficulties in other regions, thus enabling Hong Kong to occupy a certain status and role in the international community.

Hence, what middle-class people need are opportunities and hope. Today, middle-class people are unhappy. They often say that Hong Kong is no longer the same. The room for freedom and openness has narrowed. The Government is unwilling to listen to public opinion. They have thus lost hope for the future.

The nurse I mentioned just now said that in her circle, 10% to 20% of her friends had emigrated, and half of the rest were planning to emigrate too. I originally wished to say something to encourage her to stay, but I failed to find any reason which could convince her. All I could say to her was goodbye and take good care.

As a matter of fact, quite a number of my former colleagues, classmates and party comrades have left Hong Kong too. I can only get their news through Facebook. At the moment they left Hong Kong, all I could say to them was also goodbye and take good care. However, here I would like to say to my friends today: “Hong Kong still has a lot of difficulties and needs. I hope you will come back to help.”

MR TANG FEI (in Cantonese): President, I rise to speak in support of Ir LEE Chun-keung’s motion and the other Member’s amendment.

Various research, be it in the Mainland, Hong Kong and even Taiwan, has shown that the biggest anxiety of the middle class comes from education. Education is different from other aspects in the life of the middle class, including income, healthcare, domestic helpers and housing expenditure. These issues can be alleviated through fiscal policies such as tax adjustment, but that of education can hardly be alleviated through fiscal means. Why? In a nutshell, it is because of the conflict between the proportion of middle-class families in the whole society and the characteristic of intense screening and elimination in our education system.

Hong Kong, like other well-developed societies, is an “olive-shaped” society, in that the proportion of people in the extremely wealthy and extremely poor classes at the two ends is relatively small, while the middle class in the middle is the mainstream in society, accounting for the largest proportion of the community, which is more than half. In this situation, the education system is just the opposite, with intense elimination and screening. What is a Band 1 school? All middle-class families want their children to be admitted to Band 1 schools or

even the traditional ones. A Band 1 school is a school whose students are ranked in the top 33% of all Hong Kong candidates in the same cohort in terms of their examination results. That means students who are ranked in the top one third are called Band 1 students, and a school which solely admits such students is called a Band 1 school. If a school admits students in the top 10%, the relevant percentage will be even lower, but middle-class families account for more than 50% of the households in our society.

When it comes to admittance to universities, at present, the percentage of candidates who can meet the minimum entrance requirement of attaining “3322” for Chinese Language, English Language, Mathematics and Liberal Studies in DSE is some 40%, but the percentage of those who can really enter the eight government-funded universities is reduced to only some 20% or less than 30%. The percentage of candidates who can enrol in universities, enrol in prestigious universities and enrol in the “elite” subjects in prestigious universities is inevitably becoming smaller and smaller due to the increasingly intense elimination and screening. It is far less than the proportion of middle-class families in society, which is more than half.

As a result, the expectations of middle-class families for their children have turned into great anxiety, in that there is always only a small number of families whose children can enter Band 1 schools through the traditional curriculum and examinations, and have the confidence to be admitted to the prestigious universities. As such, more middle-class families are worried that their children will not be able to enter Band 1 schools, and even after they have succeeded to do so, then there are worries that they will not be able to enter the traditional prestigious schools. But there are only 21 traditional prestigious schools in Hong Kong, excluding international schools. There are more than 460 secondary schools in Hong Kong. Among them, 21 are traditional prestigious schools. We can imagine how high the screening and elimination rate is.

Under such circumstances, many middle-class people are forced to take a “circuitous route”, i.e. spending costly tuition fees and using other study grants, support, etc. to enrol in private schools or study abroad, so as to circumvent the harsh examination screening system in Chinese society as well as the entire East Asian society, as though after their children enrol in a university or in an “elite” discipline in a prestigious university, their career and life will be smooth ever after. Actually, this is only the experience of our generation or even the older generation

in career and life planning. But nowadays, cases of people being unemployed and staying idle at home after graduation from a prestigious university are absolutely not uncommon. The education and development experience of our generation as well as our older generation is losing its value as reference for our next generation.

What should be done? Another drastic education reform? I believe that the whole Hong Kong community will have a headache and find it unbearable on hearing this. However, it is undeniable that we are now facing a great era of innovation and technology centred on Artificial Intelligence (“AI”). The impact of generative AI alone on our education is already huge and increasingly fast. Examinations and curriculums aiming at elimination in the style of imperial examination, focusing only on instilling knowledge and rote learning, are becoming more and more outdated and unable to catch up with technological advancement. What we need is an education system which nurtures competence, especially competence which can tie in with innovative technology. Under such circumstances, why are young people increasingly keen on the slash lifestyle? It is precisely because they have the ability to embrace the new era.

Therefore, to truly alleviate the anxiety of the middle class about education, our education system should provide gradual and subtle ability-oriented training. The introduction of AI education, coding education and even humanities subjects currently promoted by the Education Bureau are placing more and more emphasis on the cultivation of competence, rather than on examination alone. This is a commendable approach which I hope the authorities can further deepen. It is only in this way that the greatest anxiety of the middle class about education can be fundamentally allayed.

President, I so submit.

DR SO CHEUNG-WING (in Cantonese): President, according to the definition of the Organisation for Economic Co-operation and Development, the middle class refers to people with an income level between 75% and 200% of the local median. According to government statistics, the median monthly household income in Hong Kong in 2023 was HK\$29,500. On this basis, the middle class in Hong Kong generally refers to people with a household income between HK\$22,125 and HK\$59,000.

However, if we ask Hong Kong people with income in the aforesaid range whether they agree that they are the middle class, I believe that most of them would beg to differ, since almost all Hong Kong people in this range are still struggling to survive under the pressure of mortgage repayments or high rents.

(THE PRESIDENT'S DEPUTY, MS STARRY LEE, took the Chair)

According to the International Housing Affordability Survey in 2023, Hong Kong had been ranked as the most unaffordable housing market for 10 consecutive years, with the median property price in Hong Kong being 18.8 times the median household income. Over the past 20 years, the median income of Hong Kong people has increased by only 65%, while private property prices have increased by as much as 429% and rents by 114%. Nowadays, the middle class no longer stands for a comfortable life. They are inferior to the upper class in possession of enormous wealth, and unlike the grass roots who are entitled to welfare benefits. Instead, they are trapped in the plight of “working poverty” and “downward mobility”.

In 2023, a total of 2.73 million tax returns were sent out in Hong Kong, a drastic reduction of 140 000 from the previous year. Over the past few years, Hong Kong has lost more than 200 000 people in the labour force, with the middle class accounting for more than 60%. This got to be alarming to the whole society. If the middle class continues to decline, it will only increase the proportion of the poor, and Hong Kong society will face a structural change. For this reason, I agree with Ir LEE Chun-keung's motion and Mr Frankie YICK's amendment.

Being the main body of taxpayers in Hong Kong, the middle class is an important force for economic development and professionalism. It is also the essential element for preserving social stability. I hope that when expanding the coverage of social welfare policies, the Government will not forget to pay attention to middle-class people, and support upward mobility in society through burden reduction and relief measures, thereby increasing the proportion of the middle class in the population. While attending to the coverage of welfare benefits for the grass roots, it should also take the middle class into consideration, for example, by offering tax concessions for health insurance which can meet a certain threshold, and allowing tax deductions for education expenses and relevant fees for supporting the elderly. At the same time, the Government should pay more attention to housing projects for the middle class, and expedite the construction of

subsidized sale flats and low-priced “home starter” flats, so as to enable more middle-class people to realize their aspiration for home ownership. In particular, it should provide complementary policies and implement financial and credit support to assist the middle class in starting their own business, so as to enhance their opportunities for and confidence in upward mobility, as well as their ability to withstand risks.

Deputy President, I consider that in the steps of the Government’s actions to pursue economic development and benefit the people’s livelihood, apart from supporting industrial and commercial enterprises and taking care of the low-income class, the Government should also fully address the appropriate needs of the sandwich class in its policies. It should do more to manifest the diverse care of its public policies.

Thank you, Deputy President.

MS YUNG HOI-YAN (in Cantonese): Deputy President, I thank Ir LEE Chun-keung for proposing this motion entitled “Addressing the needs of the middle class”.

As stated in the original motion, what is the situation faced by the middle class now? It is the lack of support measures in areas such as childbirth, healthcare, children’s education, housing, transport, taxation and retirement life. As far as I understand it, what are the present expectations of the middle class? They expect that they can have confidence in Hong Kong, share hope for Hong Kong and make life planning for themselves. As regards how to strengthen the confidence of the middle class in Hong Kong and in themselves, the Government must work properly.

I myself have thought about the most practical problem facing the middle class now, and I found that it is all about the question of money. Where does the money come from? We are now pondering how to increase revenue and reduce expenditure in respect of this year’s Budget. In the face of the Budget deficit, we must work properly, but what are the ways for the middle class to increase income? In general, employees are normally engaged in only one job, and it is hard to have spare time to do two jobs concurrently. If they do not have access to resources, how can they have self-confidence and a sense of security? How to give them or create for them a sense of security is in fact a common responsibility of society and all of us.

Family is an excellent safety net providing a good home for everyone. Hence, there is a practical need to provide the public with a stable home. In the past, the Government has encouraged the grass roots to save money and provided a housing ladder, including public rental housing and Home Ownership Scheme flats, with various types of housing protection or measures at different levels of the housing ladder. However, since the middle class does not belong to the grass roots, they are not eligible to apply for public housing. For this reason, they can only save money slowly.

I notice that recently, a bank has released a report of “2023 Affluent Survey”, but it mainly focuses on the affluent middle-class people. It is learnt that the “middle class” can be divided into different levels, including the lower-middle class. As Dr SO Cheung-wing said just now, those with an average monthly income of about \$29,000 may belong to the lower-middle class. Some others belong to the middle-middle class. They may be professionals. It is by no means easy to define “the middle class”. It is rather difficult to come up with a definition of “the middle class” after today’s debate, just as it was not easy to draw a poverty line for the grass roots or lay down a definition of “poverty” in the past. Different societies will formulate various measures in the light of their own unique factors.

Hence, to address the needs of the middle class in general, as I said just now, it is very important to give them a sense of security. Let me talk about the electoral system. Deputy President, after our electoral system has been improved, we all hope that the Government can lead the District Councils or the Legislative Council to provide proper measures in Hong Kong, so that middle-class people can see that the various policies of the Government can benefit the middle class at all levels and meet their needs. I consider this highly important.

The establishment of District Councils can precisely address the problems faced by the middle class, including water seepage in buildings and the associated legal issues mentioned by me yesterday. Water seepage in buildings over the years, which has resulted in dilapidation of buildings or even caused mental nuisance, is one of the problems faced by the middle class. When it comes to water seepage, legal issues will certainly be involved. Hong Kong’s legal aid system—Prof Priscilla LEUNG has also talked about it today—cannot benefit everyone. Who can receive legal aid? What is the statutory asset limit for receiving legal aid? Members may not believe it if I say it out. At present, the total value of an applicant’s assets must not exceed \$430,000. A middle-class person’s total assets in his account must not exceed \$430,000 in value in order to

be eligible for legal aid. They actually have no way to count on legal aid to deal with the problem of water seepage, not to mention matrimonial, traffic accident claim, immigration and contractual problems.

The Government must open up different aspects in various policy areas, including healthcare and education as mentioned earlier, so as to provide more opportunities for more middle-class people to receive practical assistance. Here I hope that the Government can cater for the needs of the middle class at all levels, so that they can have a sense of security and satisfaction in Hong Kong. Only then will they have the confidence to stay in Hong Kong for work and living.

I am not going to discuss the issue of childbirth here because this is a longer-term issue. Here I hope that the Government can give serious consideration to the suggestions in the amendment proposed by Mr Frankie YICK today.

Thank you, Deputy President.

MS CHAN HOI-YAN (in Cantonese): Deputy President, there is no precise and official definition of the middle class in Hong Kong. Simply put, it is generally believed that the middle class can be defined as people with stable jobs, higher income, higher education, and perceivably a certain living standard and social status.

The middle class predominantly consists of professionals and white-collar workers, who are also the foundation for the stable development of Hong Kong society. In other words, the representatives seated at the Government Despatch Box are the middle class too, or even the middle-middle class and middle-upper class, and they should doubtlessly not be unaware of the plight and needs of the middle class. Therefore, I really hope that the public officers, being the middle class themselves, will not sit by after listening to the motions presented by Members today. As the consultation on the Budget is currently underway, I hope that government officials, after listening to our views, will at least incorporate the voices of Members into the Budget, which is to be announced soon, by not only putting forth policies to help the underprivileged groups and the grass roots, but also addressing the concerns of the middle class, including alleviating the pressure and burden facing them in terms of healthcare, education, housing, taxation system, and so on.

From the perspective of social development, elevation of status and aspiration to move upward prompt many people to strive for betterment, which is an important driving force for the advancement of society. Therefore, social mobility, especially upward mobility, is as crucial as the improvement of the basic livelihood of the underprivileged groups.

In fact, the middle class in Hong Kong has become the “miserable middle class” due to uncertain economic prospects and high property prices. Take middle-class families with a monthly income of \$80,000 as an example, they either rent a flat or buy a private flat for living, but the monthly rent or mortgage payment has already accounted for one third or even almost half of their income. Apart from the expenses on clothing, food, housing, transport, supporting parents, and children’s education, their monthly expenses may almost be the same as their income if a foreign domestic helper is employed. They are truly the ones who live paycheck to paycheck, that is, they spend all their money every month. They are living in the name of the middle class but not for real, and while they appear to be very glamour, they are under immense financial pressure and can hardly catch their breath. Therefore, I very much agree with the original motion which urges the Government to address the needs of the middle class. I believe that comprehensive support measures, especially in the areas of education, housing, healthcare and taxation, should be implemented to alleviate their pressure.

First of all, childbearing and education are among the areas of greatest concern to the middle class garner and they incur the greatest expenses. While the Government is endeavouring to raise the fertility rate in the hope that more people can find suitable partners for childbearing in due course, middle-class families actually have to calculate their expenses, and medical expenses alone already account for a considerable amount. As I have often mentioned in this Chamber, let us not talk about children falling ill, parents wish their children to have a healthy set of teeth, but only Primary One to Primary Six students are entitled to free school dental care service, and kindergarten and secondary school students are not covered. If the children are also suffering from myopia, this will incur great expenses on children’s eyesight annually, in addition to expenses on children’s education, including tuition fees, books, tutorials, interest classes, etc. Therefore, I welcome the Government’s introduction of a non-means-tested student grant of \$2,500 per year in 2019 to alleviate the financial burden of parents on education expenses. As such, I think the Government should also consider increasing the amount of student allowance this time around and consider introducing a tax allowance for children’s education.

Many middle-class people have elderly parents, spouse and children. They need to take care of their parents and children, so they often need a larger living space. However, they can hardly apply for public housing because their income exceeds the upper limit for application, so they have been facing the housing problem persistently. Singapore has introduced a policy of “multi-generational flats” to solve the housing problem of middle-class families. This type of “parent-child housing” provides separate living rooms, kitchens, bathrooms, barrier-free facilities, etc., and I think it is worthwhile for Hong Kong to learn from it.

The current-term Government encourages private developers to build subsidized sale flats. I urge the Government to study the introduction of a policy on “parent-child housing” to give priority to the sandwiched middle class for application. Furthermore, the middle class has all along “paid large amounts of tax but enjoyed few welfare benefits”, and accumulated a lot of grievances over time. Can the Government consider introducing some tax relief measures to make them feel that the Government cares about them? Take healthcare as an example, can the Government increase the voluntary health insurance allowance? Is it possible to introduce a tax allowance for employing foreign domestic helpers? I also hope that the Government can consider relaxing the restrictions on dependent grandparent allowance.

With these remarks, I support the original motion.

MR CHAN KIN-POR (in Cantonese): Thank you, Deputy President. The middle class has always been the one being neglected in society. As Hong Kong has been pursuing a low tax policy, the Government’s welfare benefits are mainly expended on addressing the needs of the grass roots, and the Government has been doing a fairly great job on this. The middle class understands that Hong Kong’s tax rates are much lower than those of welfare states such as Europe and the United States. In the past, the middle class was pleased to pay less tax and did not mind having fewer benefits. However, things have changed with time. In the wake of factors such as high property prices in recent years, uncertain economic prospects, inflated commodity prices and population ageing, the cost of living and pressure of the middle class have been increasing. As such, the voices of discontent of the middle class have been increasing too. The society also

recognizes the need to show more concerns for the plight of the middle class. I would like to thank Ir LEE Chun-keung for proposing today's motion so that the Legislative Council can discuss the issue in depth.

Although Hong Kong has implemented a low tax policy, the middle class is indeed the one who pays the largest amount of tax in terms of tax to income ratio whether compared with the affluent class or the grass roots. Moreover, the middle class only enjoys very few welfare benefits when compared with the grass roots, which is why there is a saying that the middle class “pays large amounts of tax but enjoys few welfare benefits”, and it is also the reason for the discontent of the middle class. I agree that we should pay more attention to the needs and aspirations of the middle class. In fact, the Government has devoted a lot of efforts in recent years, such as proposing to increase child allowance, and providing the Newborn Baby Bonus, salaries tax rebates, and consumption vouchers, etc., which also benefit the middle class. However, if the welfare policy is to be expanded so that the middle class can receive more comprehensive welfare support, it will be necessary to increase taxes substantially, and it is inevitable that we will have to follow the example of Europe and the United States, with the biggest sufferer ultimately being the middle class.

For this reason, many years ago, I already advocated to unlock the social value of insurance, and make use of insurance to help the middle class by encouraging them to take out insurance with appropriate incentives provided by the Government, so that they can prepare well for their healthcare and retirement needs and do not have to rely on the Government's welfare in the future. This is the best solution to cope with population ageing. Subsequently, the Government introduced a measure known in the community as the “Three Treasures of Tax Deduction”, which turned out to be very popular among the middle class. The “Three Treasures of Tax Deduction” refer to the Voluntary Health Insurance Scheme (“VHIS”), deferred annuity premiums and Mandatory Provident Fund (“MPF”) voluntary contributions. VHIS was launched in 2019 and members of the public are entitled to tax deduction of \$8,000. The popularity of the measure is evidenced by the fact that more than 1.1 million insurance policies were issued as of 2022.

As for the deferred annuity scheme, the number of policies under the scheme exceeded 220 000 by 2022, with the annual premium per policy averaging at

\$72,000. However, the tax deduction of \$60,000 per capita per year under the scheme is divided up by both the deferred annuity premiums and MPF voluntary contributions, making the amount of deduction obviously insufficient. Therefore, the insurance industry suggests separating the two schemes so that each of them can enjoy a tax deduction of \$60,000. At the same time, it is suggested that members of the public should be allowed to claim the same amount of tax deduction for deferred annuities for their non-working spouses, so that couples can enjoy the same level of retirement protection. As a matter of fact, the tax deduction schemes can encourage the middle class to prepare ahead for healthcare and retirement. In the long run, it can reduce the Government's public expenditure on the one hand, and provide tax relief to the middle class on the other, which is a good proposal that achieves multiple effects. I hope that the Government will continue to work towards this direction.

Deputy President, although we need to provide the middle class with more services and preferential policies, it is equally important that Hong Kong needs to provide the middle class with a better environment for development and more opportunities for upward mobility. The middle class aspires to self-sufficiency, and it has always been their preferred option to strive diligently for higher and better income and improved living conditions rather than relying on welfare benefits. Nowadays, their discontent is largely due to living pressure, the perplexity of the economic environment, and the lack of reasonable rewards for their diligent efforts. Therefore, I believe that the best way to help the middle class is to make Hong Kong's economy bigger and stronger, so that the middle class can have more room for development and more opportunities for job promotions, so that the problems facing the middle class can be rooted out.

The Chief Executive made "headquarters economy" a key issue in the Policy Address of last year. I think the policy is not only effective in promoting economic development, but also a good approach in helping the middle class. "Headquarters economy" aims to leverage Hong Kong's advantages to attract international and Mainland enterprises to set up regional headquarters or offices in Hong Kong, thereby creating a large number of quality jobs. Meanwhile, the business sector or professionals hope that there will be more business opportunities and the whole economic "pie" can grow bigger and bigger, so that the middle class can be provided with opportunities for development and upward mobility. Therefore, I hope that the Government will promote the development of

“headquarters economy” expeditiously. It should also follow the example of Singapore in taking the initiative to attract enterprises and investments, and make every effort to attract enterprises to invest in Hong Kong.

Thank you, Deputy President.

MR SHIU KA-FAI (in Cantonese): Thank you, Deputy President. Deputy President, I have been a Member of this Council for many years, and during the election period earlier on, I noted that some large enterprises were very concerned about the election, and so were the grass-roots people, because large enterprises knew that the various policies proposed by Members would be conducive to their business operation, and the grass roots also knew that Members could fight for a lot of welfare benefits for them, and so they both had a very strong motivation to vote. However, many friends of mine have said that the middle class has a very low motivation to vote. I have consulted many of these middle-class friends, and they asked me, “What can Members do to help?” I believe this is the reason why we bring up this topic for discussion again today.

Just now, I heard at least two Members ask the Secretaries, “Secretary, as you are also members of the middle class, what do you think about how to help the middle class?” Given that the Secretaries earn more than \$300,000 a month, if they consider the situation of the middle class with such a mindset, I believe they will not be able to solve the problem, because I do not think people earning more than \$300,000 a month are the middle class, but rather, they are the “upper class”. Who is the real middle class then? Some people are called the “sandwiched middle class”. They are not eligible to apply for public housing nor to purchase subsidized housing with “White Form” and cannot enjoy these welfare benefits. I believe these people fall under the category of the middle class, but their salaries are often not high. Many professionals are now facing the situation of finding themselves hardly able to afford a home even if they want to purchase one, or having financial difficulty in bringing up their children. These middle-class people only earn tens of thousands of dollars a month, but they do not get any support from the Government, especially in respect of housing.

Another group of middle-class people are the operators of micro- and small-sized enterprises (“MSEs”), which may only have a few employees, and the operating scale of these companies is not large. They may make a profit of

\$80,000 to \$100,000 in good times, but lose money in bad times. Just like the current economic downturn, coupled with the wage increase and recruitment difficulties, I learned that some MSE owners take up the jobs of their workers, but sometimes they may even not receive salaries albeit they are the owners due to the gloomy economic environment, and these are the MSE middle class.

Moreover, I have recently heard from Mr YUEN Kin-chung of the Liberal Party (i.e. a member of the Tai Pak District Council) that there is a so-called “elderly middle class”, which refers to elderly people who own several properties that were purchased many years ago and have assets, and are therefore not eligible to apply for the Government’s various welfare benefits. They have retired for many years, but they receive no interest on their savings due to the zero interest rate lingering over the past decade or so. Consequently, their savings have been depleted and they are now living miserably. As their children have already emigrated, they become the hidden elderly, who are, say, 70 years old but need to take care of their 80-year-old spouses. At first glance, owning a property may seem terrific, but they are the elderly middle class. How can we help these people? The Government should think about it seriously.

Of course, this issue is also related to education. Some middle-class people have arranged for their children to attend Direct Subsidy Scheme schools or international schools. Why can they not receive support from the Government for their children’s education? Can the Government provide education vouchers? As the relevant support has already been in place for Hong Kong students, why does the Government not provide education vouchers to the middle class to enable them to choose different schools?

On the healthcare front, the Government is promoting the Voluntary Health Insurance Scheme, whereby the tax-deductible amount for insurance policies taken out for parents and children is capped at \$8,000 per insured person, saving tax of \$1,200 for each insured person. However, given the demographic structure of Hong Kong, if the support for the elderly under the scheme is only \$1,200, I think this amount is not enough and the Government should raise it, so that the middle class can provide more support to the elderly.

As to the issue of housing, it is a problem that everyone is facing. Two days ago, a woman—I know her actually—spoke up during a consultation conducted by the Financial Secretary, saying that she was a professional but found

home ownership difficult, and could not even fork out the down payment. How should we solve this kind of problem? We have been making contributions to the Mandatory Provident Fund (“MPF”) for a long time, and we have an understanding in our minds of MPF’s performance over the years. In Singapore, MPF, known as the Central Provident Fund, can be used for home ownership. Can we consider providing similar support to the middle class to alleviate their pressure?

I have heard a Member mention the issue of sales tax just now—I may have digressed slightly. Nevertheless, I would like to remind everyone that after the resumption of normalcy in Hong Kong, there are many people going to the Greater Bay Area every Friday, Saturday and Sunday, so Hong Kong’s economy is indeed very sluggish. If Hong Kong is to levy a sales tax, I believe it will become a nightmare for the aforementioned MSE retailers or catering operators.

Therefore, I think the Government should support the middle class from a macro perspective. So, please set up a middle class commission. Thank you.

MR YIM KONG (in Cantonese): Deputy President, I would like to thank Ir LEE Chun-keung for proposing the motion. The sustainable development of Hong Kong’s transition from stability to prosperity requires the concerted efforts of all sectors of the community, especially the middle class, which accounts for the largest proportion of the population in Hong Kong and plays the most important role in fostering social harmony and stability, in order to deliver better performance. Therefore, attaching importance to addressing the appropriate needs of the middle class and alleviating their work and living pressure can help foster a harmonious and stable social environment.

In his speech at the meeting celebrating the 25th anniversary of Hong Kong’s return to the motherland, State President XI Jinping pointed out that “currently, the biggest aspiration of Hong Kong people is to lead a better life, in which they will have more decent housing, more opportunities for starting their own businesses, better education for their children, and better care in their twilight years”. This statement also applies to the middle class.

Hong Kong is an olive-shaped society, and the middle class, being the sandwich class, “pays large amounts of tax but enjoys few welfare benefits”. The Government should give more care and attention and attach greater importance to

the middle class. Forging a consensus among the middle class, and further broadening and consolidating the socio-political foundation of “patriots administering Hong Kong” is an integral part of winning the people’s heart. We should be responsive to the people’s needs by genuinely solving the work and living problems faced by the middle class to lead their hearts back to the motherland and bring their professional edges into full play, which is an important assurance for the SAR Government to integrate into the overall development of the country, and to ensure its sustainable and high-quality development.

At the political level, the HKSAR needs to develop a common value orientation with the middle class as one of the main players and patriotism and loving Hong Kong as the mainstream culture, so as to lead the 7.5 million Hong Kong people to strengthen their affection for and sense of belonging to the country, integrate into the country’s development, fulfil the middle class’s pursuit for career development, and share the dividends of the country’s development, so that the middle class can have a greater sense of gain, fulfilment and happiness.

While the Government continues to introduce more flexible and attractive schemes to compete for talents, it should be far-sighted and make serious planning on how to soothe the existing middle-class people to better take root in Hong Kong, and at the same time attract various talents who have been granted permission to migrate to Hong Kong to stay in Hong Kong on a long-term basis to serve Hong Kong. As most of these professionals and talents are the middle-class people, they can give fuller play to their strengths and contribute to Hong Kong. Therefore, the Government should address their concerns about home purchase, children’s education and medical care for their family members in a timely manner.

I have also suggested to the Financial Secretary that the expenses incurred by new immigrants in supporting their Mainland parents should be included in personal salaries tax deduction. The middle class plays an important role in maintaining social harmony and stability in Hong Kong. So long as we can further promote the concerted efforts of the middle class and the SAR Government and give full play to the middle class’s positive energy of loving the country and loving Hong Kong, we will be able to consolidate the sustainable and high-quality development of Hong Kong society.

With these remarks, Deputy President, I support the original motion and hope that the Government will seriously consider the views put forward by Mr Frankie YICK. Thank you.

MR KINGSLEY WONG (in Cantonese): Thank you, Deputy President. I speak in support of Ir LEE Chun-keung's motion on "Addressing the needs of the middle class". The middle class per se represents a group of people who have career prospects, higher income and a better life. However, the persistently high property prices and high cost of living index in Hong Kong, coupled with the lack of support from the Government, have pushed the middle class farther away from a blissful life. Career development is very important to the middle class. Last year, the Government expanded the Talent List coverage from the original 13 professions to 51. As at the end of last year, more than 220 000 applications were received under the various talent admission schemes, among which 65 000 applications were received under the Top Talent Pass Scheme, and more than 50 000 applications were approved. The arrival of talents can help replenish the talent shortage in Hong Kong, but this will inevitably increase the pressure on the career development of the white-collar middle class in Hong Kong.

I have garnered various views from quite a number of middle-class professionals, who are worried that if the importation of talents is unchecked, the job opportunities, remuneration packages and promotion prospects of local white-collar middle-class workers will be further compressed, resulting in a downward mobility. Therefore, in order to enhance the job stability of the middle class and prevent the downward mobility of middle-class professionals, the Government must duly assess the impact of talent importation on the local labour market. It should conduct regular reviews of the various talent admission schemes to ensure that the career development prospects of the white-collar middle class in Hong Kong are safeguarded.

Apart from employment, support for the middle class in raising children should also be enhanced. According to a survey conducted by a local bank in 2022, the average annual cost for raising a child by middle-class parents is as high as \$280,000, and if we use the age of 22 of the child as the cut-off point, the total expenditure exceeds \$6 million. Even for middle-class couples, both the husband and the wife often have to go out to work in order to meet such a large amount of expenses. However, very often, one of the spouses will have to quit working, particularly the woman, in order to take care of the children. From this, we can see that in raising children, middle-class parents have to bear the financial pressure brought about by childrearing, and at the same time, they have to face the contradiction between career development and taking care of the family. To help parents continue to pursue their careers after giving birth to children, first and

foremost is to provide them with more quality child care services. The Government should also promote and subsidize enterprises to provide more family-friendly employment policies, such as the six-hour working day, flexible working hours, child care leave, and so on, which will help keep middle-class parents in the workforce while providing their children with better care.

Many middle-class families employ foreign domestic helpers (“FDHs”) to help them with household chores. The basic salary of an FDH is nearly \$60,000 per year, but the actual amount is often more than that. Moreover, the air tickets for FDHs to return home biannually, medical insurance, etc. all add up to a large sum, so I am supportive of providing tax deductions for the expenses incurred in employing FDHs, for this is a manifestation of care to the middle class.

Another issue is tax concessions for working parents. For example, in Singapore, there is a personal income tax exemption specifically designed to encourage women to remain in the workforce after giving birth to children, which is 15% for the first child, 20% for the second child, and 25% for the third or subsequent child. In Australia, working couples are entitled to an additional tax rebate of nearly HK\$25,000 for their dependent children. Therefore, the SAR Government should consider further reducing the tax burden of working parents in addition to child allowance.

The middle class is the mainstay of social harmony and stability, as well as the human capital base for promoting high-quality economic development. The biggest grievance of the middle class is often that they have to pay full tax but are not entitled to any welfare benefits. In fact, both the middle class and the grass roots are facing their own problems in life. The Government cannot just look at the middle class’s income figures and ignore their actual difficulties. I hope that the Government can prescribe the right remedy to the problems and adopt a multi-pronged approach to support the middle class with more proactive policies.

Thank you, Deputy President.

MS DOREEN KONG (in Cantonese): Deputy President, I would like to thank Ir LEE Chun-keung for his original motion, which gives us an opportunity to discuss the structural problems of Hong Kong society in the light of the situation faced by the middle class in Hong Kong.

First of all, regarding the definition of the “middle class”, the earliest public use of such a term found in the English database of SSCI (Social Sciences Citation Index) can be traced back to 1745 in a booklet titled *A Scheme to Prevent the Running of Irish Wools to France* authored by James BRADSHAW. In the 18th century, the term “middle class” was roughly and widely used to refer to people in the industrial and commercial industries or capitalists who were distinct from aristocrats, peasants, and ordinary labourers. It is evident that the meaning of this term varies across different historical periods and social contexts.

When discussing this topic here, we should first clarify who is included in Hong Kong’s middle class today. However, the SAR Government has not clearly defined the middle class. The local media generally estimate the income range of the middle class based on the median monthly income provided by the Census and Statistics Department, whereas the general public may define it based on one’s liquid assets, education level, and type of residence. The vague delineation makes it difficult to introduce targeted measures in favour of the middle class, leading to accumulated grievances among the class. In contrast, Singapore defines the middle class on the basis of annual tax brackets and the share of income. Their government adjusts taxation and welfare measures in a targeted manner, thereby effectively ensuring social equity and maintaining upward social mobility. Therefore, I strongly agree with Mr Frankie YICK’s proposal to lay down a clear and precise definition of the middle class and to timely release the relevant data for various departments to take follow-up actions and review the existing measures.

Based on the above analysis, due to the uneven distribution of social resources by the Government, the current middle class in Hong Kong is experiencing a trend of downward mobility in a scattered manner. In other words, a considerable portion of the middle class is “transitioning from the middle class to the poor”. Over the years, the middle class has been an important component in supporting the prosperity and stability of Hong Kong society. However, due to an imperfect redistribution system in Hong Kong, the middle class faces an imbalance between their contributions and returns. Taking Singapore’s welfare and taxation systems as an example, the authorities have adopted a “trampoline” social security mechanism whereby the Government will implement various measures to ensure a basic standard of living for the grass roots and, most importantly, to enhance their upward mobility opportunities, thereby preventing the welfare “pie” from getting bigger and bigger.

In Hong Kong, the social welfare system has all along tended to serve as a safety net to guarantee the minimum. Unfortunately, this safety net has not functioned as a trampoline, causing the grass roots to remain stagnant. Coupled with the problem of an ageing population, the “pie” to be borne by the so-called middle class and high-income earners is getting bigger and bigger. As a result, the middle-class people are forced to “put on a big hat” even though they “do not have a big head”, and they are treated by the Government as if they were the Goddess of Mercy who would answer all requests.

Furthermore, the worsening housing problem in Hong Kong has added to the burden of the middle class, resulting in a lack of vitality in society. The ratio of the average price per square foot of housing to the median income of workers with university qualification in Hong Kong has risen sharply from 27.5% in 2007 to 74% in 2022. The middle class is often faced with the embarrassing situation of having a monthly income that exceeds the thresholds for Home Ownership Scheme and public rental housing units, yet not enough to afford private properties. Over the years, the Government’s measures to alleviate the burden on the middle class have mainly been tax deductions. However, in the face of the towering property prices in Hong Kong, these benefits are merely a drop in the bucket for them.

Therefore, it seems more appropriate to replace “middle class” with “intermediate class”, which better reflects the current reality of Hong Kong—the situation of individuals having capital but no property, having capital but little property, or having capital that is insufficient to offset loan repayment. This exposes the systemic flaws in Hong Kong society. If this situation persists, social mobility in Hong Kong will become even more limited, and the middle class may even cease to exist, resulting in a more solidified pyramid-like social structure. The Hong Kong Government must seriously address the hardships faced by the middle class in making a living. Only if we tackle the issues faced by the middle class at the macro level of Hong Kong’s social mechanism can we truly narrow the wealth gap and ensure social equity in the long run.

Deputy President, I so submit.

IR GARY ZHANG (in Cantonese): Deputy President, the middle class has always been regarded as the backbone of society and a stabilizing force. In Hong Kong, people with professional knowledge, academic qualifications, engaged in

white-collar jobs, or running small and medium enterprises are typically considered as the middle class. It is commonly believed that as long as this group of people work hard, they can enjoy a relatively comfortable life, achieve basic economic self-sufficiency, and have higher spending power, thus requiring less reliance on the Government. However, ironically, the middle class in Hong Kong often refers themselves as “the miserable class”. Why is that? The truth is, that the middle class has diverse needs.

Next, I would like to propose specific suggestions regarding the support which the middle class needs. First, it is about the support for working families. Frankly speaking, the current \$20,000 bonus for a newborn baby is just a drop in the bucket compared to the resources required for raising a child. In the long run, the Government needs to further enhance its support for the child care needs of working families. We are aware that the Government will introduce some new measures, such as increasing the number of service places under the After School Care Programme for Pre-primary Children to nearly 1 200, increasing the number of Aided Standalone Child Care Centre service places by about 900, increasing the Child Care Centre Parent Subsidy to \$1,000, and increasing the number of service places under the Neighbourhood Support Child Care Project to about 2 000 starting from the fourth quarter of 2024. However, considering our population ratio, these measures can primarily benefit grass-roots families. How many middle-class families will actually benefit from them? On the contrary, it may be more practical for middle-class families if more low-cost tutorial classes and interest classes can be provided.

I would also like to focus my discussion with the Government on this area. Regarding the tax deduction for home loan interest or domestic rents for taxpayers who reside with their child (“the tax deduction”) announced in last year’s Policy Address, under the existing requirements, only families with children born on or after the date of delivery of the Policy Address are eligible for this benefit. While it is well understood that certain welfare benefits often require the setting of start or end dates, those benefits are usually one-off or subsidizing in nature. In contrast, the tax deduction is a continuous and status-based policy that lasts until the child reaches the age of 18. In this situation and nature, it is not suitable to limit the tax deduction with a specific date. For example, if we were to announce today an increase in the personal allowance for salaries tax, but it only applies to individuals who start working today or later, I believe many would find it unreasonable. This policy can genuinely provide targeted assistance to the middle

class and demonstrate society's support for them, which is a good thing. Therefore, I very much hope that the Government can accept our advice and refrain from imposing any restriction on the effective date of the tax deduction for children living with the family.

In addition, the Government can improve support for addressing the needs of the middle class in other aspects. Simply put, in terms of housing, it is necessary to review the ratio of public housing units for sale and rent in the future, optimize the structure, and gradually increase the supply of Home Ownership Scheme flats to become the mainstay of the public housing market, so as to enable young middle-class families to speed up their home ownership process. In terms of healthcare, the issue of long waiting times for specialist services in public hospitals should be addressed, so that the middle class can be provided with appropriate healthcare protection. At the same time, the regulation of private hospitals should be strengthened to alleviate the financial burden of the middle-class people in seeking general medical consultations at private hospitals.

In terms of work, it is important to prescribe standard working hours as soon as possible to improve the quality of life for the middle class. At the community level, there is actually room for constructing more facilities such as libraries, community centres, sports centres, swimming pools, and sports grounds in various districts to increase opportunities for the public to participate in cultural, recreational and sports activities. In respect of education for children, it is necessary to review the Direct Subsidy Scheme policy on secondary schools and strengthen the supervision of the schools concerned, so as to maintain their school fees at a reasonable level, reduce unhealthy competition, and alleviate the financial burden on middle-class families.

Apart from the financial and livelihood support policies mentioned above, many of the expectations of the middle class in Hong Kong towards the Government are often non-material in nature. They include a desire for a clean Government with efficient administration, enhanced education and healthcare systems, social equity and justice, and a free and open society. These aspects also require concerted efforts from all of us.

With these remarks, Deputy President, I support the motion.

MR CHAN HAN-PAN (in Cantonese): Thank you, Deputy President. The definition of the middle class is indeed very broad, and different scholars or studies have different definitions for this term. In the case of Hong Kong, how do we define the middle class? It refers to people who are not eligible for government benefits nor public rental housing (“PRH”), or have difficulty in applying for subsidized housing. If we consider all these people as the middle class, there will be quite a few middle-class people in Hong Kong because the number of successful applicants eligible for public housing or Home Ownership Scheme flats with a Green Form or even White Form are not many. Therefore, if we use this criterion to define the middle class, its definition may be too broad. However, if we consider it again and those who purchase Sandwich Class Housing Scheme (“SCHS”) flats can be regarded as the middle class or the sandwich class, we can differentiate these people separately.

I think many of our colleagues have expressed concerns today over the taxation and expenditure of the middle class. Undeniably, the cost of living index in Hong Kong is very high, and both the grass roots and the middle class are facing a rather heavy burden of expenses. As to the area of our concern, today I would like to discuss the sandwich class, which is not the grass roots and should probably be categorized as the middle class. Speaking of the sandwiched middle class, their situation does warrant our concern. On the one hand, their income may not be too high, and on the other, they are left with very little disposable assets in case they become unemployed, and in particular, their expenses on housing are worthy of our attention.

In the period from 2011 to 2021, property prices have risen by 115%. I have a chart here to share with you. At the request of Members, the Legislative Council has recently conducted a survey to review the increase in property prices over the past 10 years. You can see this dark line that represents the increase in property prices over the past 10 years, which has actually been more than doubled. Next, the red line represents the growth in personal income, and the median household income has indeed risen by 65%. It can be seen that property prices go far beyond the affordability of the public after taking into account the increase in property prices and the growth in median income. The sandwich class’s income will never be able to catch up with the growth in property prices, so a solution must be sought to tackle their housing problems.

Looking back at the 1990s when the sandwich class was allowed to apply for SCHS flats, there were 12 SCHS developments on sales at that time. In the district I serve, I remember that among them were Hibiscus Park, Tivoli Garden and Highland Park. The sandwich class was accommodated in aesthetic and high-quality SCHS flats. Certainly, those who moved into SCHS flats at that time could live and work in peace and contentment, so they have become the middle class now whose conditions are relatively stable. Therefore, a home can be said to be of utmost importance for Hong Kong people to live and work in peace and contentment.

After the 1990s, some SCHS flats began to be sold as private flats. Looking at the present situation, our property prices have continued to rise. I hope that the Government can consider reintroducing SCHS flats to boost housing supply, especially the high-quality flats which were previously provided by the Housing Society (“HS”). Take our PRH as an example, HS has classified PRH as Group A and Group B. PRH applicants in Group B has higher income. In other words, even if my income exceeds the income limit for PRH, I still stand a chance of applying for subsidized housing. For example, can the Government consider requesting HS to provide more SCHS or Group B housing units in future developments? This can address the housing needs of those who may admit or regard themselves as the middle class but are not eligible to apply for welfare benefits.

I believe that the happiness of Hong Kong people or our middle class can be greatly enhanced if they are assured of certain housing security. By giving this five-minute speech, I hope the Government can reconsider the introduction of Group B housing units to enable the sandwich class to have a dwelling place.

DEPUTY PRESIDENT (in Cantonese): I remind Members that according to the time limit for motion debates set out in the House Rules, this debate will end at 12:11 pm today at the latest. I will call upon the mover of the motion to speak on the amendments after Ms Judy CHAN finishes her speech, that is, at about 11:30 am, and then the remaining proceedings of the motion debate will be dealt with.

Mr TANG Ka-piu, please speak.

MR TANG KA-PIU (in Cantonese): Thank you, Deputy President. Why does society attach so much importance to the middle class? Or why is it necessary to maintain and strengthen the middle class? It is because an olive-shaped society is undoubtedly conducive to social stability and to fostering the appreciation of professionalism and hard work in the whole community. It is also a kind of spiritual outlook that needs to be reinforced in Hong Kong society today.

When it comes to the most essential needs of the middle class, or how to identify them, many Honourable colleagues have offered insightful perspectives, noting that the crucial factor is their ownership of property. Middle-class people have a certain amount of property; they are not completely without property. In Hong Kong, “property” manifests itself in the form of housing assets. That is why many Honourable colleagues have made special mention of housing in their speeches.

I would also like to emphasize that my idea involves drawing reference from Singapore’s Central Provident Fund Scheme and its arrangement related to housing. While Singapore’s scheme is mandatory, Hong Kong’s should, of course, be voluntary in nature. What we suggest is a savings scheme. Our aim is to identify sites in Hong Kong’s major development areas for future projects, such as the Northern Metropolis, Kau Yi Chau Artificial Islands or Tseung Kwan O Area 137. In a little over a decade, the land we see today will have completed buildings providing homes for today’s young generation, who represent the future middle class, the backbone of society. We can tell them that these houses are intended for their living, not something we will reveal to them in the future but rather today.

We can introduce a savings scheme that allows young people to make regular monthly contributions, preparing them for the future as they start families, purchase homes and contribute to social stability. The question is, how much should the monthly contribution be? Using the current median monthly income of \$20,000 as a reference, we propose that 20% of it can be set aside as a contribution. This ratio is comparable to that of housing provident funds in many places. During the contribution period, the Government will, of course, offer interest as an incentive. Given our ongoing discussions on bond issuance, it would be reasonable to set interest rates ranging from 4% to 5%. Once employees join this savings scheme, their accumulated savings will serve as a down payment for housing upon completion, granting them a priority right to purchase. I am not talking specifically about people in their 50s or 60s. From the point of view of a young person, after graduating from university and actively pursuing a promising career,

they believe that they will secure a place in the middle class by owning a home and ensuring that their future children will have their own rooms in 10 years' time. This goal is both predictable and quantifiable, giving young people a target to strive towards rather than "lying flat" and relying solely on public housing.

I therefore really hope that the Government will consider these different home ownership schemes. Many Honourable colleagues have pointed out a problem with the existing balloting mechanism, whereby flats introduced under schemes such as the Sandwich Class Housing Loan Scheme or the Home Ownership Scheme are allocated every time by a draw. While some financially ready applicants may fail, many others who are not yet ready or have no intention of getting married are allocated a flat instead. In such cases, they have no choice but to borrow money from their parents, which is in fact far from satisfactory and does not correspond to our idea that young people should prepare for starting a family in the future. That is why I would like to take a long-term approach.

In addition, the middle class, professionals and young people are very concerned about whether they will have time to teach their children after they have given birth to them. What should parents do if their children do not conform to their values? Will children "raised" by Filipino domestic helpers follow the educational beliefs of their parents in the future? So I think it is necessary to discuss the issue of working hours. Of course, the Hong Kong Federation of Trade Unions has been campaigning for a long time for legislation on standard working hours. If this cannot be achieved for the time being, would it be possible to set upper limits on working hours to ensure occupational safety and health, or at least to provide a baseline for family life in our society? Given the difficulty of setting a limit on daily working time, would it be feasible to set a limit on the total number of working hours per week instead? It may be possible to set a maximum number of total working hours irrespective of sector, such as 60 hours or 50 hours, for further discussion. It is no longer just a question of whether overtime work should be paid at 1.5 times the normal pay rate. In any case, even if employers have the financial means to compensate their employees, they cannot exploit their employees' lives by buying up all their family time.

I believe that home ownership and a balance between work and family life are in line with the fundamental views of today's middle class, especially the younger generation, on Hong Kong society. I urge all government departments to actively take these views into consideration.

I so submit.

MR STANLEY LI (in Cantonese): Thank you, Deputy President. I speak on the motion on “Addressing the needs of the middle class”.

I support the original motion. In fact, the community has different interpretations of “middle class”. As Secretary Christopher HUI has stated, “middle class” is a loosely-defined term with no universal definition. Economic background, academic qualification, income, asset level, and even lifestyle and values are considered as criteria for classification.

According to the definition by the Organisation for Economic Co-operation and Development (“OECD”), “middle-income class” refers to those with monthly income between 75% and 200% of the median local income. According to the figures of the Census and Statistics Department, in the third quarter of 2023, the median employment earnings was \$20,500, and the median monthly household income was \$30,000. Applying OECD’s definition mentioned earlier means that households with monthly income between \$22,500 and \$60,000 would be classified as middle-income households.

However, intuitively speaking, the community generally thinks that households with monthly income between \$20,000 and \$30,000 are fairly well-off families. On the other hand, a major bank conducted a survey on various respondents and published the 2023 Affluent Survey, which revealed that the respondents believed an individual should have \$6.37 million in liquid assets to reach the middle class benchmark. While currently a poverty line has been established to define the grassroots for formulating corresponding supporting policies, there is no clear official definition of “middle class”, and many measures have ended up being indirect and ineffective.

Deputy President, in the New Territories South East constituency where I serve, there are many middle-class families and individuals. When I conducted neighbourhood visits, I noticed they had concerns and demands in two aspects. Firstly, for middle-class families, the lack of sufficient time is a bigger problem than that posed by the lack of sufficient materials, particularly middle-class parents. Many middle-class people are professionals or management staff, and some are even proprietors or responsible persons of small and medium enterprises. They have more ambiguous work hours compared to many wage earners, dedicating substantial time and energy to advancing their positions in the company and enhancing business competitiveness. In fact, this is one of the reasons why many

middle-class people are unwilling or do not dare to have children. Many of them are worried that looking after young children will take up more of their already scarce free time.

Secondly, the emergence of the anti-globalization trend and the deteriorating global economic environment in recent years have affected the income of the middle class, causing their assets to shrink to varying degrees and further exacerbating their situation. Many middle-class people have to save as much as they can, or even experience a state of anxiety. The middle class is an important socioeconomic stratum. If the middle class cannot make ends meet, the aggregate social demand will drop significantly, forming a vicious cycle.

Therefore, I think the Government needs to take targeted measures to assist the middle class. To address the problem of time scarcity, which is also related to the Government's population policy, the Government should introduce measures to strengthen child-minding services. In fact, as far as childbearing is concerned, children aged 0-6 require the most time and attention. The Government should focus its efforts on this aspect, such as increasing child-minding places and extending service hours.

As for materialistic concerns, the fact is that many middle-class people are not as financially affluent as they may be perceived. Even though they may have higher incomes, their expenses are also high. Middle-class parents certainly want their children to get a better education than they did, which would require continuous investment in education.

Besides, I am acquainted with a member of the community who recently had a newborn child that required surgery. The medical expenses were relatively high, thus constituting a financial burden on them. Another point that I often hear from middle-class families is the difficulties they encounter when employing foreign domestic helpers ("FDHs"). If an FDH performs poorly, they basically have no alternative but to dismiss her or employ another one. While the intermediary fees are rarely refunded and the waiting time is very long, the middle class could only endure silently. As such, I urge the Government to address these problems of FDHs and FDH intermediaries, explore ways to protect the middle class, and consider drawing up a blacklist of FDHs or FDH intermediaries to provide a reference for middle-class families who wish to employ FDHs.

All in all, the community should be more concerned about the issues relating to the middle class. I hope that members of the middle class will no longer need to be the sandwich class. Therefore, I support the motion on “Addressing the needs of the middle class”.

Deputy President, I so submit.

MS JUDY CHAN (in Cantonese): Thank you, Deputy President. I speak to thank and support Ir LEE Chun-keung for moving the motion on “Addressing the needs of the middle class” and Mr Frankie YICK for proposing the amendment. This motion debate provides us with an opportunity to conduct a focused discussion on issues relating to the middle class, and explore ways to make the life of more people better from a middle-class perspective, with a view to alleviating the pressures of their life.

Deputy President, globally, there are various definitions of the “middle class”. Some adopt the monthly household income as a benchmark, while others may also take assets other than income into consideration. The majority of Hong Kong people are pragmatic, hardworking, and rational individuals who tirelessly work hard for their families, their next generation and their future. Undoubtedly, they are the backbone of Hong Kong’s overall development, contributing to society and shouldering responsibilities with unquestionable dedication. Many of them are perhaps unsure if they truly qualify as middle class or they may hesitate to acknowledge it, but it is likely that a significant number of them feel overlooked in terms of social welfare.

In fact, there is currently no concrete method for measuring the middle class in Hong Kong. Many families living in Hong Kong, while not in dire straits, are indeed quite helpless, which can be truly understood by taking note of the significant pressures faced by them in real life.

I believe everyone wishes to provide better care for their parents as they enter old age, to build a family with a life-time partner, to own a home for security, and to have a fulfilling family life by having children. As parents, they will hope for the success of their children and will provide them with ample resources. When ageing begins, the desire is for a hassle-free retirement. Though these aspirations are ordinary, fulfilling any one of them is not an easy task. In reality, what everyone needs is assurance in life and to receive attention and understanding while making contribution.

However, Deputy President, currently, we can see that every time resources are allocated in society, the middle class is often overlooked. For instance, the tax concession in connection with the hiring of foreign domestic workers, which has long been advocated by the New People's Party, has yet to materialize, and this is a huge disappointment to us.

(THE PRESIDENT resumed the Chair)

President, the majority of Hong Kong people earnestly hope that the Government can truly understand the hardships they face and thereby implementing corresponding measures to alleviate their pressures in life. For a society to move towards positive development, it must have a mechanism that continuously injects impetus for progress. If putting in more effort and making more contributions result in more, even heavier pressures, society will only become more negative in the absence of a sense of accomplishment. If this is the case, how can we claim that we have put in place a healthy mechanism?

Therefore, in this regard, I sincerely hope the Government can promptly come up with a clear method for specifying the definition of the "middle class". Only in this way can the Government better plan the allocation of social welfare resources while implementing its policies to ensure the proper use of resources and the effective implementation of the policies concerned.

With these remarks, I support the original motion and the amendment. Thank you, President.

PRESIDENT (in Cantonese): Ir LEE Chun-keung, you may now speak on the amendment.

IR LEE CHUN-KEUNG (in Cantonese): Thank you, President. I am grateful to Mr Frankie YICK for proposing the amendment, and we, the Liberal Party, have been urging the Government to take on board many of the suggestions therein.

President, Mr Frankie YICK has suggested that the Government should actively study the establishment of a middle class commission, which in fact echoes the motion on "Actively studying the establishment of a middle class commission"

proposed by the Liberal Party's Mr Tommy CHEUNG in 2017. In the end, the motion was passed with amendments, receiving support from a majority of the Members present at that time. However, regrettably, the SAR Government has yet to establish the middle class commission to address the aspirations of the middle class. It has also failed to lay down a clear and precise notion or definition of the middle class, release targeted statistics on a regular basis, or introduce a series of policy initiatives to support the middle class.

In terms of taxation, “paying large amounts of tax” can be seen as a portrayal of the middle class, especially the sandwiched middle class and the marginal middle class. I express my support for the suggestion in the amendment that the Government should consider widening the tax bands for salaries tax and lowering the marginal rates. As a matter of fact, since the year of assessment 2018-2019, the Government has increased the number of tax bands for salaries tax from four to five and adjusted the marginal rates. Despite a decrease in the total tax revenue that year, the total amounts of tax under personal assessment and profits tax ceased to decline and rose by nearly 20% in the following years. This has demonstrated that this measure may serve as an investment incentive because when wage earners pay less tax, they have greater spending and purchasing power or they can even save up to buy properties, which can increase the Government's tax revenue in the long run.

Regarding the dependent parent and dependent grandparent allowance, the Liberal Party suggests that the Government should consider introducing a flexible system. Currently, only one individual is allowed to claim the allowance in respect of each dependent parent, which means a maximum of two allowance claims per family. However, in the case of a five-person family, I have heard of many instances where three siblings have a bitter fight or even engage in an endless quarrel over who should claim the allowance. Therefore, the Government should seriously consider introducing a flexible system for the dependent parent allowance, allowing the adult children to share the tax allowance based on a percentage or concurrently claim the tax allowance in respect of their parents. Additionally, the Government should consider introducing tax deductions for parents' medical expenses, etc. to alleviate the burden on the lives and financial situations of the middle class.

Besides, the amendment has suggested that the Government introduce a “progressive child tax allowance”, which the Liberal Party has all along demanded. For example, the tax allowance could be set at \$150,000 for the first child, and

double to \$300,000 for the second child, and further double to \$600,000 for the third child and subsequent children. This would provide a greater incentive to encourage middle-class families to have children.

There are views that introducing a “progressive child tax allowance” would lead to a significant decrease in tax revenue for the Government. However, I would describe this as a policy which will bring eventual gains that outweigh initial losses, because after parents have nurtured their children to become successful, the latter will be able to contribute more to society, resulting in increased revenue for the public coffers. Therefore, the advantages would outweigh the drawbacks.

Regarding the tax deduction for expenses related to foreign domestic helpers (“FDHs”), there are currently over 300 000 families in Hong Kong employing FDHs, with many of them being middle-class families. To address their aspirations, I support the demand outlined in the amendment that the Government should introduce a tax deduction for expenses related to FDHs. The tax deduction amount could be based on the minimum wage of FDHs. This aims to encourage families to employ FDHs and unleash the potential of the female labour force by enabling women to continue to work in society.

In terms of education, I also agree that the Government should enhance the existing “education voucher scheme” by adopting a “voucher-follows-the-user” approach, which would enhance the flexibility of the scheme. Specifically, the Government could establish a fixed amount of subsidy and allow families to enrol their children in non-government-funded schools of their choice, including private independent nurseries and kindergartens, primary and secondary schools under the Direct Subsidy Scheme, and even international schools within the Greater Bay Area. This would increase the incentives for middle-class families to have children and offer them an additional option.

Furthermore, although the Government has increased the child allowance from the current \$120,000 to \$130,000 starting from this year, the truth is that this measure only results in the saving of just a hundred-odd dollars in taxes per month, which is not even sufficient to buy a can of formula milk. As a matter of fact, the middle class does incur considerable expenses on their children’s education, including tuition fees, textbooks and stationery, tutorial fees, school bus fees and extra-curricular activities. That is why I agree that the Government should introduce a tax allowance for children’s education, with a view to relieving the burden on middle-class families.

Lastly, I implore Honourable colleagues to support Mr Frankie YICK's amendment, thereby urging the Government to pay greater attention to the needs of the middle class.

Thank you, President.

UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I am very grateful to the 41 Members for their many valuable views on the motion "Addressing the needs of the middle class".

Members mentioned various proposals and measures in their speeches today. It is mentioned in the motion that in view of the increase in expenditure of the middle class in various areas, Members hope that the Government will put forward proactive measures in a number of policy areas. I must point out that one of the important considerations of the Government in formulating policies is the impact of the policies on public finance. While the external economic environment remains challenging, the Government must adhere to the principle of exercising fiscal prudence, keeping expenditure within the limits of revenue, committing resources as and when justified and needed, strictly containing the growth of government expenditure and exploring ways to increase revenue. Having said that, I must emphasize that the Government does attach importance to the needs of the public despite the pressure on public finances. In fact, the Government has always been concerned about people's livelihood, and the expenditure relating to people's livelihood has also recorded a significant increase in recent years. The Government's recurrent expenditure on social welfare has increased by 52% over a period of five years from 2018-2019 to 2023-2024. This fully reflects the emphasis the Government places on improving social welfare and its commitment to addressing people's needs.

Today, a number of Members have proposed a wide variety of suggestions which involve different policy areas. We will forward the proposals to the relevant Policy Bureaux. The Under Secretaries of the Housing Bureau, the Health Bureau and the Labour and Welfare Bureau, who have attended today's debate, will also respond to the proposals related to their respective policy areas later on. For now, I will mainly respond to several major areas, including taxation, children's education and encouraging childbearing.

First, Mr Frankie YICK proposed to study the establishment of a middle class commission to review the policies or measures relating to the middle class and lay down a clear and precise definition of the middle class. I would like to give a brief response to this first. As I have pointed out in my opening remarks, “middle class” is a loosely-defined term. On one hand, the term could generally refer to one’s economic background, academic qualification, income or asset level. On the other hand, it may also reflect one’s living conditions, lifestyle and values. There is no unified definition of “middle class” in society, or even in the international community. For this reason, the proposal for laying down a clear and precise definition of the middle class, regularly publishing relevant statistics in respect of the definition, as well as formulating targeted policy measures to meet their specified needs may not be the most appropriate and effective approach. Also, adopting a broad definition may not be conducive to the formulation of policies either. However, I have to emphasize that we will continue to care about and pay attention to the needs of the middle class, and we will actively formulate policies and measures that benefit different sectors of the community, including the middle class.

Regarding the taxation policy, I hope Members can understand that taxation measure is only one of the many tools to alleviate the financial burden of the middle class and it may not be the most appropriate and effective one. Hong Kong has all along been maintaining a simple and low tax regime. Our salaries tax rate is capped at only 15%, which is already at a relatively low level compared with other tax jurisdictions. Hong Kong also provides a range of allowances and tax deductions for taxpayers who are in different situations, including child allowance, dependent parent and dependent grandparent allowance, deduction for expenses of self-education, deduction for home loan interest and tax deduction for domestic rent. It is believed that this will benefit the middle class and help alleviate their financial pressure. In fact, after taking into account allowances and tax deductions, the overall average effective tax rate for salaries taxpayers was only about 8%, which is very low compared with other tax jurisdictions.

Just now, Members have proposed various tax concessions, such as introducing tax deduction for the expenses of employing foreign domestic helpers. I must point out that any proposals for providing tax concessions or adjustment of tax measures will affect government revenue, as well as the integrity and stability of Hong Kong’s tax regime. When considering whether to formulate or adjust tax measures, we must carefully examine the impact of such proposals on public

finance and whether they are in line with the simple and fair principles of our tax regime, so as to strike a balance between reducing the tax burden of taxpayers and maintaining healthy public finance.

As for the proposal for adjusting salaries tax downwards, widening the tax bands and lowering the marginal rate, in fact, to alleviate the tax burden of members of the public, the Government has widened the tax bands for salaries tax from \$45,000 to \$50,000 and increased the number of tax bands from four to five since the year of assessment 2018-2019. By the year of assessment 2021-2022, the Government's tax revenue has reduced by \$18.6 billion. When deciding whether to further adjust the width of tax bands for salaries tax and the marginal rate, we must consider carefully and comprehensively various factors such as the burden of taxpayers, the socio-economic situations and public finances, so as to ensure that the most pressing needs of society are met.

Members also proposed to relax the restrictions on the dependent parent or dependent grandparent allowance. Currently, a taxpayer may claim allowance in respect of each eligible parent and grandparent. The dependants concerned must fulfil certain requirements to prevent abuse of the allowances, which we consider appropriate and necessary. Take the requirement of "ordinarily resident in Hong Kong" for example, it is based on the consideration that the Inland Revenue Department has to verify the relationship between the taxpayer and the dependant, whether the dependant has been maintained by the taxpayer, whether there are more than one taxpayer claiming the allowance in respect of the same dependant, and whether the dependant is still alive, so as to avoid abuse of the allowances which would lead to a loss in tax revenue. We will continue to review various types of tax allowances and their requirements from time to time.

Members were also concerned about the needs of middle-class families in children's education. Regarding the proposal for introducing a tax allowance for children's education, currently, taxpayer can claim the child allowance for each of the first to ninth child until the child reaches the age of 18. The age limit can be relaxed to the age of 25 if the child is receiving full-time education at a university, school or other similar educational establishment. The relevant tax allowance is introduced after considering the financial burden of taxpayers from raising children, including children's education expenses. In fact, starting from the year of assessment 2023-2024, the child allowance for each child born has been raised from \$120,000 to \$130,000, which would help to relieve the tax burden of middle-class families.

On the proposal for introducing an education voucher scheme, Members suggested that tuition vouchers should be provided to middle-class families so that they can choose their preferred schools, including private and international schools. In fact, the Government's policy objective is to provide 12 years' free primary and secondary education to all children through public sector schools. At present, there are nearly 850 public sector primary and secondary schools in Hong Kong, and nearly 80% of primary and secondary school students are enrolled in public sector schools, so the vast majority of primary and secondary school students are not required to pay school fees. Private schools provide parents with an alternative to public sector schools. They may be profit-making in nature, and enjoy autonomy in terms of student enrolment, fees and curriculum, and operate on a self-financing and market-driven basis. Therefore, it is inappropriate for the Government to provide fee subsidy to students of private schools to avoid indirectly subsidizing the operation of private schools. In addition, as international schools are not primarily targeted at local families, we do not consider it appropriate to subsidize tuition fees with public funds.

To alleviate the burden of tuition fees on parents, the Education Bureau has launched the Kindergarten Education Scheme ("the Scheme") since the 2017-2018 school year to provide good quality and highly affordable kindergarten education and enhance the accessibility of students to different modes of services that suit their specific needs. In the 2023-2024 school year, about 95% of eligible kindergartens have joined the Scheme, with about 90% of the half-day kindergartens are free of charge and the school fees of whole-day kindergartens are maintained at a low level. In addition, it was announced in the 2019 Policy Address that the provision of the student grant would be regularized starting from the 2020-2021 school year, with secondary day school, primary school, special school and kindergarten students each entitling to an annual grant of \$2,500 to alleviate parents' financial burden in defraying education expenses.

During the debate, many Members expressed concern about the issue of childbearing among middle-class families. Some Members have suggested the introduction of a progressive child tax allowance. As I mentioned earlier, when considering whether to adjust tax measures, we must take into account a number of policy considerations, including the impact of the proposal on public finance. As the proposal will significantly increase the financial burden on the Government, the Government has no plan to adopt the proposal concerned at this stage.

As a matter of fact, the Government's determination to encourage childbearing is very clear. The Chief Executive announced in his 2023 Policy Address an array of measures to promote fertility by adopting a "combination punches" approach in order to create a conducive environment for childbearing. One of the measures is the provision of newborn baby bonus. Under the newborn baby bonus scheme, the Government will provide a cash bonus of \$20,000 to eligible parents for each baby born in Hong Kong on or after 25 October 2023. The scheme would run for three years. In addition, to alleviate the financial burden of families with newborn children in respect of housing, the Chief Executive proposed in the 2023 Policy Address that, starting from the year of assessment 2024-2025, the deduction ceiling for home loan interest or domestic rents will be raised from \$100,000 to \$120,000, for taxpayers who live with their first child born on or after 25 October 2023 until the child reaches the age of 18. All these measures will help support families with newborn children, including middle-class families, by alleviating their financial burden.

Some Members have mentioned the situation of retired middle-class people. The annuity schemes, which we have introduced in the past, are targeted precisely at retirees. A deferred annuity helps policyholders convert their savings into a steady stream of income so as to ease their financial burden after they have retired. Furthermore, starting from the year of assessment 2019-2020, the Government has provided taxpayers with tax deductions under salaries tax and personal assessment for their premiums paid to qualifying deferred annuities in order to relieve the tax burden of members of the public who wish to better prepare for their retirement, in particular the middle class who often have to pay larger amounts of taxes.

As regards the requirements and needs of individual insured communities for insurance products, the Insurance Authority and the sector will maintain close communication. Regarding healthcare services, colleagues of the relevant Policy Bureaux will give supplementary responses later.

With regard to the transport issues mentioned by Members, the Government has launched the Public Transport Fare Subsidy Scheme since 2019, which aims to relieve the fare burden of the commuters who travel on public transport for daily commuting and whose public transport expenses are relatively high.

President, the middle class plays a key role in driving Hong Kong's economy and development. We understand that many people are concerned about the challenges faced by the middle class and their needs. When formulating relevant

policies, we will carefully consider the views of Members and listen to the voices of the middle class. We also welcome views from Members and the public on next year's Budget, so that we can make good use of financial resources and meet the needs of different sectors of the community.

I so submit. Thank you, President.

UNDER SECRETARY FOR HOUSING (in Cantonese): President, I thank Ir LEE Chun-keung, Mr Frankie YICK and other Members who have spoken on the motion for their concerns about the housing needs of the middle class and for putting forward valuable views. In the following, I will respond in several main areas.

The Government has all along been reviewing and enriching the housing ladder to meet the housing needs and the home ownership aspirations among people from all walks of life (including the middle class). The Government has identified sufficient land for providing 410 000 public housing units (including public rental housing and subsidized sale flats), which not only meets the supply target of public housing units in the coming 10-year period, but also exceeds it by about 100 000 units. Among these, the Home Ownership Scheme ("HOS") serves as a first step towards home ownership for low-to-middle-income families. The number of HOS flats sold last year was around 9 200 units, marking a record high in recent years.

In addition, we have regularized the Green Form Subsidized Home Ownership Scheme ("GSH") and "White Form Secondary Market Scheme" to provide more opportunities for those who are eligible to purchase subsidized sale flats ("SSFs"). We have also optimized the financial arrangement for SSFs. The Hong Kong Housing Authority will extend the maximum mortgage default guarantee period and mortgage repayment period under the Deeds of Guarantee being provided to purchasers of GSH and SSFs, in order to make it easier for purchasers to secure mortgage loans and facilitate the circulation of SSFs on the secondary market. With the extension of the maximum mortgage default guarantee period to 50 years for SSFs sold on the secondary market, the HOS/GSH flats with a residual guarantee period of more than 10 years will increase substantially from about 14% to about 98%. This gives middle-class citizens and homeowners more opportunities for upward mobility through the housing ladder.

We have also launched the “Private Subsidized Sale Flat—Pilot Scheme” (“the Pilot Scheme”) at the HOS tier, leveraging market forces to encourage private developers to build SSFs. Apart from the HOS, the Government has also launched the Starter Homes for Hong Kong Residents (“SH”) projects. This could help address the home ownership aspirations of those who are not eligible for purchasing HOS flats and yet cannot afford private housing. Apart from the first two SH projects of the Urban Renewal Authority launched for sale, which provide about 750 SH units, the Government is taking forward four other SH projects, which will provide over 5 800 SH units.

With regard to the private market, maintaining the steady development of the private residential property market is one of the important objectives of the Government’s housing policies. The projected supply of first-hand private residential units for the coming three to four years will stay at a high level of around 107 000 units.

Some Members also mentioned the demand-side management measures for residential properties. The Government has been adopting a pragmatic approach in continuously evaluating the residential property market situation and taking timely and appropriate measures in response to market changes by making reference to a series of indicators.

Regarding the housing measures to promote fertility and create a childbearing environment, we have launched the Families with Newborns Flat Selection Priority Scheme for family applicants of SSF sale exercises with newborns. We have taken note of the views of the Members and will continue to review and enrich our housing ladder in a serious and practical manner. We are striving to enhance the quantity, speed, efficiency, and quality of housing projects for people’s greater sense of happiness and fulfilment, and to meet the housing and home ownership needs of people from all walks of life including the middle class.

President, I so submit.

UNDER SECRETARY FOR HEALTH (in Cantonese): President, I would like to express my gratitude to Ir LEE Chun-keung for moving the motion on “Addressing the needs of the middle class”, to Mr Frankie YICK for moving the

amendment, as well as to Members for voicing their views, which gave us the opportunity to exchange ideas on addressing the needs of the middle class.

Regarding healthcare, the Government has consistently and proactively formulated various policy measures to benefit different sectors of society, including the middle class mentioned by Members. As mentioned by Members during the earlier debate, the Government has been devoting a lot of resources to healthcare, with the 2023-2024 estimate reaching \$104.4 billion, accounting for about 19% of the Government's recurrent expenditure. In addition to continuously enhancing public healthcare services, which serve as the cornerstone of Hong Kong's healthcare system and act as a safety net for the public, to meet the rising demand in society, the Government has introduced various measures to provide more options for the public and enhance the quality of healthcare services. I will now provide a summary of some of the major measures.

Firstly, assisted reproductive services. Noting that some couples may need assisted reproductive technology to conceive a baby, the Government will enhance support in this regard. The 2023 Policy Address has proposed that, over the next five years from 2024-2025, the Hospital Authority will gradually increase the assisted reproductive service quota for in-vitro fertilization treatment by more than 60%, from 1 100 treatment cycles per year to 1 800 treatment cycles per year, and enhance the training for the related professional personnel. Moreover, starting from the year of assessment 2024-2025, the Government will provide a deduction for expenses on assisted reproductive services under salaries tax and personal assessment, subject to a ceiling of \$100,000 a year. The Health Bureau is currently working out the details of the relevant tax deduction arrangement.

Secondly, primary healthcare and the Elderly Health Care Voucher Scheme ("EHVS"). With regard to the continuous promotion of the development of primary healthcare, the Government has launched the Chronic Disease Co-Care Pilot Scheme since November last year, providing subsidies for residents aged 45 or above to undergo hypertension and diabetes mellitus screening and receive follow-up care. Furthermore, the Government has introduced enhancement measures of EHVS, including extending the coverage to include services provided by audiologists, dietitians, clinical psychologists and speech therapists and allowing the shared use of vouchers between spouses. The Government has also

implemented the Elderly Health Care Voucher Pilot Reward Scheme, where eligible elderly persons who have accumulated the use of vouchers of \$1,000 or more for designated primary healthcare purposes within a year, such as disease prevention and health management services, will be automatically allotted a \$500 reward into their voucher account for the same purposes.

Thirdly, dental services. The Government released the interim report of the Working Group on Oral Health and Dental Care earlier, aiming to work in line with the strategies set out in the Primary Healthcare Blueprint to prevent oral diseases and enhance the oral health of the community on the premise of improving the oral health of all citizens. In fact, the Chief Executive has proposed the following measures in his 2023 Policy Address: in 2025, we will launch the Primary Dental Co-care Pilot Scheme for Adolescents, which will serve as an interface with the School Dental Care Service for primary school students, providing partial subsidies for private dental check-up services for adolescents aged between 13 and 17 to promote their life-long habit of regular dental check-ups. Furthermore, we will introduce amendment bills to the Dentists Registration Ordinance into the Legislative Council this year to provide new pathways for admission of qualified non-locally trained dentists for serving in specified institutions. We will also modernize the regulatory framework for dentists and ancillary dental workers. Additionally, starting this academic year, we will gradually increase the training places of ancillary dental workers and provide tuition sponsorship to further enhance the overall dental services.

The Government will continue to examine and study the healthcare needs of citizens, enhance the quality of healthcare services, and strive to establish a quality, effective, sustainable and affordable healthcare system.

President, I so submit.

UNDER SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I would like to express my gratitude to Ir LEE Chun-keung for moving the motion and Mr Frankie YICK for moving the amendment. I will now provide a brief response on issues under the purview of the Labour and Welfare Bureau (“LWB”).

Many members mentioned earlier that the pain-point of the middle class is their having to simultaneously care for their ageing parents and young children. Regarding the care of the elderly, Hong Kong has all along adopted the multi-pillar model of the retirement protection system advocated by the World Bank, which includes (1) a non-contributory social security system, (2) the Mandatory Provident Fund (“MPF”) system and other occupational contribution plans, (3) voluntary private savings and (4) public services, family support and personal assets. Additionally, as stated by Prof Priscilla LEUNG today, the middle class feels that they benefit the most from the \$2 Scheme.

The MPF system is an important pillar of retirement protection in Hong Kong. The Government will implement the abolition of the “offsetting” arrangement on 1 May 2025. This means that employers will no longer be allowed to use the accrued benefits of employees’ contributions to an MPF scheme to offset the statutory severance payment (“SP”) or long service payment (“LSP”) payable to them. Hence, starting in 2025, middle-class retirees will enjoy additional retirement protection from their SP or LSP. At the same time, the Government will provide a 25-year subsidy to share employers’ expenses on SP and LSP after the abolition, offering greater protection to retirees, including the middle class.

Cash assistance schemes, such as the Old Age Living Allowance (“OALA”) and Old Age Allowance, aim to assist individuals in need of financial support in meeting their basic and special needs. While OALA is granted on a means-tested basis, as mentioned by the Under Secretary for Financial Services and the Treasury Bureau (“FSTB”) earlier, instalment premium payments placed with the HKMC Annuity Plan and private annuity plans will not be counted as assets in the financial test of OALA. This provides greater protection for elderly retirees and also benefits the middle class.

As a result of the continuously ageing population in Hong Kong, the number of recipients and expenditure on cash assistance schemes continue to increase. Therefore, it is necessary for the Government to consider the long-term financial sustainability when optimizing various measures.

Regarding the care of young children, Mr Frankie YICK’s amendment proposes allowing a tax deduction for the expenses of employing foreign domestic helpers (“FDHs”). FDHs have made significant contributions by assisting their employers with household chores, as well as caring for their young and elderly

family members, thereby reducing the burden on childcare and unleashing the potential of local labour force. Currently, there are over 350 000 FDHs serving local families. Considering Hong Kong's ageing population, the number of FDHs is expected to exceed 640 000¹ by 2069. FSTB has already explained the relevant principles regarding allowing a tax deduction for employing FDHs. As the Policy Bureau responsible for FDH policies, LWB will also study and consider carefully the impacts that the proposed tax deduction has on similar services, including the employment of part-time domestic helpers and childcare services.

Thank you, President.

PRESIDENT (in Cantonese): I now call upon Mr Frankie YICK to move an amendment.

MR FRANKIE YICK (in Cantonese): President, I move my amendment.

The amendment moved by Mr Frankie YICK (See the marked-up version at Appendix 14)

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Frankie YICK be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

¹ “Hong Kong Population Projections 2020-2069” released by the Census and Statistics Department in 2020.

PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by the Election Committee and those returned by functional constituencies and geographical constituencies.

I declare the amendment passed.

PRESIDENT (in Cantonese): Ir LEE Chun-keung, you still have 2 minutes 30 seconds to reply. Then, the debate will come to a close.

IR LEE CHUN-KEUNG (in Cantonese): Thank you, President. I very much thank the 40 Members who have spoken for their many views and suggestions concerning my original motion. I also thank the four Secretaries for their responses.

Some Members have pointed out the pressures faced by the middle class, ranging from housing, children's education, healthcare, marriage and childbirth, they have also put forward a number of suggestions.

I believe that we all agree that the middle class is a solid force in economic development. For that reason, understanding the viewpoints of the middle class is crucial. I hope that the Government of this term will no longer evade this matter and will proactively come up with a definition of the middle class. As a matter of fact, the middle class has faced different challenges at various points, such as the 1997 financial crisis, the 2003 SARS outbreak, the 2018 financial tsunami, the 2019 black-clad violence, as well as the outbreak of the COVID-19 pandemic two years ago and the recent post-pandemic recovery, all of which have caused the middle class to worry about unemployment and loss of assets. It is imperative for the Government to feel the pulse of the middle class in a timely manner, especially during such pivotal moments, and offer assistance whenever necessary.

In fact, establishing an "olive-shaped" society with a substantial middle class and two smaller ends is the key to promoting the comprehensive development for all people. This lays a solid foundation for advancing towards the goal of common prosperity for the nation.

As President XI emphasized, to promote common prosperity within high-quality development, efforts must be focused on expanding the size of the middle-income group, enhancing the balance, coordination and inclusiveness of development, and working together to “make the pie larger and better”.

President, following the enactment of Hong Kong National Security Law and the improvement of the electoral system, Hong Kong has entered a new phase characterized by its advance from stability to prosperity. The black-clad violence and the pandemic are now over, and stability has returned to society. These developments contribute significantly to creating the necessary conditions, opportunities and space for the middle class to live in peace and work happily and achieve upward mobility and advancement.

Lastly, I hope that the Government will not miss this opportunity and promptly formulate a series of measures and initiatives addressing the needs of the middle class, so that citizens living beneath the Lion Rock can “set aside all discord”, achieve a return to unity, and collectively support the nation’s high-quality development, which will enable the middle class to be capable of seizing the opportunities presented by the 14th Five-Year Plan and the development of the Greater Bay Area, as well as other crucial national strategies, so as to make a robust contribution to the development of both the nation and the Hong Kong Special Administrative Region and to share the dividends of economic prosperity.

I hope that Members will support my motion. Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Ir LEE Chun-keung, as amended by Mr Frankie YICK, be passed. Will those in favour please raise their hands?

(Members raised their hands)

PRESIDENT (in Cantonese): Those against please raise their hands.

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present, that is, those returned by the Election Committee and those returned by functional constituencies and geographical constituencies.

I declare the motion as amended passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11:00 am on Wednesday, 17 January 2024.

Adjourned accordingly at 12:03 pm.

**The marked-up version of the amendment moved by Mr Frankie YICK
(Translation)**

That *the middle class is a major driving force for the advancement of society, but the Government has made perfunctory efforts to support middle-class people*; middle-class people in Hong Kong have all along ‘paid large amounts of tax but enjoyed few welfare benefits’, which, coupled with inflated commodity prices, high global interest rates and persistently high property prices in recent years, as well as uncertain economic prospects, has increased their expenditure on aspects such as supporting parents, healthcare and children’s education, putting them under immense pressure in their lives *and making it difficult for them to move upward*; in this connection, this Council urges the Government to put forward proactive measures focusing on areas such as childbearing, healthcare, children’s education, housing, transport, taxation, retirement and insurance, *including*:

- (1) *actively studying the establishment of a middle class commission to comprehensively review the policies or measures relating to the middle class from a focused and higher-level perspective, and laying down a clear and precise definition of the middle class, as well as regularly publishing relevant statistics in respect of the definition;*
- (2) *adjusting salaries tax downwards, in particular widening the tax bands for salaries tax and lowering the marginal rate, so as to vigorously alleviate the burden on the marginal middle class;*
- (3) *relaxing the restrictions on the dependent parent or dependent grandparent allowance;*
- (4) *introducing a ‘progressive child tax allowance’ to encourage childbearing among middle-class families;*
- (5) *allowing a tax deduction for the expenses of employing foreign domestic helpers; and*
- (6) *introducing an ‘education voucher scheme’ and a tax allowance for children’s education,*

thereby *consolidating the strength of the middle class*, addressing the needs of middle-class people and responding to their aspirations.

Note: Mr Frankie YICK’s amendment is marked in *bold and italic type* or with deletion line.