

LCQ1: Government initiatives on encouraging childbearing

Following is a question by the Hon Shiu Ka-fai and a reply by the Deputy Chief Secretary for Administration, Mr Cheuk Wing-hing, in the Legislative Council today (November 8):

Question:

The 2023 Policy Address has proposed a number of initiatives to encourage childbearing. Many members of the community have expressed their agreement to the initiatives, with some members of the public holding the view that the Government may improve the relevant initiatives and step up efforts in their implementation. In this connection, will the Government inform this Council:

(1) whether it will consider disbursing an annual cash bonus of \$40,000 to each newborn baby of the grass-roots until the baby reaches the age of 5 to 6; if so, of the details; if not, the reasons for that;

(2) as there is a proposal that the Government should introduce a child tax allowance to be calculated on a progressive basis to encourage childbearing among middle-class families, i.e. a tax allowance of \$150,000, \$300,000 and \$600,000 for the first, second and third child respectively, whether the authorities have studied and considered the proposal; if so, of the reasons for not adopting the proposal; if not, whether they will consider the proposal; and

(3) as there is a proposal that the Government should introduce a tax deduction for the expenses of employing foreign domestic helpers ("FDHs") in order to encourage childbearing, reduce the expenses of young families on employing FDHs after childbirth, and unleash the female labour force, whether the authorities have studied and considered the proposal; if so, of the reasons for not adopting the proposal; if not, whether they will consider the proposal?

Reply:

President,

(1) All countries and places worldwide are facing a decline in fertility rate. Hong Kong is no exception. Our birth rate remains at a low level, falling to a low point of mere 0.9 in 2022. Meanwhile, Hong Kong has the longest life expectancies in the world. The proportion of elderly persons aged 65 and above will increase from 20 per cent of Hong Kong's population to nearly one-third in ten years' time.

In the face of such challenges, the Government must formulate measures to raise fertility rate. During the Policy Address consultation exercise,

aspirations for the Government to take measures in this regard came through loud and clear. As such, the Chief Executive announced in his 2023 Policy Address an array of measures to promote fertility by adopting a "combination punches" approach. These measures, including giving families with newborns priority on flat selection and allocation, enhancing child care support, increasing tax concessions and providing newborn baby bonus etc, aim to encourage fertility by creating a conducive environment for childbearing. We strive to deliver a strong message to society that the Government is making every effort to boost childbirth, so as to reverse the low level of local birth rate, to provide the manpower required for the long-term economic development of Hong Kong and to alleviate the problem of an ageing population.

Under the newborn baby bonus scheme, the Government will provide a cash bonus of \$20,000 to eligible parents (that is either parent must be a Hong Kong permanent resident at the time of application) for each baby born in Hong Kong on or after October 25, 2023. The scheme would run for three years.

The question proposes to disburse an annual cash bonus of \$40,000 to each newborn baby of grass-root citizens until the baby reaches the age of 5 to 6. In other words, each newborn baby would be disbursed with \$200,000 to \$240,000 within a span of five to six years. A preliminary estimate of the expenditure incurred by the proposal is that it would reach tens of billions of dollars. This is a colossal financial burden and not a good use of resources either. The Government has no plan to adopt the proposal concerned.

As mentioned earlier, the provision of the newborn baby bonus is only one of the whole array of measures to promote fertility. Right from the inception of contemplating such policy initiatives, the Government does not consider that the introduction of the baby bonus scheme alone would be able to substantially increase the fertility rate. Therefore, what we have proposed is a host of measures. Among them, setting aside a quota for families with newborns to ballot for Subsidised Sale Flats and giving them flat selection priority as well as reducing the Public Rental Housing waiting time for such families are policy breakthroughs and quite attractive. We hope that these measures coupled with enhancement of child care support and increase in tax concessions etc would help make young families to positively consider adding new members to their families.

(2) Starting from the year of assessment 2023/24, the basic child allowance and the additional child allowance for each child born during the year of assessment have been raised from \$120,000 to \$130,000. In addition, to support families with newborn children, the Chief Executive proposed in the recently delivered Policy Address that, starting from the year of assessment 2024/25, 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 October 25 this year until the child reaches the age of 18. We believe that these existing or announced tax measures will help alleviate the financial burden of taxpayers from raising children.

When considering proposals in respect of allowances under salaries tax, it is essential that the Government takes into account the impact of the proposals on public finance and whether the proposals are in line with the principles of simplicity and fairness of the tax regime, so as to strike a balance between reducing taxpayers' tax burden and maintaining healthy public finance. Based on our preliminary assessment, if allowances of \$150,000, \$300,000 and \$600,000 are granted for a taxpayer in respect of his/her first, second and third child respectively, it is estimated that government revenue will decrease by about \$4.2 billion per year, which is about 5 per cent of the total revenue from salaries tax and tax under personal assessment in 2022-23. As the proposal will significantly increase the financial burden on the Government, the Government has no plan to adopt the proposal concerned.

(3) As for the proposal to introduce tax deduction for the expenses of employing foreign domestic helpers, as in our reply on child allowances given above, in considering tax measures, including whether to introduce new tax deductions, it is essential for the Government to carefully scrutinise the impact of the proposals on public finance, and whether the proposals are in line with the principles of simplicity and fairness of the tax regime. The ultimate objective is to strike a balance between reducing taxpayers' tax burden and maintaining healthy public finance.

As mentioned in our reply to part (1) of the question, the Chief Executive has announced a series of initiatives in this year's Policy Address to promote fertility through a multi-pronged approach. Regarding the proposal of introducing tax deduction for expenses on the employment of foreign domestic helpers, the Government has no plan to adopt the proposal concerned.