

LCQ12: Monitoring of charitable institutions

Following is a question by the Hon Rock Chen and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 21):

Question:

It has been reported that a number of directors of a charitable institution have been found to have initiated crowdfunding in the name of financial difficulties, but the donations concerned are suspected to have been transferred to the other accounts of the institution and the private accounts of its directors, and some people are even suspected to have absconded after remitting donations of about \$50 million in batches out of the territory. On the other hand, it is learnt that there are currently more than 9 000 charitable institutions in Hong Kong, with the work of monitoring them in different areas being undertaken by a number of policy bureaux and government departments. In this connection, will the Government inform this Council:

(1) of the respective numbers of tax-exempt charitable institutions recognised by the Inland Revenue Department under section 88 of the Inland Revenue Ordinance (Cap. 112) whose tax exemption status was reviewed and withdrawn by the authorities in each of the past three years (with a breakdown by reason of withdrawal);

(2) as there are views pointing out that the existing work of monitoring charitable institutions is fragmented and may lead to loopholes, duplication of work and lack of efficiency in monitoring, whether the Government has plans to set up a dedicated department or organisation to monitor charitable institutions, including regularly checking their fund-raising activities, the uses and whereabouts of the donations received by them, their governance and financial situation, etc.; if so, of the details and timetable; if not, the reasons and considerations for that; and

(3) as it has been reported that with the existing legislation not regulating online crowdfunding activities which have been popular in recent years, charitable institutions are not required to disclose to the public the proceeds from and the uses of donations received from online crowdfunding, and the Government issued a consultation paper on the proposal to enhance the regulation of crowdfunding activities in December 2022 and launched a three-month public consultation exercise, whether the Government will enact legislation or draw up guidelines to enhance the regulation and supervision of online crowdfunding activities; if so, of the legislative intent, scope and principles; if not, the reasons and considerations for that?

Reply:

President,

In consultation with the Home and Youth Affairs Bureau, the Security Bureau and the Inland Revenue Department (IRD), my reply to the three parts of the question is as follows:

(1) Charitable organisations can be exempt from payment of tax if they satisfy the specified conditions under section 88 of the Inland Revenue Ordinance (Cap. 112). The IRD periodically reviews the tax exemption status of charitable organisations. In the past three years, the numbers of reviews are as follows:

Year	Number of reviews on tax exemption status of charitable organisations
2021	2 068
2022	3 127
2023	3 183

In the past three years, the numbers of charitable organisations with recognition of tax exemption status withdrawn by the IRD and the reasons for withdrawals are as follows:

Year	Number of charitable organisations with recognition of tax exemption status withdrawn	Reasons			
		(i) Dissolved or wound up	(ii) Ceased operation or became dormant	(iii) No response to the IRD's enquiries or untraceable	(iv) No longer qualified as a charitable organisation or trust of a public character
2021	252	134	12	105	1
2022	231	123	13	94	1
2023	210	115	11	81	3

(2) Since 2018, the Government has introduced a series of administrative measures in phase to enhance the transparency and accountability of charitable fund-raising activities. For example, uploading all audited accounts submitted by organisations which obtained approval to organise charitable fund-raising activities to the fund-raising activities page of GovHK for reference by the public; issuing the Good Practice Guide on Charitable Fund-raising (Guide) and encourage the adoption of the Guide by charitable organisations; and setting up a dedicated hotline for handling enquiries or complaints in relation to charitable fund-raising activities

held by organisations in public places, etc.

Since the recommendation of setting up a dedicated department or organisation as the regulator of charitable organisations carries significant implications on the definition and operation of charitable organisations in Hong Kong, the Government needs to consider the recommendations thoroughly and carefully. The Government will continue to keep in view the relevant circumstances in considering the recommendation.

(3) Safeguarding national security is the cornerstone of the stability and prosperity of Hong Kong as an international financial centre, which is conducive to Hong Kong in making sustainable contribution to the national development. At present, the top priority that the Government must work on as soon as possible is the Basic Law Article 23 legislation, so as to comprehensively address the existing national security risks and those that may emerge in the future in Hong Kong. This is also the constitutional duty of the HKSAR Government.

As regards crowdfunding, we conducted a public consultation last year and put forward various recommendations on enhancing the transparency and accountability of crowdfunding activities, thereby preventing lawbreakers from engaging in activities that are fraudulent, jeopardising public interest, or endangering public and national security in the name of crowdfunding. Having considered the current work priority of the Government as well as the ongoing Article 23 legislation and the subsequent follow-up work, there is no timetable on implementing the recommendations for the time being.