LCQ16: Relief measures

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 27):

Question:

The latest unemployment rate announced by the Government has hit a record high in 16 years. A member of the public called in complaining to me in tears that he had been unemployed for more than half a year, and with little savings left and no way to borrow money, he could not buy additional warm clothes for his children in the harsh winter. His only remaining assets were the accrued benefits in his Mandatory Provident Fund (MPF) account (accrued benefits), but the authorities had refused to allow members of the public to make early withdrawal of their accrued benefits, rendering him unable to help himself. He denounced in anger that the Government's attitude was like what is depicted by the saying that "behind the vermilion gates of the rich meat and wine are left to rot, while out on the streets lie the bones of the poor who have frozen to death", which seriously reduces the room for survival of the grassroots. On the other hand, it has been reported that the Government Disciplined Services General Union and the Hong Kong Civil Servants General Union have in recent days, on the grounds that "civil servants have not been able to benefit from the Government's anti-epidemic measures", and "quite a number of grass-roots civil servants are facing financial pressure because their spouses and family members have become unemployed", jointly sent a letter to the Financial Secretary (FS), requesting him to propose in the Budget to be published next month a measure of offering civil servants additional salaries tax concessions, so as to "boost the morale of civil servants and help the economy". In this connection, will the Government inform this Council:

(1) whether it has assessed if the demand raised by the aforesaid unions is fully justified;

(2) as even civil servants who have employment protection can be under financial pressure because their family members have become unemployed, whether the Government will immediately assess if, in the face of the same epidemic situation, the financial pressure borne by employees of private enterprises who have no employment protection is much greater than that borne by civil servants, and if the financial "pain" referred to by the FS which is being felt by such employees is much more severe and pressing than that being felt by civil servants;

(3) as I urged the Government time and again in the past that in the light of the unprecedented economic blow dealt to members of the public during the epidemic, it should waive the payment of or substantially reduce the salaries tax payable by them and waive the payment of provisional tax, but the Government stated every time in its replies that members of the public who

had difficulties in paying tax might, by providing to the Inland Revenue Department their estimated income/the causes for the reduction of income with relevant information, apply for the holding over of payment of part or the whole of the tax, whether the Government will maintain the same stance in responding to the demand of the aforesaid unions;

(4) as quite a number of members of the public criticised after noting the Government's response mentioned in (3) that the officials concerned were "indifferent and apathetic", "detached from reality" and "ignorant about people's hardships" and only knew "playing with bureaucratic rhetoric", whether the Government will adopt a more pragmatic attitude to assess if the employers and employees of private organisations as well as small and medium enterprises have more pressing needs for being granted tax concessions (especially a waiver of payment of provisional tax);

(5) whether it has assessed if allowing employees to make early withdrawal of part of their accrued benefits will substantively, in a timely manner and effectively alleviate the financial pain being felt by those who have been unemployed for many months, have suffered pay cuts and have been forced to take no pay leave, as well as benefit members of the aforesaid unions that have requested for additional salaries tax concessions, thereby truly "boosting the morale of civil servants and bolstering public confidence" and "helping the economy and allaying public anger"; if it has assessed, of the details; if not, whether it will immediately make such an assessment; and

(6) as the aforesaid unions have mentioned that "the consumption desire of civil servants is theoretically stronger than that of anyone else", and "for every additional dollar spent by the Government on civil servants, the effectiveness for spurring economic growth that can be achieved will be the greatest", whether the Government has assessed, on the basis that the current average amount of accrued benefits of each MPF scheme member is around $220,000, how much money may be injected into the Hong Kong economy and how much growth can be brought instantly by allowing MPF scheme members to withdraw no more than half of their accrued benefits, and if the relevant growth would be higher than that to be brought by offering tax concessions to civil servants alone?
Reply:

President,

With a view to helping hard-hit business sectors and individuals tide over the difficult times amidst the economic downturn and the coronavirus disease 2019 epidemic, the Government has introduced a series of relief measures amounting to over $300 billion since early 2020 through the 2020-21 Budget and the four rounds of injections into the Anti-epidemic Fund. These relief measures address society's needs while at the same time take into account Government's overall fiscal position.

Having consulted the relevant policy bureaux, my consolidated response to the Member's question is set out below:

On Parts (1) to (4) of the Question

To relieve the financial burden of the public, the 2020-21 Budget has provided one-off reduction of salaries tax and tax under personal assessment by 100 per cent for the year of assessment (YA) 2019/20, subject to a ceiling of $20,000 per case. The measure benefits about 1.95 million taxpayers and reduces their tax liabilities by a total of about $18.8 billion. About 1.32 million of the taxpayers do not have to pay tax for the YA concerned.

Furthermore, individuals in need may also apply for holding over of provisional tax, payment by instalments, and waiver of surcharges for instalment settlement of demand notes for the YA 2019/20. These measures are all targeted to support taxpayers to cope with their financial difficulties.

We understand that all business sectors are suffering different degrees of impact as a result of the economic downturn and the persistent epidemic. The economy and the community are also facing immense pressure from the ongoing infection control measures, with many businesses struggling to survive and employees hoping to hold on to their jobs and riding out the economic turbulence. We fully recognise the diverse expectations of the public for government relief measures. Through the ongoing public consultation exercise for the 2021-22 Budget, we will gather and examine opinions from all sectors of society. When assessing any proposals, the Government will take into consideration a range of factors, including the overall economic situation, the Government's fiscal position, and the needs of the community.

On Parts (5) and (6) of the Question

As explained by us at various meetings of the Legislative Council (LegCo), early withdrawal of Mandatory Provident Fund (MPF) accrued benefits will undermine the integrity of the MPF System as a long-term and steady retirement saving scheme for accumulation of benefits and value growth. We understand the good intention of the proposal. However, pursuing the proposal will not only reduce the retirement protection of employees, but also provide limited support and cannot address the fundamental plight of the economy and unemployment currently facing employees and employers. After analysing and weighing carefully the relevant proposal and its long-term implications, the Government considers it not appropriate to implement the proposal at this stage.

To give more targeted support for the unemployed and their families who face immediate economic difficulties, the Government has launched the "Special Scheme of Assistance to the Unemployed" under the Comprehensive Social Security Assistance (CSSA) Scheme to temporarily relax the asset limits for able-bodied persons by 100 per cent from June 1, 2020 to May 31, 2021. To render further assistance to the unemployed, the Government sought the approval from the LegCo Finance Committee on January 15 to implement another time-limited new arrangement under the special scheme for six months from April 1 to 30 September this year. Specifically, the cash value of insurance policies of able-bodied CSSA applicants will not be counted as assets during the grace period of one year, thereby providing assistance to more unemployed persons facing economic hardship.