[LCQ22: Alleviating the financial burdens of members of the public]

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 6):

Question:

The economic downturn brought about by the epidemic has resulted in a significant reduction in the income of quite a number of families and a high unemployment rate. A member of the public who has been unemployed for nearly a year called my office, complaining in tears about his not being able to meet expenses such as those arising from the upcoming Lunar New Year and payments for salaries tax (including provisional tax). On the other hand, the Finance Committee of this Council scrutinized on the 21st of last month the Government's funding application for the fourth round of injection into the Anti-epidemic Fund. At that meeting, I again suggested allowing members of the public to make early withdrawal of part of the accrued benefits from their Mandatory Provident Fund (MPF) accounts in order to alleviate their financial difficulties. The Chief Secretary for Administration (CS) undertook to discuss with the Financial Secretary (FS) whether there was any room to relax the relevant policies. In this connection, will the Government inform this Council:

(1) of the progress of the discussion between CS and FS, and the expected time when the outcome will be available;

(2) as unemployed members of the public have, time and again, indicated that at present they are already heavily debt-ridden and can turn to nowhere to take out loans, and that they hope to get back the accrued benefits from their MPF accounts as soon as possible to address their imminent needs, whether the Government has viewed my dedicated page on social media platforms so as to gain an understanding of the public's disappointment and disgruntlement with the Government, as well as to review how the existing policies lack popularity; if not, whether it will view the dedicated page immediately and set up an MPF enquiry hotline to listen to the public's demands;

(3) whether, apart from considering my aforesaid suggestion, the Government will request the Mandatory Provident Fund Schemes Authority (MPFA) to make arrangements to allow members of the public to use the accrued benefits in their MPF accounts as a guarantee for taking out from banks an "MPF guaranteed extra low-interest tax loan" of an amount equals or doubles the amount of their accrued benefits, and to pay part of the loan interest on their behalf, so as to help members of the public tide over the Lunar New Year and pay for their salaries tax which is about to fall due, as well as let members of the public know about the value of the existence of MPFA which has been making investment losses for 10 consecutive years and dubbed a

kingdom for retired senior officials; and

(4) whether, in order to alleviate the financial burdens on those members of the public who are unemployed, seeking jobs and forced to take unpaid leave, the Government will consider exempting all taxpayers from paying salaries tax (including provisional tax) for one year?

Reply:

President,

The Government understands the varying degree of impact on people's daily lives and business operation brought by the continual COVID-19 epidemic and the associated anti-epidemic measures, and the immense pressure that the general public and the entrepreneurs are facing. To cope with the impact of the epidemic on different sectors of society, the Government has introduced multi-faceted relief measures amounting to more than $300 billion, through the Budget and four rounds of the Anti-epidemic Fund, with a view to assisting the community to tide over the difficult times. The Government would continue to work together with the people in the fight against the epidemic, to ease the pressure of economic downturn facing the people and different sectors of the community, to fortify the economy, and to get prepared for reviving our economic development after the epidemic.

In consultation with the Labour and Welfare Bureau, my reply to the various parts of the question raised by the Hon Tse is as follows:

(1) & (2)

As pointed out by the Government in response to Members' earlier questions, the very design of the Mandatory Provident Fund (MPF) System is to allow the steady accumulation of MPF benefits for investment and value growth during the working life of scheme members. Accrued benefits should therefore be preserved in the System as far as possible and should only be withdrawn upon retirement of the employees. The MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we relax the preservation requirement on accrued benefits and allow scheme members to make early withdrawal to meet short-term financial needs or contingency, there would be leakage of the accrued benefits from the system from time to time and damage the accumulation for value growth, thereby undermining the integrity of the MPF System and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

There was suggestion raised at the meeting of the Finance Committee held on December 21, 2020, to allow members of the public to make early withdrawal of MPF accrued benefits derived from employees' contributions. The Government had further deliberated on the suggestion internally and after thorough consideration of relevant policy objectives and long-term implications, it was unanimously considered not appropriate to pursue the suggestion. Thus, we have no intention at this stage to allow members of the public to make early withdrawal of MPF accrued benefits derived from employees' contributions.

The Government has been monitoring the views expressed by the public on both online and offline platforms regarding Government's policies, anti-epidemic strategies and relief measures, etc. This helps us to provide targeted assistance to industries and people that have been hard-hit by the epidemic through a series of focused relief measures. The Government will continue with our anti-epidemic efforts to suppress the epidemic so that our economic activities and daily lives could resume normal as soon as possible. Meanwhile, the Government will continue to gauge the views from the community. The Financial Secretary has also invited all sectors of society to offer their views on the coming Budget, in a bid to join hands with the people and tackle the prevailing challenges with collective wisdom.

(3) & (4)

Allowing the public to use the accrued benefits of their MPF accounts as loan guarantee is in essence drawing on the accrued benefits. As mentioned above, the proposal would involve leakage of the accrued benefits from time to time and undermine the integrity of the MPF System. Hence, it is considered not appropriate to implement the proposal.

Regarding the salaries tax, 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, 1.32 million of whom do not have to pay tax for the YA concerned. The revenue forgone amounts to about $18.8 billion.

The Inland Revenue Department (IRD) provides for a holding over arrangement of provisional tax. Taxpayers anticipating a decrease of more than 10 per cent in their net chargeable income for the current year of assessment may apply to IRD for holding over of the whole or part of the provisional tax under the Inland Revenue Ordinance. The application procedures are simple. Applicants only need to state their estimated income with reason for the reduction of income (such as reduction of salary or unemployment). IRD will process such applications as quickly as possible. Furthermore, taxpayers who encounter financial difficulties in settling their tax bills on time may apply to IRD for payment of tax by instalments before the due date of the tax demand notes. For instalment plans approved by IRD for settlement of salaries tax and personal assessment demand notes for YA 2019/20 issued between August 2020 and August 2021, provided that the instalment plans are duly adhered to, no surcharge will be imposed on the taxpayers for a maximum period of one year counting from the respective due dates of the demand notes.

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 will implement another time-limited new arrangement under the special scheme. 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. In other words, for unemployed CSSA applicants whose applications are submitted within the six-month period of the new arrangement, all insurance policies owned by them, irrespective of cash value, will not be counted in the asset test during the one-year grace period. The Government will announce the details later.

Apart from these time-limited, short-term arrangements for immediate assistance, the CSSA Scheme has been providing employment support services for able-bodied persons. The Chief Executive's 2019 Policy Address has announced a series of improvement measures on the CSSA Scheme, with particular focus on enhancing the employment support services. Apart from increasing the relevant special allowances, the collaboration among the service-providing non-governmental organisations, the Labour Department and the Employees Retraining Board is also enhanced to provide more vocational training and employment choices to the unemployed who is willing to work.