SFST’s opening remarks on public finance at LegCo Finance Committee special meeting

Following is the English translation of the opening remarks by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, on public finance at the special meeting of the Legislative Council (LegCo) Finance Committee today (April 11):

Chairman and Honourable Members,

This session of the special meetings of the Finance Committee will examine the expenditure estimates of the Treasury Branch and related departments. Before the question session begins, I would like to brief Members on the following few main points.

Estimates of expenditure

The estimated total expenditure of the Treasury Branch and the departments under its purview for 2022-23 is about $78.728 billion, an increase of $28.294 billion (about 56 per cent) over the original estimate of $50.434 billion for last year. This is mainly attributed to a net increase in the estimated non-recurrent expenditure under Head 147 of the Treasury Branch by $28.207 billion. The increase in the estimate for this year covers the non-recurrent expenditure on a new round of the Consumption Voucher Scheme. Discounting the non-recurrent expenditure, the estimated total recurrent expenditure of the Treasury Branch and the departments under its purview this year is $9.261 billion, which is comparable to the original estimate of $9.204 billion for last year.

Key areas of work

I would like to speak briefly on a few key areas of work in the coming year.

Firstly, on public finance, we have all along been adhering to the principles of exercising fiscal prudence, keeping expenditure within the limits of revenue and committing resources as and when justified and needed in public finance management. Over the past two years, we have allocated additional resources in a prompt and decisive manner to defuse crises, including the injection of some $200 billion in total into the Anti-epidemic Fund and the launching of counter-cyclical measures on a massive scale as announced in the budgets to relieve people's hardship and stabilise the economy. Fighting the epidemic is our overriding mission at present. The Government will mobilise all available manpower and resources to contain and stabilise the epidemic. To ensure the sustainability of public finances, we will continue to examine carefully any new initiatives that will incur recurrent expenditure and strictly control the growth of the civil service, so that our long-term financial commitments will be commensurate with the increase in our revenue. As for revenue, in addition to maintaining the development and vibrancy of our economy and identifying new areas of growth, we will introduce a global minimum tax rate and implement the proposal of revising the rating system in Hong Kong in the medium term, which may help increase our revenue respectively from profits tax and rates. In the long run, we will continue to explore different ways to broaden revenue sources in order to sustain healthy public finances.

Secondly, on international tax co-operation, Hong Kong has pledged to implement BEPS 2.0. We plan to submit a legislative proposal to the Legislative Council in the second half of this year to implement the global minimum effective tax rate and other relevant requirements from 2023 onwards in accordance with the international consensus. At the same time, we will consider introducing a domestic minimum top-up tax with regard to large multinational enterprise (MNE) groups with global turnover of 750 million euros starting from the year of assessment 2024/25 to ensure that their effective tax rates reach the global minimum effective tax rate of 15 per cent so as to safeguard Hong Kong's taxing rights. We have been exchanging views with the affected MNEs on matters relating to the implementation of BEPS 2.0, and have reaffirmed that the Government would preserve the advantages of Hong Kong's tax regime in terms of its simplicity, certainty and transparency, maintain the territorial source principle of taxation, as well as minimise the compliance burden on MNEs.

Thirdly, on the rating system, the Financial Secretary (FS) has proposed in the Budget that the rating system be revised. To start with, rates concession for domestic properties should be granted in a more targeted manner, that is, only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name. The Government has also proposed the introduction of a progressive rating system for domestic properties to better reflect the "affordable users pay" principle. The Government plans to implement the above proposals in phases from 2023/24 onwards, and preparation is under way.

Fourthly, the FS has also proposed to provide a tax deduction for domestic rental expenses starting from the year of assessment 2022/23. Details of the proposal are being drawn up. We plan to introduce a bill into the LegCo in the second quarter of this year, with the aim of securing its passage within the current legislative session.

Fifthly, the FS has announced in the Budget the launching of a new round of the Consumption Voucher Scheme, under which electronic consumption vouchers with a total value of $10,000 will be disbursed in instalments to each eligible person. The scheme is expected to benefit about 6.6 million people. To relieve people's financial burden in the midst of the fifth wave of the epidemic, we have started to disburse vouchers with a value of $5,000 under Phase I of the new round of the scheme to about 6.3 million eligible people who have successfully registered for the scheme last year. The remaining vouchers will be disbursed together with the vouchers for the newly registered eligible persons in Phase II, which will commence in the middle of this year.

Chairman, my colleagues and I will be happy to answer any questions from Members.

Thank you.