

Transcript of remarks by FS at media session (with photo/video)

Following is the transcript of remarks by the Financial Secretary, Mr Paul Chan, at a media session after attending a radio programme this morning (February 17):

Reporter: Mr Secretary, we are expecting a huge surplus this year. How do you plan to use the money to invest for Hong Kong, in particular, which industry, or that the money will be given back to the people of Hong Kong in the form of tax refund?

Financial Secretary: We are going to have a high level of surplus, although the amount may not be as high as those predicted by some of the accounting firms. In utilising this surplus, we have to balance, we have to first take into consideration the nature and amount of such surplus. For this year and actually the same for last year, the substantial surplus is attributable to substantial land premium income and stamp duty income. Part of it may not be recurrent, so we have to be very careful. In utilising this surplus, I have to take into consideration the long term needs of the community, the short term pressing demand of the community as well as the aspiration of the people. So it must strike a proper balance between this short term relief, rebates and long term requirements. As to long term requirements, innovation and technology is one sector we would give serious consideration because this will help across-the-board many industries in enhancing their competitiveness. And innovation and technology alone can be a substantial industry, bringing quality jobs for people, so this is one area.

And apart from economic development, we need to use our surplus wisely to prepare for the future. Ageing society is a pressing issue that has to be tackled. In that sense, healthcare, elderly homes are areas that deserve serious considerations. As to short term rebates, we have received numerous suggestions. Basically, the guiding principle is to use this short term measures on a targeted basis, so that those who are in need, those that we want to take care, would be able to benefit from those short term measures.

Reporter: Do you plan to cut further the income tax and corporate tax to make the tax system more competitive?

Financial Secretary: In terms of profits tax, in my view, after the implementation of the two-tier tax system, our profits tax regime is quite competitive in the region. So, any proposal for an across-the-board tax cut in profits tax rate, I won't consider. But, rather, I would consider targeted tax measures to help, say, for example, a particular industry or to induce a particular behaviour which may benefit the society, or to create jobs. For this kind of proposals, I would give a serious consideration; but across-the-board tax cut, sorry, I am not going to do that. In terms of salaries tax, the standard rate at the moment is 15 per cent. By any standard, this is not high. In the region, this is very competitive. Although I acknowledge, for

some of our salaries tax payers, given the current high property price, high rental, high living costs, the burden is felt. But on the other hand, given the competitiveness of the tax rate at the moment, I would rather prefer keeping the standard rate intact, but addressing the needs of a larger group of other salaries tax payers. Thank you.

(Please also refer to the Chinese portion of the transcript.)

