

Speech
Opening remarks by SFST on public finance at LegCo Finance
Committee special meeting

Monday, March 31, 2014

Following is the English translation of the opening remarks by the Secretary for Financial Services and the Treasury, Professor K C Chan, on public finance at the Finance Committee special meeting of the Legislative Council today (March 31):

Chairman and Members,

This session of the special meetings of the Finance Committee will examine the expenditure estimates of the Treasury Branch and related departments. The Treasury Branch oversees several programmes, which cover revenue and financial control, provision of central support services within the Government and maintenance of government properties. Before the question session begins, I would like to brief Members on some points.

Estimates by Programmes

The estimated total recurrent expenditure for the three programmes for 2014-15 is estimated at \$8,015.14 million, with about \$4,700 million on revenue and financial control, about \$2,400 million on provision of central support services within the Government, and about \$900 million on maintenance of government properties.

Key Areas of Work in the Coming Year

As regards our work in the coming year, I would like to highlight the following key areas:

(a) The Working Group on Long-Term Fiscal Planning released its report on March 3. According to its analysis, the Government's overall fiscal position in the short to medium term remains healthy. In the long term, however, if government expenditure growth keeps outpacing revenue growth, a structural deficit would be inevitable. We must seek to bolster economic growth and align the growth rates of government revenue and government expenditure so as to maintain the fiscal discipline enshrined in Article 107 of the Basic Law. The Working Group recommends that the Government should adopt a multi-pronged

approach to keep promoting economic development on the one hand, and take a series of fiscal measures on the other. In the coming year, we will conduct more concrete analyses and assessments on the proposed fiscal measures in collaboration with the Working Group to facilitate further consideration.

(b) On tax agreements and exchange of information (EoI), it remains our policy priority to strive to expand Hong Kong's network of comprehensive avoidance of double taxation agreements (CDTAs) to cover Hong Kong's major trading and investment partners. We will continue to take forward our work in this regard. Moreover, we reckon that under the latest international standard on EoI for tax purposes a jurisdiction should make available both CDTA and tax information exchange agreement (TIEA) as instruments for EoI. With the enactment of the relevant legislation in July last year, Hong Kong is able to enter into standalone TIEAs with other jurisdictions where necessary. We will follow up on this area of work.

(c) With the growing aspirations of the international community on enhancing tax transparency and strengthening tax co-operation, we will review the EoI arrangements in Hong Kong in the light of experience gained under CDTAs and TIEAs. The Government will continue to engage local stakeholders and address relevant policy and legal issues, with a view to developing a sustainable model of EoI for Hong Kong.

(d) To prevent cost-recovery items being turned into heavily subsidised items, all policy bureaux and departments review their respective fees and charges. Last year, we reviewed fees and charges which did not directly affect people's livelihood. We shall review other fees and charges this year, including water charges, which have not been revised for 19 years, the fees for use of leisure facilities and services, and charges relating to environmental hygiene services. In reviewing the fees and charges, we shall take into account factors including the specific circumstances of the services provided, public affordability and acceptability, and the views of the Legislative Council Members before making proposals for fee revisions. All government departments will also strictly control costs and reduce the need for increasing fees and charges as far as possible.

(e) We will continue to relocate those government offices which are non-location-bound from core business districts as far as possible to help provide additional commercial floor area. Upon completion of the new Trade and Industry Tower at the Kai Tak Development Area by mid-2015, the Trade

and Industry Department Tower site in Mong Kok will be released for commercial use. We are also proceeding with the phased relocation of departments in the three government office buildings at the Wan Chai waterfront. The construction of West Kowloon Government Offices in Yau Ma Tei is expected to commence next year for completion in 2018-19, providing a total net operation floor area of about 11 000 square metres for reprovisioning some of the departments currently accommodated in the three government office buildings at the Wan Chai waterfront, thus releasing the floor area for commercial use. Planning is also under way for the construction of other replacement government office buildings in Cheung Sha Wan, Kai Tak Development Area and Tseung Kwan O. Subject to the resources available, the works projects are expected to be rolled out from 2017-18 onwards.

Chairman, my colleagues and I will be happy to answer any questions that Members may wish to raise.

Ends