

Speech
SFST's speaking notes on public finance tabled at LegCo Finance
Committee special meeting
Monday, March 30, 2015

Following is the English translation of the speaking notes of the Secretary for Financial Services and the Treasury, Professor K C Chan, on public finance tabled at the Finance Committee special meeting in the Legislative Council today (March 30):

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 policy areas, 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 Policy Areas

The estimated total recurrent expenditure for the three policy areas for 2015-16 is \$7,219 million, with about \$3,800 million on revenue and financial control, about \$2,400 million on provision of central support services within the Government, and about \$1,000 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 areas:

- (a) We will continue to contain the growth of government expenditure and manage the allocation of resources having regard to established principles for the prudent management of public finances, and continue to consider major investment and loan proposals in support of economic and social development.
- (b) The Financial Services and the Treasury Bureau (FSTB) will consult the

industry in the second quarter of this year on the arrangements for implementing the automatic exchange of financial account information (AEOI) in tax matters. The FSTB will introduce the relevant amendment bill in 2016, and seek to get it passed within the current term of the Legislative Council (LegCo). In order to combat cross-border tax evasion, the international standards for exchange of information in tax matters have been evolving rapidly. As an international financial centre, Hong Kong cannot afford to fall behind international developments. Hong Kong has indicated to the Organisation for Economic Cooperation and Development (OECD) our support for implementing the new global standard on AEOI by the end of 2018, after the required legal framework has been put in place. The new global standard has far-reaching implications and involves complicated procedures, including the specific requirements for financial institutions to conduct due diligence and report financial account information, and the sanctions for non-compliance. The timetable for various tasks is very tight. The Government will make its best endeavours to press ahead, and would like to appeal to Members for their support.

(c) We will continue to make our best efforts to expand Hong Kong's network of comprehensive agreements for avoidance of double taxation (CDTAs) with our major trading and investment partners as well as emerging economies with which we see potential for growth in bilateral trade and investment. On the other hand, Hong Kong may enter into stand-alone tax information exchange agreements (TIEAs) with other jurisdictions where necessary, so as to meet the international standard.

(d) To prevent cost-recovery items being turned into heavily subsidised items, policy bureaux and departments will continue to review their respective fees and charges, including those related to people's livelihood. In reviewing the fees and charges, the Government will take into account factors including policy considerations relevant to the specific services provided, public affordability and acceptability, and the views of LegCo Members before making proposals for fee revisions. The Government will increase fees and charges as and when necessary. There will not be substantial revisions at one go. Government departments will also strictly control costs and reduce the need for increasing fees and charges as far as possible.

(e) As announced in his Budget Speech, the Financial Secretary agreed to

establish a Future Fund. We will work with the Hong Kong Monetary Authority to hammer out specific details and arrangements. The savings scheme is expected to be in place within this year.

(f) We will continue to relocate where feasible those non-location-bound government offices out of the core business districts to release valuable sites for commercial use and generate more economic activities and employment opportunities in other districts. The government offices in the Trade and Industry Department Tower in Mong Kok will be relocated to the Kai Tak Development Area starting in the middle of this year, releasing some 18 000 square metres of commercial floor area. In addition, we are actively taking forward our plan to relocate the three government office buildings in Wan Chai. The 29 departments accommodated there will be relocated by phases to the new buildings in various districts including West Kowloon, Cheung Sha Wan, Kai Tak, Chai Wan and Tseung Kwan O. With the phased relocation of these departments, we will rent out the floor space released and progressively make available 175 000 square metres of commercial floor area to increase the supply of Grade A office space in Wan Chai. In the long run, upon completion of the whole relocation exercise, we plan to put up the three government office buildings for sale at an appropriate time.

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

Ends