

Transcript of remarks by FS at Budget press conference (with photo/video)

Wednesday, February 27, 2013

Following is the transcript of remarks by the Financial Secretary, Mr John C Tsang, at the press conference on the 2013-14 Budget at Central Government Offices, Tamar, today (February 27):

Reporter: Thank you, Financial Secretary. In your first answer you mentioned tax regimes, and I noticed in paragraph 137 that you made reference to that as well. And I'm wondering whether - two points - whether you are flagging that we are going to have to have a wider tax base in future or perhaps even a progressive system as Singapore has just done. And the related point would be whether this new working group that's to be set up under the treasury bureau will be only looking at expenses or will it also be looking at revenue?

Financial Secretary: The working group that I'm setting up in the treasury bureau will be a technical committee. It would look at the whole issue from a professional, from a politically neutral, position. They would also look at what's happening in other regions, because as I mentioned earlier the whole ageing issue is going to bring up a lot of problems for Hong Kong with diminishing income, increased expenditure. We need to look at how we could build up some financial planning tools, so this committee will not be looking at tax issues, would not be looking at policy issues, but they will contribute some of the findings for the different bureaux who are currently studying different issues, so that they would have a basis for them to make policy decisions which from our angle would help to accommodate under the current regime.

Reporter: But are you flagging the possibility that this simple regime we have now may in future have to be altered?

Financial Secretary: Not at all.

Reporter: You emphasised the prudent management of public finance, but three of your proposals seem a bit problematic. First of all, you propose injecting \$480 million into the GSF, the Government Scholarship Fund, to provide money for students to go abroad to study and become a teacher. And the second thing, the Language Fund, \$5 billion, while the Language Fund is not short of money. And the third thing is you propose reducing profits tax for 75 per cent. So my question is, is the Language Fund short of money and it needs that kind of \$5 billion? And the second thing is, are we really short of quality teachers that you have to use that money to inject into the GSF? And why reduce the profits tax at all while you just mentioned the commercial sector is not short

of surpluses from the businesses? Thank you.

Financial Secretary: The injection of money into some of these funds is to provide them with enough seed money for the fund to generate enough interest so that they could sustain themselves on a long-term basis, so it's an issue of continuity. As to the Scholarship Fund for some of our students to go overseas, become educated, and come back and sort of repay the community through their service as a teacher in our community, this is some way of making good use of our students and helping some of the students who may not otherwise be able to go overseas. In the US and elsewhere I notice that there's a programme that attracts Ivy League students to become teachers in inner-city schools, and that is something also to provide a channel for some of these top-notch students to pay back the community. And I think this is one way for us to facilitate some of the top-rate students in Hong Kong to channel their energy into helping to educate the next generation of students in Hong Kong.

Reporter: The question of why are you proposing to reduce the profits tax by 75 per cent when the commercial sector is already making that much money, and they don't actually call for the Government to reduce the profits tax at all.

Financial Secretary: I don't think the measure was to reduce profits tax by 75 per cent. I think what it is is to have a rebate for the taxpayers up to \$10,000, but you know, 75 per cent of the tax that they pay but no more than \$10,000, so it's not a 75 per cent reduction in terms of what they're paying.

Reporter: Thank you. Secretary, I have to go back to this question because the more I listen, the more I still find myself a bit confused. You have spending that is greater than GDP, you have an ageing population where in the foreseeable future every one person will be elderly and being supported by the other two, you're not willing to consider widening the tax base through GST or going to a progressive tax system. So in the search for alternatives, one option that comes to mind would be having people put aside more money for themselves for later in their lives. So wouldn't this be a good time, if you're looking for alternatives, to institute a proper pension scheme, setting aside MPF, a proper pension scheme where people put in money while they're still earning money so that later on you won't face the same crunch?

Financial Secretary: As I have mentioned to one of your colleagues earlier, I think the process is very important. Sometimes the process is even more important than the outcome. But what we are seeing now, what we are embarking now, is onto a road that we can do the necessary research, find the necessary data, for us to make a proper policy decision. And a lot of this information that we can gather, you're looking at

overseas experience and so forth, could be used as reference by many of the relevant bureaux who are studying the different issues. For example, the Poverty Commission under the guidance of the Chief Secretary will be looking at the whole issue of pension, and I'm sure this will provide a necessary useful basis for them to consider how they could go about it.

Reporter: But is it what the bureaux and departments want to be doing all the time? I mean, suddenly you have to start studying things that have been around for decades?

Financial Secretary: No, not necessarily, because under the new population policy there are a lot of different issues that have been raised. And a lot of these things we need to look at, we need to look at in a proper way, and we also need to look at what other countries are doing, and by putting all the wisdom together hopefully then we would be able to provide the information that would be useful for all the different bureaux and commissions to consider. They would be providing me with the report at the end of the year.

Reporter: Financial Secretary, you mentioned this working group. It sounds like a super working group. A super working group because you are saying they are going to have to do research on some fiscal planning and also provide some data for the policy bureaux and commissions and all of those councils that were set up since C Y Leung took office. So why do you need this? You know, we have paper pushers, I mean we have civil servants doing their own job. Why do we still need a working group to help you?

Secretary for Financial Services and the Treasury, Professor K C Chan: Maybe I'll jump in here. I think what we are trying to do here with the working group is to really try to come up with some analysis based on experiences in other countries. I think we're all facing similar problems. I think this is the biggest set of tools to help us to do financial planning and budgeting, because a lot of times, I mean looking at the long-term issues, we must understand how this long-term revenue or expenditure will change as the demographics change. So here's only one of the reasons why such an analysis will be very useful. And this working group is not going to solve all problems. I think that this working group is trying to come up with some set of tools for us to do financial planning and which may shed light, as the Secretary just mentioned, for the other bureaux. A lot of long-term planning is being done by various bureaux. What we are trying to do in this working group is to really sharpen some tools that we need for financial planning.

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政府財政預算案

The 2013-14 Budget

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