

**Special Meetings of the Finance Committee of the Legislative Council
to Examine the Estimates of Expenditure 2025-26
Public Finance**

(4:30 pm - 5:10 pm on 8 April 2025)

**Speaking Note of
the Secretary for Financial Services and the Treasury**

Chairman and Honourable Members,

This session of the special meetings of the Finance Committee will discuss the expenditure estimates of the Treasury Branch and related departments, as well as the key work of the Treasury Branch in 2025-26. I would brief Members on these two aspects.

Estimates of Expenditure

2. The estimated total expenditure of the Treasury Branch and the departments under its purview for 2025-26 is about \$10.537 billion, a decrease of \$520 million (about 4.7%) over the original estimate of \$11.057 billion for last year. This is mainly attributed to a decrease of \$700 million in the estimated non-recurrent expenditure of the Treasury Branch for items such as the Electricity Charges Subsidy Scheme and the Consumption Voucher Scheme over the estimate for last year. Discounting the non-recurrent expenditure, the estimated total recurrent expenditure of the Treasury Branch and the departments under its purview this year is \$9.973 billion, an increase of \$160 million (about 1.6%) over the original estimate for last year.

Key areas of work

3. To implement the proposals of the Budget, the Treasury Branch will focus on the following five major tasks in the coming year :

- (I) We will, together with other bureaux and departments, implement the reinforced fiscal consolidation programme proposed in the Budget. The key is managing expenditure growth, making good use of and consolidating the Government's fiscal resources, and identifying new revenue resources.
- (II) In the past, bureaux and departments established funds outside the Government's accounts for specific purposes in the light of their policy needs. The mode of operation of seed capital funds has resulted in the locking up of an enormous amount of public financial resources, thereby limiting the Government's flexibility in allocating resources to different policy areas according to the prevailing priority. To enable the Government to make more flexible and effective use of public financial resources, we will first bring back six seed capital funds with a relatively large unspent balance, totalling about \$61.5 billion, to the Government's accounts after setting aside resources to meet the necessary expenditure of relevant funds for the next five years so that their sustainable operation will not be affected. This will provide a more comprehensive picture of the Government's fiscal position and enable better use of its financial resources. We consulted the Panel on Financial Affairs on the revised financial arrangements of the six seed capital funds yesterday and plan to seek the approval of the Finance Committee on 25 April for allowing the direct use of the principals by the funds to meet their cash flow requirements to ensure their sustainable operation after the transfers of balance. We have also requested relevant bureaux to review the policy objective, financial arrangements and so on of each of the other funds. The Government will take into account the actual circumstances of the funds in considering whether to bring back any funds. We plan to complete the relevant review in the first quarter of 2026.
- (III) We have submitted the relevant legislative proposals to the Legislative Council (LegCo) for scrutiny for implementing

the one-off tax and rates concessions, the increase in the rate of air passenger departure tax, and the raise of the maximum value of properties chargeable to a stamp duty of \$100 as proposed in the Budget. We are also exploring the introduction of a boundary facilities fee on private cars departing via land boundary control points.

On international taxation co-operation, in January 2025, the Government submitted a bill to LegCo on implementing the framework promulgated by the Organisation for Economic Co-operation and Development for imposing the global minimum tax of 15% on large multinational enterprise groups with an annual consolidated revenue of EUR 750 million or above, as well as launching the Hong Kong minimum top-up tax. We are working actively to support the scrutiny of the Bills Committee with a view to securing the passage of the bill by LegCo as soon as possible.

- (IV) The capital works expenditure of the Government will start reaching its peak with the progressive implementation of projects related to the Northern Metropolis and other infrastructure works projects relating to the economy and people's livelihood. To ensure these strategic infrastructure works projects can proceed on schedule and deliver early benefits to the economy and the public, we will issue about \$150 billion worth of government bonds in the coming year to raise capital and increase the borrowing ceiling of government bond programmes to \$700 billion. The ratio of government debt to GDP will stay at 12 to 16.5%, which is a prudent and manageable level, and is much lower than most of the advanced economies. The proceeds from bond issuance will only be used to invest in infrastructure, but not for funding government recurrent expenditure.
- (V) To assist bureaux and departments in ensuring the proper use of public money, the Financial Services and the Treasury Bureau and the Government Logistics Department are

reviewing the Government's procurement regime with a view to facilitating departments to procure quality goods and services at a reasonable price through an open and fair framework. The review will focus on promoting more precise use of resources by bureaux and departments and enhancing the cost-effectiveness of procurement via suitably delegating power to bureaux and departments, streamlining procedures, adjusting evaluation criteria, and increasing flexibility for procurement. We expect to introduce the new arrangements in mid-2025.

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