

## **Speech**

### **SFST's opening remarks (public finance areas) at Legislative Council Special Finance Committee meeting**

Friday, March 25, 2011

Following is the English translation of the opening remarks (public finance areas) by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Legislative Council Special Finance Committee meeting today (March 25):

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 has oversight of 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 Policy Areas**

The estimated total recurrent expenditure for the three programmes mentioned above for 2011-12 is \$6,347.88 million, with about \$3,200 million on revenue and financial control, around \$2,300 million on provision of central support services within the Government, and approximately \$800 million on maintenance of government properties. The estimated expenditure for these three programmes for 2011-12 is about \$650 million higher than the revised estimate for 2010-11.

#### **Key Areas of Work in the Coming Year**

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

\* In 2011-12, we will continue our efforts to seek to conclude comprehensive agreements for avoidance of double taxation (CDTAs) with more trading or investment partners and economies with development potential, thereby enhancing Hong Kong's competitiveness as an international business and financial centre. In fact, we have made significant progress in this respect since LegCo approved the Administration's proposed legislative amendments early last year to allow Hong Kong to adopt the standard of the Organisation for Economic Co-operation and Development on exchange of information for tax purposes. In the past year, we signed 14 new CDTAs.

\* We will continue to take forward various projects on construction of government office buildings in the coming year. The invitation for tenders for the construction of the Kai Tak Government Offices is underway, and we plan to seek LegCo's approval of the project in the next legislative year. We will continue to reduce leased office space in private properties, and in prime locations in particular, and will sell or lease out surplus government properties. Moreover, we will assist departments in drawing up relocation programmes to vacate underutilised sites with a view to optimising the use of land resources.

\* Regarding the maintenance of government buildings and facilities, we will continue to step up and promote our preventive maintenance work. Since 2010, we have been conducting detailed condition surveys for all government buildings and facilities once every four years. We have completed the detailed structural surveys for buildings aged 50 years or above and carried out immediate emergency repairs for those buildings in need. The remaining repair works will be looked after in our daily maintenance routines. We will carry on with our work on preventive maintenance and proceed to conduct detailed structural surveys for buildings aged 30 years or above. In addition, we have earmarked \$100 million in the coming financial year to progressively upgrade the existing barrier-free access facilities in government premises.

\* We will continue to align our procurement with the green policy of the Government, having regard to the need to ensure value-for-money, openness and fairness in the process. Subject to market supply and availability of resources, the Government Logistics Department will actively adopt the promulgated green specifications in its procurement activities. At present, there are altogether 22 electric vehicles in the government fleet and another 11 will be delivered in mid-year. Subject to the availability of suitable models in the market and the operational needs of departments, we plan to give priority to the procurement of electric vehicles in the 2011-12 and 2012-13 financial years. We expect to have an intake of close to 200 electric vehicles of various types in these two years for the use of various government departments.

### Adjustments to the 2011-12 Budget

On March 2, 2011, the Financial Secretary announced the following adjustments to the 2011-12 Budget:

- (a) to give a sum of \$6,000 to all Hong Kong Permanent Identity Card holders aged 18 or above, involving an expenditure of around \$37 billion;
- (b) to inject funds into the Community Care Fund to provide assistance to those who cannot benefit from the above measure but who face financial hardship, including new arrivals; and
- (c) to reduce salaries tax and tax under personal assessment for 2010-11 by 75%, subject to a ceiling of \$6,000. The proposed tax concession is expected to reduce government revenue by about \$5.3 billion.

In addition, the Financial Secretary has decided not to pursue the proposal to inject funds into Mandatory Provident Fund (MPF) accounts.

To meet the expenditure likely to be incurred by the above two expenditure proposals in 2011-12, we plan to move a Committee Stage Amendment to the Appropriation Bill 2011 to increase the provision under Head 106 Subhead 789 by \$7.1 billion to \$58.8 billion, after offsetting the \$24 billion earmarked for the proposed injection into MPF accounts.

Taking into account the above adjustments, total government revenue for 2011-12 is estimated to be \$369.7 billion, and total expenditure will be \$378.2 billion. The forecast surplus of \$3.9 billion in the Consolidated Account will become a deficit of \$8.5 billion.

**Proposal to Give a Sum of \$6,000 to Eligible Citizens**

For the Treasury Branch under the Financial Services and the Treasury Bureau, one of the tasks in 2011-12 is to implement the proposal to give all eligible citizens a sum of \$6,000. Many members raised questions about this proposal when considering the estimates of expenditure for 2011-12. We have consolidated the key points of our replies and set them out in the Annex for members' reference.

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