

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

Monday, April 8, 2013

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 (April 8):

Chairman and Members,

This session 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 Programmes

The estimated total recurrent expenditure for the three programmes mentioned above for 2013-14 is \$8,323.59 million, with about \$5,000 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. The estimated expenditure for these three programmes for 2013-14 is about \$1,330 million higher than the revised estimate for 2012-13.

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 Budget proposes setting up a working group to be led by the Treasury Branch to explore ways to make more comprehensive planning for our public

finances to cope with the ageing population and the Government's other long-term commitments. Scholars and experts will be invited to join. The Treasury Branch will start the relevant work upon completion of the legislative proceedings in relation to the estimates for 2013-14. It is expected that a report will be submitted to the Financial Secretary by the end of this year.

(b) We are committed to establishing a network of comprehensive avoidance of double taxation agreements (CDTAs) with our major trading and investment partners, and have signed 27 CDTAs so far. In the future, we will push ahead with our efforts on this front to enhance the competitiveness of Hong Kong as an international financial, investment and business centre. At the same time, we will amend the Inland Revenue Ordinance (Cap. 112) to put in place a legal framework for entering into tax information exchange agreements and enhance the existing arrangements for exchange of information under CDTAs. This will ensure that Hong Kong's tax information exchange arrangement is on a par with the international standard, so as to preserve Hong Kong's international reputation as a co-operative jurisdiction and help further expand the CDTA network. Our plan is to introduce into this Council relevant amendments to the Inland Revenue Ordinance by late April 2013.

(c) To prevent cost recovery items being turned into heavily subsidised items, we need a systematic review. All policy bureaux and departments are required to review their respective fees and charges, and submit plans for their revision for the coming one or two years. We will first deal with fees that have not been revised for years and do not directly affect people's livelihoods, and items which have low cost recovery rates. In making proposals for fee revisions, we will review fees and charges in the light of the specific circumstances of the services provided, public affordability and acceptance, and the views of Members. We will make appropriate fee revisions as and when necessary. There will not be substantial revisions at one go to avoid affecting people's livelihoods. The Government will also strictly control costs and reduce the need for increasing fees and charges as far as possible.

(d) We will continue to relocate those government offices which are non location-bound from core business districts. Upon completion of the new Trade and Industry Tower at the Kai Tak Development Area by end 2014, the floor area in the Trade and Industry Tower in Mong Kok will be released for commercial use. We are also planning the development of a government office

building in West Kowloon for reprovisioning government departments currently accommodated in leased premises in Mong Kok or affected by the proposed Central Kowloon Route project, and departments in the government office buildings on the Wan Chai waterfront. The new building is scheduled for completion in 2018. We are also actively undertaking preparatory work for the phased relocation of departments in the three government office buildings on the Wan Chai waterfront. While some departments will be relocated to the new government office building in West Kowloon, we have also reserved sites in districts such as Kai Tak and Tseung Kwan O to construct new government office buildings for reprovisioning purposes. Construction works are expected to commence starting from 2015-16 and the first building is scheduled for completion in 2019-20.

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

Ends