

Speech
SFST's speech on public finance at
LegCo Finance Committee special meeting
Monday, April 3, 2017

Following is the English translation of the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, on public finance at the special meeting of the Legislative Council (LegCo) Finance Committee today (April 3):

Chairman and Honourable 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. I would like to brief Members on our work.

Estimates by Policy Areas

The estimated total recurrent expenditure for the three policy areas for 2017-18 is \$7,618 million, which is \$365 million (around 5 per cent) higher than the original estimate of last year.

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) Public Finances: We will continue to align the growth of government expenditure with that of the economy and manage the allocation of resources having regard to established principles for the prudent management of public finances, and continue to consider proposals on investment, loans and enhancing our tax competitiveness to promote economic and social development.

(b) Tax Policy Unit: The Financial Secretary announced in the Budget the plan

to set up a tax policy unit in the Financial Services and the Treasury Bureau. On the one hand, we will seek to align our tax practices with international standards and actively study ways to foster the development of local industries through tax measures, so as to ensure that Hong Kong remains competitive and can create wealth. On the other hand, we will enhance our tax regime and explore broadening the tax base and increasing revenue, so as to ensure that adequate resources are available to support the sustainable development of our society. We are actively preparing for setting up the tax policy unit and aim to formulate its work direction and areas of study shortly.

(c) International Tax Co-operation: In the light of the latest international developments, we need to revise our strategy for implementing Automatic Exchange of Financial Account Information in Tax Matters (AEOI) so as to reduce the risk of Hong Kong being listed as a "non-cooperative tax jurisdiction". We have just introduced into the LegCo an amendment bill which provides that, with effect from July 1 this year, due diligence and data collection conducted by financial institutions in respect of accounts held by tax residents of jurisdictions outside Hong Kong shall not only cover confirmed AEOI partners but also prospective AEOI partners of Hong Kong. I would like to appeal to Members for their support and early passage of the amendment bill. As regards the package to tackle base erosion and profit shifting of enterprises, we plan to submit the implementation strategy and the amendment bill to the LegCo in the second half of this year. Meanwhile, we will continue to expand Hong Kong's network of Comprehensive Avoidance of Double Taxation Agreements (CDTAs) with our trading partners. So far, Hong Kong has signed 37 CDTAs.

(d) Government Fees and Charges: Policy bureaux and departments will continue to review their respective fees and charges in a timely manner in accordance with the "cost recovery" and "user pays" principles. In reviewing the fees and charges, the Government will take into account factors including policy considerations relevant to the specific service provided, fiscal discipline, public affordability and acceptability, and the views of stakeholders before making fee revision proposals. The Government will increase fees and charges as and when necessary to preserve the revenue base. Government departments will also keep costs under strict control, reduce the need for increasing fees and charges as far as possible, and ensure the effective use of our public resources.

(e) Government Offices: We will continue to relocate where feasible non-location-bound government offices out of the central business districts to increase the supply of commercial floor space. To progressively implement the relocation plan of the three government office buildings in Wan Chai, the Government is actively taking forward a number of new government office building projects. For example, construction of the West Kowloon Government Offices is in full swing and the departments concerned are expected to start moving into the new office building in 2019. As for the proposed Inland Revenue Tower in the Kai Tak Development Area, we will adopt the "design and build" approach and have invited tender in January this year. With the phased relocation of relevant departments, we will rent out the floor space released to progressively increase the supply of Grade A office space in Wan Chai. Upon completion of the whole relocation exercise, the Government will consider putting up the three buildings for sale at an appropriate time.

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

Ends