

**Summary of Views Expressed at  
the Seventh Meeting of  
the Committee on Economic Development and  
Economic Cooperation with the Mainland  
of the Commission on Strategic Development  
held on 14 December 2006**

The Chairman welcomed Members to the meeting.

**I. Matters Arising from the Last Meeting**

2. The Chairman reported that the summary of views of the sixth meeting of this Committee had been issued to Members and relevant bureaux and departments and uploaded to CSD's webpage in December. Separately, in response to a Member's enquiry raised at the last meeting, an information note on the number and distribution of convenience stores and/or supermarkets in the public housing estates of Tin Shui Wai had also been issued to Members in December.

**II. 2007-08 Budget Consultations  
(Paper Ref: CSD/EDC/8/2006)**

Sources of Revenue

3. In view of the strong growth in Hong Kong economy, a number of Members suggested reducing the salaries tax and profits tax to the 2002/03 level as a token of appreciation of the efforts and contribution of the general public during the economic downturn in previous years. Members considered that the reductions could help alleviate the burden of the middle-class and foster social harmony. However, a Member expressed concern about the suggestion as it would contradict with the public consensus on broadening the tax base as indicated in the on-going public consultation exercise on tax reform.

4. In view of the economic upturn, some Members put forward the view that the Government should consider allocating part of the fiscal reserves or foreign currency reserves to more aggressive investment items for higher returns than the current conservative approach. Members quoted some overseas examples where similar arrangements had been made to increase public revenue. Some Members also suggested investing in red-chip or State-Owned Enterprises shares to tap the huge potential of the rapidly developing Mainland market and the appreciation of Renminbi.

#### Infrastructure Investment

5. Some Members pointed out that the level of infrastructure investment had decreased from the peak at HK\$ 29 billion per year to around HK\$ 15 billion recently. The situation would not be conducive to economic development as well as creation of local employment. In this respect, a number of Members commented that the Government should expedite the implementation of infrastructure projects such as the Hong Kong-Macao-Zhuhai Bridge. A Member however reminded that it was necessary for the Government to carefully assess and justify the need, the scale and the possible impact of specific infrastructure projects before implementation.

6. Some Members also suggested that the Government should adopt a new perspective in infrastructure planning and public consultation in response to the demand for an open and diversified society like Hong Kong.

#### Economic Development

7. To further improve the business environment in Hong Kong and enhance our competitiveness, some Members suggested that the Government should consider providing tax incentives to attract overseas enterprises to set up headquarters and offices in Hong Kong. Specific recommendations included –

- (i) to provide tax exemption on service fees or interests received

by the companies;

- (ii) to provide tax incentives for expenditure on trademark and copyright by the companies;
- (iii) to provide tax incentives for expenses on research and development to promote wider use of technology and encourage research development; and
- (iv) to maintain a simple and low tax regime.

8. In addition, some Members recommended the Government facilitate the development of the following industries through provision of tax or fiscal incentives –

- (i) recycling industry, for promotion of environmental protection and creation of employment for low-skilled workers;
- (ii) comics and animation industry, which was one of the fastest growing industries in the world; and
- (iii) Chinese medicine, in view of the strong research and development capacities of the industry in Hong Kong.

### Social Development

9. Some Members were concerned about the widening of wealth gap in the society. In view of the recent economic upturn, some Members suggested to review the existing “lump-sum grant” system in allocating government financial resources to social service agencies. In view of the expected significant improvement in public revenue, a few Members further suggested to provide an one-off grant to non-government organisations (NGOs). The proposal would provide NGOs the much needed flexibility in their resource utilization, encourage NGOs to initiate worthwhile new programmes and services, and ease the undesirable continuous pay cut situation among social

workers.

### Other Recommendations

10. Other specific recommendations had been raised by Members –

- (i) to consider reducing Government rates; and
- (ii) to consider granting tax allowance to property owners for expenses on renovation and upgrading the exterior of old buildings.

11. The Chairman made the following comments -

- (i) The closer economic cooperation between the Mainland and Hong Kong presented both opportunities and challenges to Hong Kong. In view of the different institutional settings between the Mainland and Hong Kong, it would be difficult to compare directly their pace of development;
- (ii) The Government was committed to creating a conducive business environment to facilitate development of various industries in Hong Kong. However, the Government had to fully justify the provision of tax or other fiscal incentives to facilitate development of specific industries;
- (iii) There was a general consensus that the tax base of Hong Kong should be broadened. Relevant issues should continue to be discussed;
- (iv) The Government supported the development of tourism in Hong Kong since the industry would not only support the development of Hong Kong as a world city, but also create employment opportunities for medium- and low-skilled workers such as in the catering and transportation sectors. There was potential for the development of “cosmopolitan

tourism” in Hong Kong, which included such activities as shopping, dining, cultural entertainment, etc. To ensure an adequate supply of accommodation for tourists visiting Hong Kong, the Government had approved a number of hotel projects providing various types of accommodation services to cater for their demand;

- (v) The Government was also committed to expediting the implementation of infrastructure projects which could not only improve our living environment, but also create employment. However, implementation of the projects involved various consultation procedures which would take a long lead time;
- (vi) The Government had recently abolished the estate duty and exempted offshore funds from profits tax. After the implementation of these measures, the volume of assets managed by agents in Hong Kong had increased considerably; and
- (vii) The Government was committed to helping those in need of assistance. The expenditure on Comprehensive Social Security Assistance scheme and other social services increased by 118% and 90.6% respectively during the last decade, while the average increase in public expenditure of other items was only 39.6% during the same period of time.

12. The Chairman said that the Secretariat would prepare a summary of views expressed at the meeting, and distribute to Members as well as relevant bureaux and departments for reference. Members were invited to submit to the Secretariat their further comments by post or by email, which would be circulated to other Members to facilitate exchange of views. The date of the next meeting had been scheduled for 29 January 2007 (Monday).

13. The attendance list is attached.

Secretariat to the Commission on Strategic Development  
January 2007

策略發展委員會  
經濟發展及與內地經濟合作委員會第七次會議  
2006 年 12 月 14 日

Seventh Meeting of  
the Committee on Economic Development and  
Economic Cooperation with the Mainland  
of the Commission on Strategic Development  
14 December 2006

出席人士

Attendance List

主席 :

Chairman :

The Financial Secretary

財政司司長

官方委員 :

Official Member :

Head, Central Policy Unit

中央政策組首席顧問

非官方委員 :

Non-Official Members :

Prof CHAN Ka-keung, J.P.

陳家強教授, J.P.

Dr CHAN Man-hung, J.P.

陳萬雄博士, J.P.

Mr CHAN Mo-po, Paul, M.H.

陳茂波先生, M.H.

Mr CHAN Yu-ling, Abraham

陳宇齡先生

Mr CHANG Ka-mun

張家敏先生

Mr CHUNG Chi-ping, Roy, J.P.

鍾志平先生, J.P.

Mr FUNG Hau-chung, Andrew

馮孝忠先生

Mr LO Wing-hung, B.B.S.

盧永雄先生, B.B.S.

Prof LUNG Ping-yee, David, S.B.S., J.P.

龍炳頤教授, S.B.S., J.P.

Mr MOK, Charles P.

莫乃光先生

Mr NG See-yuen, B.B.S., J.P.  
Mrs NGAN NG Yu-ying, Katherine  
Mr TAM Wai-ho, Samson, J.P.  
Mr WAN Sui-lun, Raymond  
Mr WONG Ho-ming, Augustine  
Prof YUEN TSANG Woon-ki, Angelina, J.P.  
Dr ZEMAN, Allan, G.B.S., J.P.

吳思遠先生, B.B.S., J.P.  
顏吳餘英女士  
譚偉豪先生, J.P.  
尹瑞麟先生  
黃浩明先生  
阮曾媛琪教授, J.P.  
盛智文博士, G.B.S., J.P.

## 列席

### In Attendance

Mr. LAI Nin, Alan, GBS, JP  
Permanent Secretary for Financial Services and the  
Treasury (Treasury)

財經事務及庫務局常任秘書長  
(庫務)  
黎年先生, G.B.S., J.P.

Mr KWOK Kwok-chuen, B.B.S., J.P.  
Government Economist

政府經濟顧問  
郭國全先生, B.B.S., J.P.

Ms CHAN Miu-yu, Rhoda  
Principal Assistant Secretary for Financial Services &  
the Treasury (Treasury)(H Division)

財經事務及庫務局首席助理  
秘書長(庫務)(H 部)  
陳妙如女士

Mrs NG KIANG Mei-nei, Millie  
Principal Assistant Secretary for Financial Services &  
the Treasury (Treasury)(Speech)

財經事務及庫務局首席助理  
秘書長(庫務)(預算案演辭)  
伍江美妮女士

Mr LI Hing-tong  
Assistant Secretary for Financial Services & the  
Treasury (Treasury)(Speech)

財經事務及庫務局助理秘書長  
(庫務)(預算案演辭)  
李慶棠先生



## 因事未能出席

### Apologies

官方委員 :

Official Member :

Director, Chief Executive's Office

行政長官辦公室主任

非官方委員 :

Non-Official Members :

Prof CHEN Kwan-yiu, Edward, G.B.S., J.P.

Ms CHIANG Lai-wan, Ann

Mr CHOI Koon-shum, Jonathan, J.P.

Mr CHUI Yik-chiu, Vincent

Prof ENRIGHT, Michael John

Mr FENG Xiaozeng

Dr HUI Cheuk-kuen, Desmond

Mr HUI Ho-ming, Herbert, J.P.

Mr LAU Siu-hong, Freeman, B.B.S.

The Hon LEUNG Kwan-yuen, Andrew, S.B.S., J.P.

Mr LIU Changle, J.P.

Prof LIU Pak-wai, S.B.S., J.P.

Ms LO Kai-yin

Dr LUK Tei, Lewis

Mr MA Fung-kwok, S.B.S., J.P.

Mr NG Hak-kim, Eddie, J.P.

Prof SIT Fung-shuen, Victor

Ms WONG Ying-kay, Ada, J.P.

Prof WONG Yue-chim, Richard, S.B.S., J.P.

Dr WOON Yi-teng, Eden, J.P.

Prof YEUNG Yue-man, S.B.S., J.P.

Mrs YUEN SO Siu-mai, Betty

Dr ZHANG Junsen

陳坤耀教授, G.B.S., J.P.

蔣麗芸女士

蔡冠深先生, J.P.

徐亦釗先生

恩萊特教授

馮曉增先生

許焯權博士

許浩明先生, J.P.

劉小康先生, B.B.S.

梁君彥議員, S.B.S., J.P.

劉長樂先生, J.P.

廖柏偉教授, S.B.S., J.P.

羅啟妍女士

陸地博士

馬逢國先生, S.B.S., J.P.

吳克儉先生, J.P.

薛鳳旋教授

黃英琦女士, J.P.

王于漸教授, S.B.S., J.P.

翁以登博士, J.P.

楊汝萬教授, S.B.S., J.P.

阮蘇少湄女士

張俊森博士