

CONTROLLING OFFICER'S REPLY

FSTB(FS)170

(Question Serial No. 0266)

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not Specified

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics (Leo YU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Programme (1), the Census and Statistics Department (C&SD) is responsible for conducting surveys to collect data on trade in services and offshore trade in goods. Given that Hong Kong-owned manufacturing industries in the Mainland are an important segment in relation to the industrial sector of Hong Kong, will C&SD conduct a comprehensive survey on Hong Kong-owned manufacturing industries operating in the Mainland, by making reference to the statistical methodology used for the statistics on offshore trade and merchanting activities, with a view to developing regular statistical indicators on the offshore industrial sector for Hong Kong? If so, what are the details; if not, what are the reasons? Will C&SD, together with the relevant departments, consider extending the support measures currently available only to local businesses to enterprises outside Hong Kong, such as allowing Hong Kong enterprises to enjoy additional tax deductions for research and development (R&D) activities carried out or R&D services procured from outside Hong Kong? If so, what are the details; if not, what are the reasons?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 242)

Reply:

The Census and Statistics Department (C&SD) conducts economic surveys regularly to collect up-to-date statistical data on the business performance and operating characteristics of Hong Kong companies in various sectors. Regarding the offshore business of Hong Kong companies, in addition to compiling statistics on offshore trade and merchanting activities, C&SD also compiles statistics (e.g. number of establishments, number of persons employed, value added of the industry and sales revenue) relating to the sub-contracting of manufacturing processes by Hong Kong import/export trading companies to the mainland of China (the Mainland) and other regions, in respect of Hong Kong companies which sub-contract their production processes to the Mainland and other regions according to contractual agreement.

Regarding the review on the measures to support the development of industrial sector in Hong Kong, C&SD has been working closely with relevant Government bureaux and departments.

C&SD would provide appropriate and professional statistical services (e.g. collection and compilation of required statistics) to support the formulation and review of relevant policies of relevant bureaux/departments.

Regarding the proposal to allow additional tax deduction for research and development (R&D) activities conducted or R&D services procured by Hong Kong enterprises from outside Hong Kong, response from the Innovation, Technology and Industry Bureau is set out below:

The objectives of providing enterprises with enhanced tax deduction for qualifying R&D expenditure are to attract enterprises to invest more in R&D projects in Hong Kong, promote local R&D work and groom local R&D talents. To this end, enterprises are eligible for up to 300 per cent enhanced tax deduction for payment made to “designated local research institutions”. For payment on R&D activities outsourced to non-local research institutions, enterprises can still qualify for 100 per cent tax deduction. Permitting enterprises to claim enhanced tax deductions for R&D activities outsourced to non-local research institutions goes against the policy to promote local R&D activities. The Government has no plan to provide enhanced tax deductions to those R&D activities outsourced by the local enterprises to scientific research institutes outside Hong Kong.

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