

**Study on**  
**Impact of Taxation and Social Benefits**  
**on Household Income, 2008**

**Social Statistics Branch (2)**  
**Census and Statistics Department**

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## **Study on Impact of Taxation and Social Benefits on Household Income, 2008**

### **Introduction**

The Government has been attaching great importance to preventing and alleviating poverty by implementing certain fiscal measures. Such measures include applying progressive income tax rates and increasing public spending on various social and community services.

2. For low income households, their income alone cannot truly reflect their poverty situation as the expenditure pattern and living standard of low income households are affected additionally by the amount of public services and welfare support they are receiving. Thus, analyses on the income of low income households should also take into account the impact of Government's taxation policy and social transfers and other benefits.

3. Government intervention through taxation and benefits helps bring about income redistribution. Generally, households at the upper segment of the income distribution pay more in taxes than they receive in benefits, and the reverse for households at the lower segment of income distribution. Taxes and benefits therefore tend to have the effect of narrowing household income disparity.

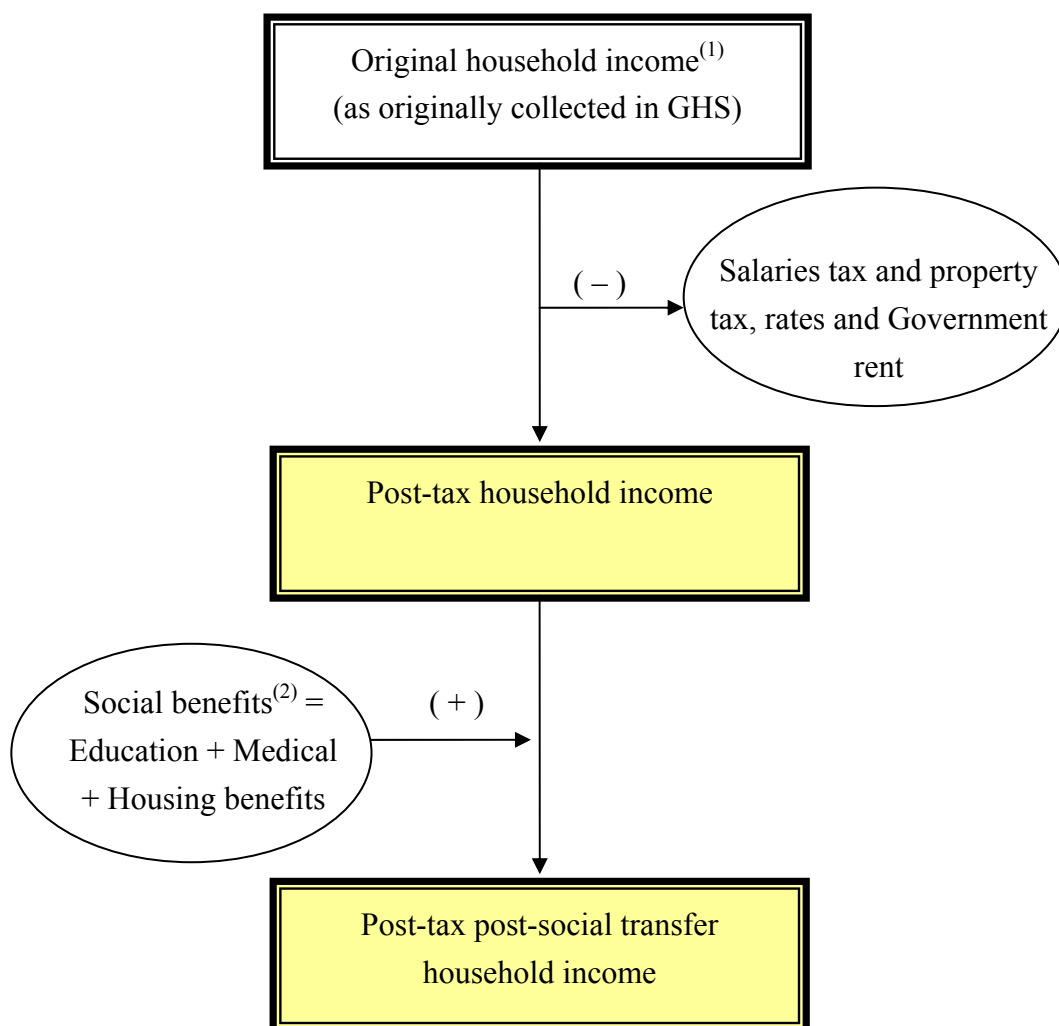
4. This study aims to assess the redistributive effects of government intervention on household income in 2008. Specifically, analysis is made on the changes in household income brought about by taxation and social benefits in the areas of housing, education and health for individual decile groups of households. The study is conducted based on the data collected from the General Household Survey (GHS) in 2008. The findings are summarized in paragraphs 15-17 below. A technical note on the detailed methodology used for adjusting the household income is at [Annex 1](#).

5. Further analyses on selected sub-groups of households in 2008 are provided, including (i) elderly households; (ii) non-elderly workless households; (iii) low income households; and (iv) low income working households. The key findings are given in paragraphs 19-20. The Government introduced different relief measures in 2008 to improve people's livelihoods. Impacts of those relief measures on household income are also assessed in paragraphs 22-26. Separately, a comparison with the findings of the previous study based on the GHS in 2005 is presented in paragraphs 27-42.

## Redistributive Effects of Government Intervention on Income

6. The effects of taxation and social benefits can be ascertained by examining the post-tax household income distribution and the post-tax post-social transfer household income distribution. Figure 1 illustrates the compilation framework of post-tax household income and post-tax post-social transfer household income.

**Figure 1: Concepts of Original Household Income, Post-tax Household Income and Post-tax Post-social Transfer Household Income**



Notes:

- (1) Referring to monthly domestic household income which includes income from employment, income from investment (e.g. rental income, dividend and interest) and cash transfer.
- (2) Covering such social benefits as education, housing and medical benefits.

## (A) Original Household Income

7. Original household income is the total income in cash (including earnings in cash from all employments and other cash incomes) of all members in a household. It refers to income from employment, housing allowance, bonus, income from investment (e.g. dividends and interests), rental income, cash transfers from persons living outside the households. Comprehensive Social Security Allowance (CSSA) payment and social security allowances (Old Age Allowance and Disability Allowance) are also included in the original household income. These elements, which are regarded as social benefits, are not all separately identifiable because some of their detailed breakdowns are not asked for in the GHS.

8. To examine the effects of the government intervention on household income, one may first study the disparity and distribution of total original income of various decile groups of households. As shown in Table 1, prior to the government intervention in the form of taxation and social benefits, the 10% of households with the highest income (the highest decile group) had an average original monthly household income of around \$102,900 in 2008, while households in the lowest decile group had an average original monthly household income of around \$2,800. The highest decile group accounted for 37% of total original household income, in contrast to just 1% for the lowest decile group. [Table 1]

## (B) Post-tax Post-social Transfer Monthly Household Income

9. Post-tax post-social transfer monthly household income is derived by first deducting from the original annualised household income the salaries tax, property tax, rates and Government rent, and then adding the government benefits received. The resultant annualised household income is then divided into 12 to derive the post-tax post-social transfer monthly household income. The government benefits covered in this study include three major social benefits, viz. education, medical and housing benefits. The following paragraphs describe briefly each of these adjustments.

### Salaries Tax and Property Tax

10. Salaries tax rate in Hong Kong, in general, is progressive with the increase in labour income. Property tax is only applicable to those persons receiving rental income. The post-tax monthly household income was, on average, lower than the original household income by 6.5% in 2008. It was noted that

households in the highest two decile groups contributed more than 90% of total imputed payment on salaries tax and property tax based on the 2008 GHS data. Therefore, salaries tax and property tax have contributed considerably to achieving a more even income distribution. [Tables 2 and 4]

### Rates and Government Rent

11. The average rates and Government rent paid by households increased gradually from the lower decile groups to the higher ones. Households in the highest decile group paid on average four times the rates and Government rent as those in the lowest decile group in 2008. This is closely associated with the characteristics of households in the respective decile groups. For households in the lower and middle decile groups, a considerable proportion of them were living in public rental housing with lower rental value; and hence, paying less rates and Government rent. For households in the higher decile groups, comparatively larger proportion were residing in private flats with higher rental value which were subject to higher rates and Government rent. [Tables 2 and 4]

### Education Benefits

12. Generally speaking, the average education benefits allocated to households in the middle decile groups (i.e. the 3<sup>rd</sup> – 7<sup>th</sup> decile groups) were higher than those in other decile groups. This is largely because most households with children studying full-time that benefit from government's education spending were found amongst the middle decile groups. Households in the lowest decile group were receiving smaller amount of education benefits, probably attributable to the relatively higher proportion of 1-person elderly households (43%) in the group. [Tables 2 and 4]

### Medical Benefits

13. The medical benefits in respect of utilisation of public ambulatory and hospitalisation services by an individual are estimated with reference to his / her demographic characteristics, type of housing and household income. Medical benefits allocated to an individual are closely associated with his/her lifecycle. The average medical benefits allocated to a household therefore hinges on the composition of members therein. Given the high concentration of the elderly in the lower decile groups, the average monthly medical benefits allocated to households in the lowest decile group, at \$2,000, nearly three times that of \$700 in the highest decile group. [Tables 2 and 4]



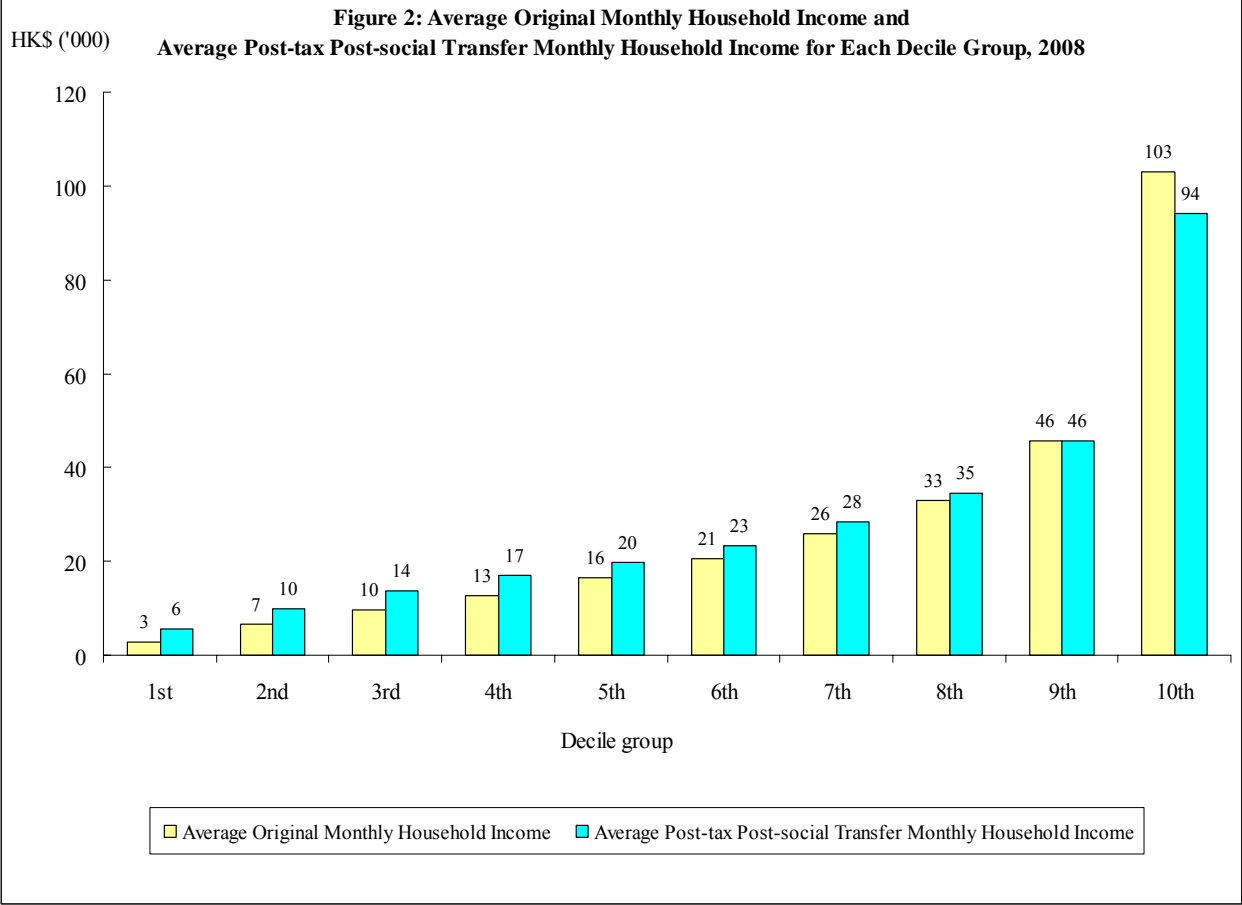
## Housing Benefits

14. In estimating the housing benefits received by households living in public rental flats, a marginal analysis approach is adopted by estimating the opportunity cost to the Government if a public rental flat is leased in a hypothetical open market since there is actually no transfer payment or expenses made for housing benefits. As expected, households at the higher decile groups were receiving less housing benefits than those at the lower decile groups. [Tables 2 and 4]

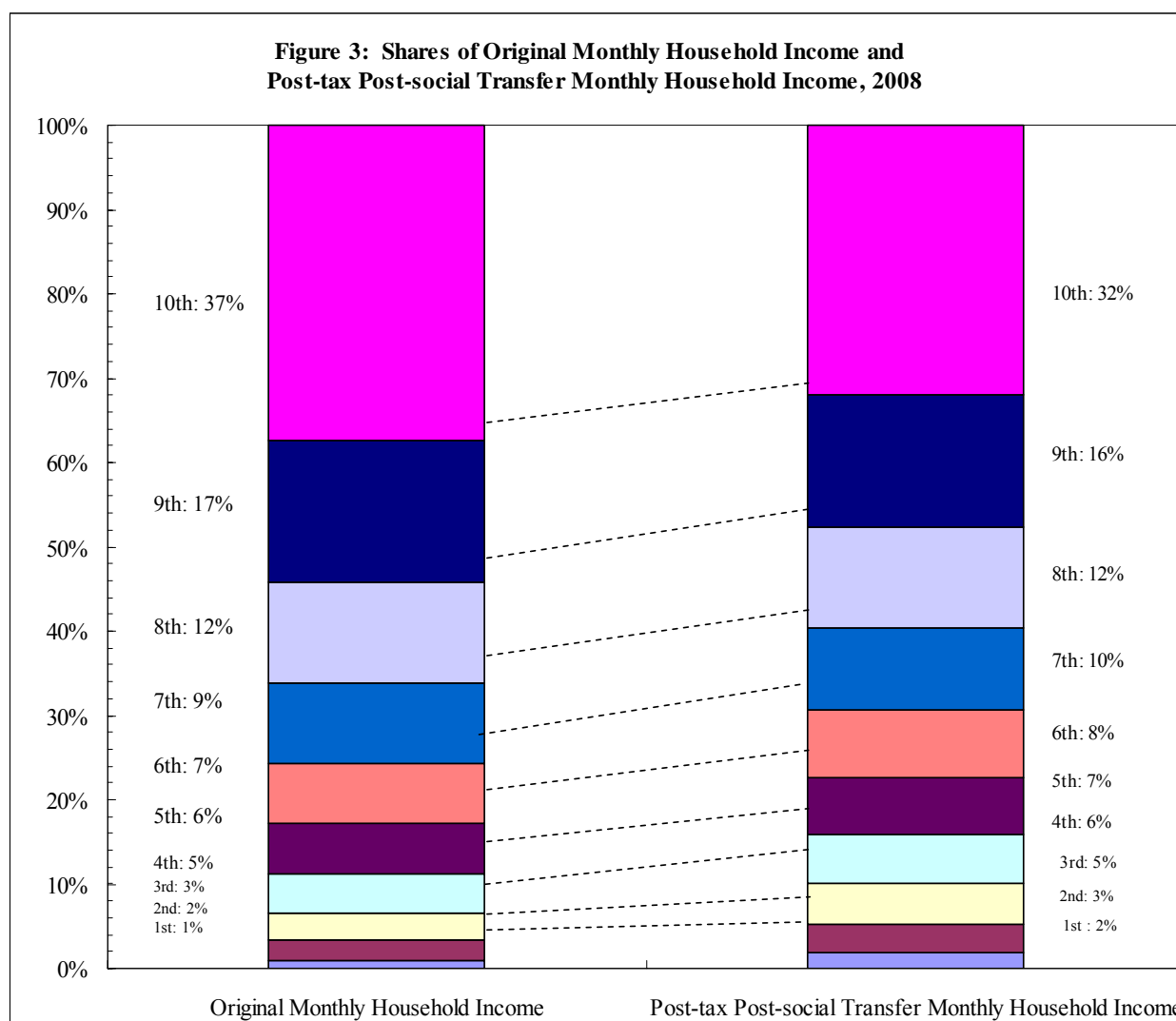
## **Summary Findings**

15. After taking into account the effect of taxation, education, medical and housing benefits, the average post-tax post-social transfer monthly household income was higher than the original household income by 5.7% in 2008. The redistribution of income from higher to lower income households is illustrated in the subsequent analysis by decile group.

16. As shown in Table 3 and Figure 2, taxation and social benefits have the net effect of raising the household income across almost all decile groups, except the 9<sup>th</sup> and 10<sup>th</sup> decile groups (i.e. households with the top 20% of household income). The average monthly household income of households in the 9<sup>th</sup> decile group remained virtually unchanged, both at about \$45,700 in 2008 originally and post-tax post-social transfer. On the contrary, the average monthly household income of households in the 10<sup>th</sup> decile group was lowered by 8.7% from \$102,900 originally to \$94,000 post-tax post-social transfer. On the other hand, the corresponding income for households in the 1<sup>st</sup> decile group was almost doubled, from \$2,800 to \$5,600. The average household incomes of the 2<sup>nd</sup> to 8<sup>th</sup> decile groups were raised, but at a declining rate from 52.9% to 4.8%. [Table 3 and Figure 2]



17. In terms of original monthly household income, income received by households in the highest decile group accounted for 37% of total income received by all households in 2008. After adjustments for taxation and social benefits, these households still received a significant, though smaller, share of 32% of total post-tax post-social transfer income received by all households. On the same basis of comparison, the income share for households in the lowest decile group increased from 1% to 2%. [Table 2 and Figure 3]



## Further Analyses

### (A) Socio-economic Characteristics of Various Decile Groups

18. Socio-economic characteristics of a household have strong impacts on its household income. Some analyses on the socio-economic characteristics of the households in various decile groups in 2008 are presented in Annex 2.

### (B) Sub-group Analyses

19. Further analyses on selected sub-groups of households in 2008 are provided in Annexes 3 – 5. These sub-groups include:-

- (i) elderly households – households consisting of all members aged 60 and over;
- (ii) non-elderly workless households – households consisting of at least one member aged below 60 and all members therein are not working;
- (iii) low income households – households with household income (excluding that of foreign domestic helpers, if presence therein) below the average CSSA payment for households of the corresponding household size; and
- (iv) low income working households – households consisting of at least one employed person (excluding foreign domestic helpers) and with household income (excluding that of foreign domestic helpers, if presence therein) below the average CSSA payment for households of the corresponding household size.

20. Impacts of taxation and social benefits on the income of these sub-groups are highlighted in Figure 4. Incorporating the effects of taxation and social benefits, the monthly household incomes for these four particular sub-groups of households were all raised significantly in 2008, by 29% to 98%.

**Figure 4 : Impacts of the Taxation and Social Benefits on the Post-tax Post-social Transfer Monthly Household Income of Selected Sub-groups of Households, 2008**

	Original Monthly Household Income (HK\$) (a)	Adjustment in Income (HK\$) (b)	Average Post-tax Post-social Transfer Monthly Household Income (HK\$) (c)=(a)+(b)	Adjustment as a Percentage of Original Monthly Household Income (d)=(b)÷(a)×100%
(i) Elderly households	7,500	2,200	9,600	29%
(ii) Non-elderly workless households	7,000	3,900	10,900	55%
(iii) Low income households	4,500	4,400	8,800	98%
(iv) Low income working households	6,900	6,400	13,300	93%

(C) Relief Measures Implemented in 2008

21. The Government introduced a set of one-off relief measures in 2008 to improve people's livelihoods, such as tax reduction, rates waiver, rent payment for public rental housing tenants, extra payment of CSSA, Disability Allowance and Old Age Allowance, etc. A brief outline of the relief measures implemented in 2008 is at Appendix 2 to Annex 1. It is worth noting that not all relief measures have been taken into consideration in the analysis of the Study, e.g. Building Maintenance Grant Scheme for Elderly Owners, relaxation of the Transport Support Scheme, suspension of Employees Retraining Levy for foreign domestic helpers, electricity subsidy, extension of student fare concession by MTRC, etc, because of the lack of concrete conceptual basis for estimation and the practical difficulties of delineating the target groups in Hong Kong population.

22. After taking into account those one-off relief measures with identifiable target groups introduced in 2008, the average post-tax post-social transfer monthly household incomes was higher than the average original monthly household income by 8.1%, as compared to the corresponding figure of 5.7% without the relief measures. Those relief measures had a stronger impact on the income of households in the lower decile groups. The average post-tax post-social transfer monthly household income for the 1<sup>st</sup> to 9<sup>th</sup> decile groups were all higher than the corresponding original monthly household income, with a diminishing rate of increase from 109.4% for the 1<sup>st</sup> decile group to 2.5% for the 9<sup>th</sup> decile group. [Tables 2 – 4]

23. Ranking households from the lowest to highest income, the original monthly household income, the post-tax monthly household income and the post-tax post-social transfer monthly household income (with or without relief measures) of household at selected percentiles can be obtained. The monthly household income at the 10<sup>th</sup> percentile is the income of the household falling on the 10<sup>th</sup> percentile counting from the bottom and is described as P10.

24. Taking into account the effects of relief measures in 2008, the post-tax post-social transfer monthly household income of households at P10 to P90 were all higher than the corresponding percentiles based on the original monthly household income, with a diminishing rate of increase from 42.8% for P20 to 1.8% for P90. The degree of income disparity after taking into account the effects of relief measures was smaller than those based on the original household income or without the relief measures, illustrating that the effect of relief measures on income redistribution was positive, albeit moderate. [Table 5]

25. Analysis on the ratio of household income for various percentiles reveals that the relativity between two points on the income distribution also echoes the above observation. The P90/P10 ratio, illustrating the full spread of the income distribution, was 8.2 in 2008 for the post-tax post-social transfer monthly household income with relief measures, slightly lower than the corresponding ratio of 8.4 without the relief measures but much smaller than the ratio of 11.2 for the original monthly household income. Similar observation was found for the P80/P20 ratio (illustrating the magnitude of the range within which the incomes of the majority of the population fall). On the other hand, the ratios of P80/P50 and P50/P20 (for comparing the ends of the income distribution with the midpoint) for the post-tax post-social transfer monthly household income remained unchanged at 1.8 and 2.0 respectively with or without the effects of the relief measures; and were slightly lower than the corresponding ratios based on the original monthly household income (2.1 for P80/P50 and 2.3 for P50/P20). [Table 5]

26. Further analyses on selected sub-groups of households are highlighted in Figure 5. After incorporating the one-off relief measures, the monthly household incomes for the four particular sub-groups of households were all further raised, by 34% to 106%.

**Figure 5 : Impacts of the Taxation and Social Benefits on the Post-tax Post-social Transfer Monthly Household Income of Selected Sub-groups of Households, 2008 (With Relief Measures in 2008)**

	Original Monthly Household Income (HK\$) (a)	Adjustment in Income (HK\$) (b)	Average Post-tax Post-social Transfer Monthly Household Income (HK\$) (c)=(a)+(b)	Adjustment as a Percentage of Original Monthly Household Income (d)=(b)÷(a)×100%
(i) Elderly households	7,500	2,500	10,000	34%
(ii) Non-elderly workless households	7,000	4,300	11,300	61%
(iii) Low income households	4,500	4,700	9,200	106%
(iv) Low income working households	6,900	6,900	13,700	100%

(D) Comparison with Previous Study

27. Similar study was conducted in 2006 based on the GHS data in 2005. Summary statistics on the monthly household income by decile group in the previous study are given in Table 6. A comparison on the results of the present study with the previous one is given in the ensuing paragraphs.

*Income dispersion in original monthly household income*

28. The income dispersion measures compiled from the original monthly household income data showed a marginally widening income gap in Hong Kong between 2005 and 2008. Households in the highest decile group experienced marginal growth in their share of original monthly household income (from 36% in 2005 to 37% in 2008) while the share of the lowest decile group remained virtually stable (both at 1% in 2005 and 2008). [Table 7]

29. There was also a rise in the original monthly household income of households at all the percentiles, though to varying degrees, between 2005 and

2008. The rate of increase was comparatively higher in the higher decile groups than those in the lower deciles groups, reflecting a slightly widening income gap in Hong Kong from 2005 to 2008. [Table 10]

30. Similar observation was found in the ratio of household income for various percentiles which reveals the relativity between two points on the income distribution. All the selected percentile ratios shown in Table 11 increased marginally between 2005 and 2008, indicating a mildly widening dispersion in income distribution over the period. [Table 11]

### *Income dispersion after government intervention*

31. After taking into account the effects of taxation and social benefits, the average post-tax post-social transfer household income was higher than the original household income by 9.1% in 2005<sup>1</sup> and 5.7% in 2008 at the overall level. [Table 8]

32. Social benefits provided by public funding were more concentrated among lower decile groups. Households at the lower end of the income distribution thus tend to benefit more than those at the upper end. During 2005-2008, the post-tax post-social transfer household income almost doubled the original one for households in the lowest decile group. As a percentage to the original household income, the total average adjustment in household income reduced progressively when moving from the lowest decile group to the highest decile group. During 2005-2008, the corresponding percentage for the 1<sup>st</sup> decile group was +88.2% in 2005 and +98.6% in 2008; and that for the 10<sup>th</sup> decile group was -6.8% and -8.7% respectively. This reflected the increase in redistributive effects from Government intervention in 2008 for the highest and lowest deciles. [Table 8]

33. It showed that taxes and social policies could help narrowing the income disparity noticeably. The share of monthly household income for households in the highest decile group decreased significantly after transferring tax and social benefits, by 5 percentage points both in 2005 and 2008. On the same basis of comparison, the income share for households in the lowest decile group increased from 1% to 2%. [Table 7]

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<sup>1</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations. The post-tax monthly household income in 2005 would be lower if rates and Government had been taken into account.



*Effectiveness of taxation and social benefits in narrowing income disparity*

34. Among the government intervention under study, **salaries tax and property tax** have contributed considerably to achieving a more even income distribution. Households in the highest decile group contributed the largest share of the total imputed payment on salaries tax and property tax during 2005–2008. Despite the reductions in the salaries tax rates and the lifting of allowances thresholds from 2005 to 2008 as summarised in Table 12, the salaries tax and property tax contribution from households in the highest decile group remained relatively stable at 80% between 2005 and 2008. [Table 7]

35. The **CSSA payments** also played an important role in narrowing the disparity in income distribution. It was estimated that nearly 80% of the total CSSA payments<sup>2</sup> were allocated to households in the 1<sup>st</sup> – 3<sup>rd</sup> decile groups and the CSSA payments accounted for 19-36% of the average original monthly household income for the 1<sup>st</sup> – 2<sup>nd</sup> decile groups. [Tables 7 and 13]

36. On the share of total **rates and Government rent** paid by households, it increased progressively from 6% for the lowest decile group to 24% for the highest decile group in 2008. As a percentage to the average original monthly household income of the respective decile group, the rates and Government rent accounted for about 10% of the original household income for the lowest decile group but only 1% for the highest decile group. Owing to data limitations, no imputation on rates and Government rent was performed in the 2005 study. [Tables 7 and 13]

37. Among the three types of social benefits included in the study, education benefit brought about the largest amount of average benefits allocated per household, at \$2,100 in 2005 and \$1,800 in 2008. This was followed by medical benefit (stood at \$1,100 in both years) and housing benefit (from \$300 in 2005 to \$400 in 2008). The drop in the average education benefits allocated per household between 2005 and 2008 might probably be attributable to the over-estimation in the 2005 study, in which students studying overseas or in international or private schools could not be distinguished but assumed to have enjoyed education benefits. The methodology of the study in 2008 has been enhanced to tackle such data limitations. [Table 7]

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<sup>2</sup> The estimates were derived based on the data reported by individual households. However, these estimates were subject to under-reporting because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

38. Further analysed by decile group, **medical benefits** were the largest amount of social benefits enjoyed by households in the lowest decile group, largely due to the existence of a significant proportion (60% in 2008) of elderly households (i.e. households with all members aged 60 and above). [Table 1 to Annex 2] Such amount was about 53% of the average original monthly household income of the 1<sup>st</sup> decile group in 2005 and 72% in 2008. It was followed by CSSA payments (34-36%) and education benefits (24% in 2005 and 20% in 2008). Cash transfer (other than CSSA payments) is also a prominent income source of households in the lowest decile group (45% in 2005 and 49% in 2008). [Table 13]

39. On the other hand, the average **education benefits** allocated to households in the middle decile groups (i.e. the 3<sup>rd</sup> – 7<sup>th</sup> decile groups) were higher than those in other decile groups. This is largely because most households with children studying full-time that benefit from government's education spending were found amongst the middle decile groups. As a percentage to the average original monthly household income of the respective decile group, education benefits were about 20-29% of the average original monthly household income of the 1<sup>st</sup> – 4<sup>th</sup> decile groups in 2005 and 2008. [Tables 7 and 13]

40. For **housing benefits**, households in the 2<sup>nd</sup> – 4<sup>th</sup> decile groups were allocated with the highest average monthly housing benefits of \$500 in 2005 and \$700 in 2008. Households in the 1<sup>st</sup> and 5<sup>th</sup> – 7<sup>th</sup> decile groups were also allocated with considerable value of average housing benefits in the range of \$300 – \$500 in 2005 and \$400 - \$600 in 2008. [Table 7] This is in line with the fact that about 38-56% of households in 1<sup>st</sup> – 5<sup>th</sup> decile groups in 2008 lived in public rental housing. [Table 1 to Annex 2]

41. There was a marked increase in housing benefits across 1<sup>st</sup> – 7<sup>th</sup> decile groups from 2005 to 2008. This was mainly related to the property market situation prevailing during the period. The market rent of private residential flats had increased in the past few years while the normal rent of public rental flats was reduced by 11.6% upon passage of the amendment bill in 2007. This led to an increasing ratio of market rent to normal rent for public rental housing and hence, an increase in housing benefits over the period. [Table 7]

### *Analysis by quintile group*

42. When analysed by quintile group, the average original monthly household income of the lowest quintile group (or the 1<sup>st</sup> - 2<sup>nd</sup> decile groups) increased by 8.5% between 2005 and 2008, smaller than the corresponding figure of 14.8% for the highest quintile group (or the 9<sup>th</sup> - 10<sup>th</sup> decile groups). Taking into account the effects of both taxation and social benefits, the average post-tax post-social transfer monthly household income of the lowest quintile group increased marginally to 8.6% over the period, whereas that for the highest quintile group dropped noticeably to 12.1%. Further considering the one-off relief measures by the Government in 2008, the average post-tax post-social transfer monthly household income of the lowest and highest quintile groups increased by 13.3% and 14.5% respectively. These figures clearly demonstrated that the spread of income disparity had narrowed down in the case of post-tax post-social transfer household income distribution after the government intervention on household income. [Table 14]

### **Concluding Remarks**

43. The objective of the study is to examine how government intervention, by means of taxes and social benefits, redistribute income. The public expenditure spent on the social benefits covered in the study account for about 60% of the total government expenditure on social benefits in 2008-09. It should be emphasised that the analysis provides only a crude indication to the types of households that benefit from government expenditure and to what extent. While efforts are made to filter out the relevant parts of government expenditure and tax revenue for estimating the effects of social benefits and taxation on household income, the criteria used to allocate taxes and to value and apportion benefits to individual household members are by no means exhaustive. In many cases, the methodology used for adjusting the household income is constrained by the availability of data in practice.

44. Readers should note that similar study was also conducted in 2007 based on the 2006 Population By-census. Caution should be exercised when making direct comparison of the findings between that study and the present one because the sample size of GHS is much smaller compared with the 2006 Population By-census. Problems may emerge when splicing the income data series of the GHS with that of the 2006 Population By-census if we want to compare the

findings for the census year and the intercensal years using GHS results, in particular those in the higher income groups as there may be insufficient number of sampled households in the GHS falling in the upper tail of the income distribution.

45. Owing to changes in government policies in the recent years, the coverage of taxation and social benefit items may vary in different rounds of study. The same imputation method to compile the post-tax household income and post-tax post-social transfer household income cannot be adopted completely across the board and slight modifications have to be made to take account of the changes in different years. The effects of these modifications should be fairly small. Having said that, one should be cautious about making direct comparisons of the present study with the previous studies.

46. While Gini Coefficient is a common measure of income disparity, it is not preferable to compile it from GHS data. It is because Gini Coefficient depends very much on the two tails of income distribution, in particular the upper tail (i.e. those in the high income groups). As there may be insufficient number of sampled households in GHS falling in the upper tail, the precision of Gini Coefficient will be affected. As an established practice, population census / by-census data with a much larger sample size is usually used in analysing income disparity.

47. It should also be noted that the GHS covers the land-based non-institutional population and hence those people living on board vessels and those living in institutions are excluded. The exclusion of these groups of people from the GHS, which account for around 1% of the total population, will to a slight extent distort the income distribution pattern.

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**Table 1: Original Monthly Household Income by Decile Group, 2008**

Decile Group	Income Range (HK\$)	Median (HK\$)	Average (HK\$)	Share of income to total income received by all households
1 <sup>st</sup>	0 to ≤ 5,000	3,200	2,800	1.0%
2 <sup>nd</sup>	5,000 to ≤ 8,000	6,500	6,500	2.4%
3 <sup>rd</sup>	8,000 to ≤ 11,000	9,600	9,600	3.5%
4 <sup>th</sup>	11,000 to ≤ 14,600	12,800	12,800	4.6%
5 <sup>th</sup>	14,600 to ≤ 18,400	16,300	16,400	5.9%
6 <sup>th</sup>	18,400 to ≤ 23,000	20,500	20,500	7.4%
7 <sup>th</sup>	23,000 to ≤ 29,000	25,700	25,800	9.3%
8 <sup>th</sup>	29,000 to ≤ 38,000	32,800	33,000	12.0%
9 <sup>th</sup>	38,000 to ≤ 56,000	45,000	45,700	16.6%
10 <sup>th</sup>	≥ 56,000	80,000	102,900	37.3%
Overall		18,400	27,600	100.0%

Note: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

**Table 2: Distribution of Average Original Monthly Household Income, Post-tax Post-social Transfer Monthly Household Income, Taxes and Social Benefits by Decile Group, 2008 (With and without relief measures (RM))**

Decile Group	Average Original Monthly Household Income		Average Salaries Tax and Property Tax				Average Rates and Government Rent <sup>^</sup>				Average Post-Tax Monthly Household Income			
	Average (HK\$) (a)	% <sup>#</sup>	w/o RM (HK\$) (b)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (b)	% <sup>#</sup>	w/o RM (HK\$) (c)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (c)	% <sup>#</sup>	w/o RM (HK\$) (d)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (d)	% <sup>#</sup>
1 <sup>st</sup>	2,800	1	0	0	0	0	300	6	0*	5	2,500	1	2,700	1
2 <sup>nd</sup>	6,500	2	0	0	0	0	300	5	0*	4	6,200	2	6,400	2
3 <sup>rd</sup>	9,600	3	0*	0	0	0	300	6	0*	5	9,300	4	9,500	4
4 <sup>th</sup>	12,800	5	0*	0	0	0	300	7	0*	5	12,400	5	12,700	5
5 <sup>th</sup>	16,400	6	0*	0	0	0	400	8	100	7	15,900	6	16,200	6
6 <sup>th</sup>	20,500	7	0*	1	0*	0	400	9	100	8	20,000	8	20,400	8
7 <sup>th</sup>	25,800	9	200	1	0*	1	500	9	100	9	25,200	10	25,600	10
8 <sup>th</sup>	33,000	12	600	4	200	2	500	11	200	12	31,900	12	32,600	12
9 <sup>th</sup>	45,700	17	1,700	14	1,100	10	700	14	300	16	43,300	17	44,400	17
10 <sup>th</sup>	102,900	37	10,300	80	9,200	87	1,200	24	500	29	91,500	35	93,300	35
Overall	27,600	100	1,300	100	1,100	100	500	100	200	100	25,800	100	26,400	100

Decile Group	Average Education Benefit				Average Medical Benefits				Average Housing Benefits				Average Post-tax Post-social Transfer Monthly Household Income			
	w/o RM (HK\$) (e)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (e)	% <sup>#</sup>	w/o RM (HK\$) (f)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (f)	% <sup>#</sup>	w/o RM (HK\$) (g)	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (g)	% <sup>#</sup>	w/o RM (HK\$) (h) <sup>@</sup>	% <sup>#</sup>	w/ RM <sup>^</sup> (HK\$) (h)	% <sup>#</sup>
1 <sup>st</sup>	600	3	600	3	2,000	18	2,000	18	500	11	600	11	5,600	2	5,900	2
2 <sup>nd</sup>	1,600	9	1,600	9	1,400	12	1,400	12	700	16	800	16	9,900	3	10,300	3
3 <sup>rd</sup>	2,400	13	2,400	13	1,200	11	1,200	11	700	17	900	16	13,600	5	14,000	5
4 <sup>th</sup>	2,500	14	2,600	14	1,200	10	1,200	10	700	17	900	17	16,900	6	17,300	6
5 <sup>th</sup>	2,200	12	2,300	12	1,100	10	1,100	10	600	14	700	14	19,900	7	20,300	7
6 <sup>th</sup>	2,000	11	2,000	11	1,000	9	1,000	9	500	11	600	11	23,400	8	23,900	8
7 <sup>th</sup>	1,800	10	1,800	10	1,000	9	1,000	9	400	8	400	9	28,300	10	28,800	10
8 <sup>th</sup>	1,600	9	1,600	9	900	8	900	8	200	5	300	5	34,600	12	35,300	12
9 <sup>th</sup>	1,500	8	1,500	8	800	7	800	7	0*	2	100	2	45,700	16	46,800	16
10 <sup>th</sup>	1,800	10	1,800	10	700	6	700	6	0*	0	0*	0	94,000	32	95,800	32
Overall	1,800	100	1,800	100	1,100	100	1,100	100	400	100	500	100	29,200	100	29,800	100

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

\* Refer to an amount of less than \$100.

# Refer to the amount received/paid by households in individual decile groups as a percentage of the total amount received/paid by all households.

<sup>^</sup> Relief measures falling within the scope of this Study as announced by the Chief Executive or the Financial Secretary and implemented in 2008 are taken into account.

<sup>@</sup> (h) = (a) – (b) – (c) + (e) + (f) + (g)

**Table 3: Original Monthly Household Income and Post-tax Post-social Transfer**  
**Monthly Household Income by Decile Group, 2008**  
**(With and without relief measures (RM))**

Decile Group	Original Monthly Household Income (HK\$) (a)	Total Average Adjustment* in Income (HK\$) (b)		Post-tax Post-social Transfer Monthly Household Income (HK\$) (c)=(a)+(b)		Total Average Adjustment as a Percentage to Original Monthly Household Income (d)=(c)÷(a)×100%	
		w/o RM	w/ RM <sup>#</sup>	w/o RM	w/ RM <sup>#</sup>	w/o RM	w/ RM <sup>#</sup>
1 <sup>st</sup>	2,800	2,800	3,100	5,600	5,900	98.6	109.4
2 <sup>nd</sup>	6,500	3,400	3,800	9,900	10,300	52.9	58.5
3 <sup>rd</sup>	9,600	4,000	4,400	13,600	14,000	41.2	45.5
4 <sup>th</sup>	12,800	4,100	4,500	16,900	17,300	31.9	35.4
5 <sup>th</sup>	16,400	3,600	4,000	19,900	20,300	21.8	24.5
6 <sup>th</sup>	20,500	2,900	3,400	23,400	23,900	14.1	16.4
7 <sup>th</sup>	25,800	2,500	3,000	28,300	28,800	9.6	11.7
8 <sup>th</sup>	33,000	1,600	2,300	34,600	35,300	4.8	6.9
9 <sup>th</sup>	45,700	0 <sup>^</sup>	1,100	45,700	46,800	-0.1	2.5
10 <sup>th</sup>	102,900	-8,900	-7,100	94,000	95,800	-8.7	-6.9
Overall	27,600	1,600	2,200	29,200	29,800	5.7	8.1

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

\* Total average adjustment is calculated by subtracting the average salaries tax and property tax and also rates and Government rent paid by all households in a particular decile group from the sum of average education benefits, average medical benefits and average housing benefits received by that decile group.

<sup>^</sup> Refer to an amount of less than \$100.

<sup>#</sup> Relief measures falling within the scope of this Study as announced by the Chief Executive or the Financial Secretary and implemented in 2008 are taken into account.

**Table 4: Percentage Share of Taxes, Rates and Government Rent and Social Benefits  
Contributed to Total Adjustments by Decile Group, 2008  
(With and without relief measures (RM))**

Decile Group	Total Average Adjustment in Income (HK\$)		Percentage Share to Total Average Adjustment										Total (%)	
			Salaries Tax and Property Tax (%)		Rates and Government Rent (%)		Education Benefits (%)		Medical Benefits (%)		Housing Benefits (%)			
	w/o RM	w/ RM*	w/o RM	w/ RM*	w/o RM	w/ RM*	w/o RM	w/ RM*	w/o RM	w/ RM*	w/o RM	w/ RM*	w/o RM	w/ RM*
1 <sup>st</sup>	2,800	3,100	0	0	-11	-3	21	19	73	66	17	18	100	100
2 <sup>nd</sup>	3,400	3,800	0	0	-8	-2	47	43	40	36	21	22	100	100
3 <sup>rd</sup>	4,000	4,400	0	0	-8	-2	59	55	30	27	18	20	100	100
4 <sup>th</sup>	4,100	4,500	0	0	-8	-2	62	57	29	26	18	19	100	100
5 <sup>th</sup>	3,600	4,000	-1	0	-11	-3	63	56	32	29	17	18	100	100
6 <sup>th</sup>	2,900	3,400	-3	0	-14	-4	68	59	33	29	16	17	100	100
7 <sup>th</sup>	2,500	3,000	-8	-2	-18	-5	72	60	39	32	15	15	100	100
8 <sup>th</sup>	1,600	2,300	-35	-11	-35	-8	102	70	55	38	13	11	100	100
9 <sup>th</sup> #	0 <sup>^</sup>	1,100	-5639	-94	-2271	-23	4907	135	2623	72	281	10	-100	100
10 <sup>th</sup> #	-8,900	-7,100	-115	-129	-13	-6	20	26	8	10	0	0	-100	-100
Overall	1,600	2,200	-82	-47	-31	-7	114	81	71	50	28	23	100	100

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

# The adjustment for taxation and social benefits has the effect of reducing post-tax post-social transfer monthly household income for households in the 9<sup>th</sup> and 10<sup>th</sup> decile groups, i.e. negative average total adjustment.

<sup>^</sup> Refer to an amount of less than \$100.

\* Relief measures falling within the scope of this Study as announced by the Chief Executive or the Financial Secretary and implemented in 2008 are taken into account.



**Table 5: Original Monthly Household Income, Post-tax Monthly Household Income and Post-tax Post-social Transfer Monthly Household Income at Selected Percentiles, 2008**

Percentile	Original Monthly Household Income (HK\$) <sup>(1)</sup>	Without relief measures in 2008			With relief measures in 2008		
		Post-tax Monthly Household Income (HK\$) <sup>(2)</sup>	Post-tax Post-social Transfer Monthly Household Income (HK\$) <sup>(3)</sup>	% change	Post-tax Monthly Household Income (HK\$) <sup>(4)</sup>	Post-tax Post-social Transfer Monthly Household Income (HK\$) <sup>(5)</sup>	% change
	[A]	[B]	[C]	[C] / [A]	[D]	[E]	[E] / [A]
10 <sup>th</sup> (P10)	5,000	4,600	6,600	+32.3%	4,900	6,900	+38.2%
20 <sup>th</sup> (P20)	8,000	7,800	11,100	+38.2%	8,000	11,400	+42.8%
30 <sup>th</sup> (P30)	11,000	10,800	14,600	+32.8%	11,000	15,000	+36.2%
40 <sup>th</sup> (P40)	14,600	14,200	18,200	+25.3%	14,500	18,700	+28.5%
50 <sup>th</sup> (P50)	18,400	17,900	21,900	+19.0%	18,300	22,400	+21.6%
60 <sup>th</sup> (P60)	23,000	22,300	26,300	+14.5%	22,800	26,800	+16.9%
70 <sup>th</sup> (P70)	29,000	28,200	31,700	+9.3%	28,700	32,400	+11.5%
80 <sup>th</sup> (P80)	38,000	36,500	39,800	+4.6%	37,300	40,600	+7.0%
90 <sup>th</sup> (P90)	56,000	52,100	55,500	-1.0%	53,600	57,000	+1.8%
Ratio of Selected Percentiles							
P90/P10	11.2	11.2	8.4	N.A.	11.0	8.2	N.A.
P80/P20	4.8	4.7	3.6	N.A.	4.7	3.6	N.A.
P80/P50	2.1	2.0	1.8	N.A.	2.0	1.8	N.A.
P50/P20	2.3	2.3	2.0	N.A.	2.3	2.0	N.A.

Notes: (1) The percentiles are formed by ranking all households in terms of their **original monthly household incomes**.

(2) The percentiles are formed by ranking all households in terms of their **post-tax monthly household incomes**.

(3) The percentiles are formed by ranking all households in terms of their **post-tax post-social transfer monthly household incomes**.

(4) The percentiles are formed by ranking all households in terms of their **post-tax monthly household incomes after taking into account the effect of relief measures in 2008**.

(5) The percentiles are formed by ranking all households in terms of their **post-tax post-social transfer monthly household incomes after taking into account of relief measures in 2008**.

**Table 6: Summary Statistics on Monthly Household Income by Decile Group, 2005 and 2008**

Decile Group	Average Original Monthly Household Income (HK\$)		Average Post-tax Monthly Household Income (HK\$)		Average Post-tax Post-social Transfer Monthly Household Income (HK\$)		With Relief Measures in 2008	
	2005	2008	2005 <sup>^</sup>	2008	2005 <sup>^</sup>	2008	Average Post-tax Monthly Household Income (HK\$)	Average Post-tax Post-social Transfer Monthly Household Income (HK\$)
							2008	2008
1 <sup>st</sup>	2,600	2,800	2,600	2,500	4,900	5,600	2,700	5,900
2 <sup>nd</sup>	6,000	6,500	6,000	6,200	9,400	9,900	6,400	10,300
3 <sup>rd</sup>	8,800	9,600	8,800	9,300	13,100	13,600	9,500	14,000
4 <sup>th</sup>	11,500	12,800	11,500	12,400	15,900	16,900	12,700	17,300
5 <sup>th</sup>	14,600	16,400	14,600	15,900	18,900	19,900	16,200	20,300
6 <sup>th</sup>	18,500	20,500	18,400	20,000	22,300	23,400	20,400	23,900
7 <sup>th</sup>	23,100	25,800	22,900	25,200	26,300	28,300	25,600	28,800
8 <sup>th</sup>	29,700	33,000	29,200	31,900	32,200	34,600	32,600	35,300
9 <sup>th</sup>	40,900	45,700	39,200	43,300	42,000	45,700	44,400	46,800
10 <sup>th</sup>	88,600	102,900	79,500	91,500	82,600	94,000	93,300	95,800
Overall	24,500	27,600	23,300	25,800	26,700	29,200	26,400	29,800

Note:

<sup>^</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations.

**Table 7: Distribution of Average Original Monthly Household Income, Post-tax Post-social Transfer Monthly Household Income, Monthly CSSA payment, Taxes and Social Benefits by Decile Group, 2005 and 2008**

Decile Group	Average Original Monthly Household Income (HK\$) (a)				Average Monthly CSSA Payment <sup>@</sup> (HK\$) (b)				Average Cash Transfer (Other than CSSA Payment) (HK\$) (c)				Average Salaries Tax and Property Tax (HK\$) (d)				Average Rates and Government Rent (HK\$) (e)				Average Post-Tax Monthly Household Income (HK\$) (f) = (a) – (d) – (e)			
	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005 <sup>^</sup>	% <sup>^</sup>	2008	% <sup>#</sup>	2005 <sup>^</sup>	% <sup>#</sup>	2008	% <sup>#</sup>
1 <sup>st</sup>	2,600	1	2,800	1	900	25	1,000	25	1,200	11	1,400	10	0	0	0	0	N.A	N.A	300	6	2,600	1	2,500	1
2 <sup>nd</sup>	6,000	2	6,500	2	1,200	32	1,200	31	1,900	18	1,900	14	0	0	0	0	N.A	N.A	300	5	6,000	3	6,200	2
3 <sup>rd</sup>	8,800	4	9,600	3	800	23	900	22	1,300	12	1,400	11	0*	0	0*	0	N.A	N.A	300	6	8,800	4	9,300	4
4 <sup>th</sup>	11,500	5	12,800	5	500	14	500	12	1,200	11	1,300	10	0*	0	0*	0	N.A	N.A	300	7	11,500	5	12,400	5
5 <sup>th</sup>	14,600	6	16,400	6	200	5	200	6	900	9	1,000	8	0*	0	0*	0	N.A	N.A	400	8	14,600	6	15,900	6
6 <sup>th</sup>	18,500	8	20,500	7	0*	2	0*	3	800	8	1,000	7	0*	1	0*	1	N.A	N.A	400	9	18,400	8	20,000	8
7 <sup>th</sup>	23,100	9	25,800	9	0*	0	0*	1	700	7	1,000	7	200	2	200	1	N.A	N.A	500	9	22,900	10	25,200	10
8 <sup>th</sup>	29,700	12	33,000	12	0*	0	0*	0	700	7	900	7	600	5	600	4	N.A	N.A	500	11	29,200	13	31,900	12
9 <sup>th</sup>	40,900	17	45,700	17	0	0	0*	0	900	8	1,100	8	1,700	13	1,700	14	N.A	N.A	700	14	39,200	17	43,300	17
10 <sup>th</sup>	88,600	36	102,900	37	0	0	0*	0	1,200	11	2,300	18	9,800	79	10,300	80	N.A	N.A	1,200	24	79,500	34	91,500	35
Overall	24,500	100	27,600	100	400	100	400	100	1,100	100	1,300	100	1,200	100	1,300	100	N.A	N.A	500	100	23,300	100	25,800	100

Decile Group	Average Education Benefits (HK\$) (g)				Average Medical Benefits (HK\$) (h)				Average Housing Benefits (HK\$) (i)				Average Post-tax Post-social Transfer Monthly Household Income (HK\$) (j) = (a) - (d) - (e) + (g) + (h) + (i)			
	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005	% <sup>#</sup>	2008	% <sup>#</sup>	2005 <sup>^</sup>	% <sup>#</sup>	2008	% <sup>#</sup>
1 <sup>st</sup>	600	3	600	3	1,400	13	2,000	18	300	9	500	11	4,900	2	5,600	2
2 <sup>nd</sup>	1,500	7	1,600	9	1,400	13	1,400	12	500	15	700	16	9,400	4	9,900	3
3 <sup>rd</sup>	2,500	12	2,400	13	1,300	12	1,200	11	500	16	700	17	13,100	5	13,600	5
4 <sup>th</sup>	2,700	13	2,500	14	1,100	11	1,200	10	500	17	700	17	15,900	6	16,900	6
5 <sup>th</sup>	2,700	13	2,200	12	1,100	10	1,100	10	500	15	600	14	18,900	7	19,900	7
6 <sup>th</sup>	2,400	12	2,000	11	1,100	10	1,000	9	400	11	500	11	22,300	8	23,400	8
7 <sup>th</sup>	2,200	11	1,800	10	900	9	1,000	9	300	9	400	8	26,300	10	28,300	10
8 <sup>th</sup>	2,000	10	1,600	9	800	8	900	8	200	6	200	5	32,200	12	34,600	12
9 <sup>th</sup>	1,900	9	1,500	8	800	7	800	7	0*	2	0*	2	42,000	16	45,700	16
10 <sup>th</sup>	2,300	11	1,800	10	700	7	700	6	0*	0	0*	0	82,600	31	94,000	32
Overall	2,100	100	1,800	100	1,100	100	1,100	100	300	100	400	100	26,700	100	29,200	100

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

CSSA payment and cash transfer are already included in deriving the original monthly household income.

@ The estimates were derived based on the data reported by individual households. However, these estimates were subject to under-reporting because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

# Refer to the amount received/paid by households in individual decile groups as a percentage of the total amount received/paid by all households.

^ No imputation on rates and Government rent was performed in the 2005 study because of data limitations.

\* Refer to an amount of less than \$100.

**Table 8: Original Monthly Household Income and Post-tax Post-social Transfer  
Monthly Household Income by Decile Group, 2005 and 2008**

Decile Group	Original Monthly Household Income (HK\$)		Total Average Adjustment* in Income (HK\$)		Post-tax Post-social Transfer Monthly Household Income (HK\$)		Total Average Adjustment as a Percentage to Original Monthly Household Income	
	(a)		(b)		(c)=(a)+(b)		(d)=(b)÷(a)×100%	
	2005	2008	2005	2008	2005 <sup>^</sup>	2008	2005 <sup>^</sup>	2008
1 <sup>st</sup>	2,600	2,800	2,300	2,800	4,900	5,600	88.2	98.6
2 <sup>nd</sup>	6,000	6,500	3,400	3,400	9,400	9,900	57.2	52.9
3 <sup>rd</sup>	8,800	9,600	4,300	4,000	13,100	13,600	49.3	41.2
4 <sup>th</sup>	11,500	12,800	4,300	4,100	15,900	16,900	37.7	31.9
5 <sup>th</sup>	14,600	16,400	4,200	3,600	18,900	19,900	28.9	21.8
6 <sup>th</sup>	18,500	20,500	3,800	2,900	22,300	23,400	20.5	14.1
7 <sup>th</sup>	23,100	25,800	3,200	2,500	26,300	28,300	13.8	9.6
8 <sup>th</sup>	29,700	33,000	2,500	1,600	32,200	34,600	8.2	4.8
9 <sup>th</sup>	40,900	45,700	1,100	0 <sup>#</sup>	42,000	45,700	2.7	-0.1
10 <sup>th</sup>	88,600	102,900	-6,000	-8,900	82,600	94,000	-6.8	-8.7
Overall	24,500	27,600	2,200	1,600	26,700	29,200	9.1	5.7

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

\* Total average adjustment is calculated by subtracting the average salaries tax and property tax and rates and Government rent paid by all households in a particular decile group from the sum of average education benefits, average medical benefits and average housing benefits received by that decile group.

<sup>^</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations.

<sup>#</sup> Refer to an amount of less than \$100.

**Table 9: Percentage Share of Taxes, Rates and Government Rent and Social Benefits  
Contributed to Total Adjustments by Decile Group, 2005 and 2008**

Decile Group	Total Average Adjustment in Income (HK\$)		Percentage Share to Total Average Adjustment										Total (%)	
			Salaries Tax and Property Tax (%)		Rates and Government Rent (%)		Education Benefits (%)		Medical Benefits (%)		Housing Benefits (%)			
	2005	2008	2005	2008	2005 <sup>^</sup>	2008	2005	2008	2005	2008	2005	2008	2005	2008
1 <sup>st</sup>	2,300	2,800	0	0	N.A.	-11	27	21	61	73	13	17	100	100
2 <sup>nd</sup>	3,400	3,400	0	0	N.A.	-8	45	47	42	40	13	21	100	100
3 <sup>rd</sup>	4,300	4,000	0	0	N.A.	-8	58	59	31	30	11	18	100	100
4 <sup>th</sup>	4,300	4,100	0	0	N.A.	-8	62	62	26	29	12	18	100	100
5 <sup>th</sup>	4,200	3,600	-1	-1	N.A.	-11	64	63	26	32	11	17	100	100
6 <sup>th</sup>	3,800	2,900	-2	-3	N.A.	-14	64	68	29	33	9	16	100	100
7 <sup>th</sup>	3,200	2,500	-6	-8	N.A.	-18	69	72	29	39	9	15	100	100
8 <sup>th</sup>	2,500	1,600	-23	-35	N.A.	-35	81	102	34	55	7	13	100	100
9 <sup>th</sup> #	1,100	0*	-151	-5639	N.A.	-2271	176	4907	68	2623	7	281	100	-100
10 <sup>th</sup> #	-6,000	-8,900	-163	-115	N.A.	-13	38	20	12	8	0	0	-100	-100
Overall	2,200	1,600	-55	-82	N.A.	-31	93	114	48	71	14	28	100	100

Notes: Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

# The adjustment for taxation and social benefits has the effect of reducing post-tax post-social transfer monthly household income for households in the 9<sup>th</sup> and 10<sup>th</sup> decile groups, i.e. negative average total adjustment.

<sup>^</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations.

\* Refer to an amount of less than \$100.

**Table 10: Original Monthly Household Income at Selected Percentiles, 2005 and 2008**

Percentile	Original Monthly Household Income (HK\$)		% change
	2005	2008	08 vs 05
10 <sup>th</sup> (P10)	4,600	5,000	8.7
20 <sup>th</sup> (P20)	7,400	8,000	8.0
30 <sup>th</sup> (P30)	10,000	11,000	10.1
40 <sup>th</sup> (P40)	13,000	14,600	12.1
50 <sup>th</sup> (P50)	16,300	18,400	12.9
60 <sup>th</sup> (P60)	20,500	23,000	12.0
70 <sup>th</sup> (P70)	26,000	29,000	11.6
80 <sup>th</sup> (P80)	34,000	38,000	11.8
90 <sup>th</sup> (P90)	50,000	56,000	12.0

**Table 11: Ratio of Selected Percentiles, 2005 and 2008**

Percentile	Ratio of Selected Percentiles	
	2005	2008
P90/P10	10.9	11.2
P80/P20	4.6	4.8
P80/P50	2.1	2.1
P50/P20	2.2	2.3

Notes:

P90/P10 ratio – To illustrate the full spread of the income distribution

P80/P20 ratio – To illustrate the magnitude of the range within which the incomes of the majority of the population fall

P80/P50 and P50/P20 ratios – To compare the ends of the income distribution with the midpoint

**Table 12: Tax Rate and Major Allowances of Salaries Tax, 2005 and 2008**

Salaries Tax	2004/05	2008/09		
	HK\$	HK\$		
<b>Major Allowances</b>				
Basic allowance	100,000	108,000		
Married person's allowance	200,000	216,000		
Children allowances				
The 1st to 2nd child	30,000	50,000		
The 3rd to 9th child	30,000	50,000		
<b>Table Showing Tax on Net Chargeable Income<sup>(1)</sup></b>				
	Net Chargeable Income (HK\$)	Tax Rate	Net Chargeable Income (HK\$)	Tax Rate
On the first	30,000	2%	40,000	2%
On the next	30,000	8%	40,000	7%
On the next	30,000	14%	40,000	12%
Remainder		20%		17%
<b>Standard Rate of Tax</b>		16%		15%

Note : (1) Net chargeable income equals to income minus deductions and allowances.

**Table 13: Percentage of Taxes and Social Benefits to Original Monthly Household Income by Decile Group, 2005 and 2008**

Decile Group	Average Original Monthly Household Income (HK\$) (a)		% of Average Monthly CSSA Payment <sup>@</sup> to Original Monthly Household Income (b)÷(a) ×100%		% of Average Cash Transfer (Other than CSSA Payment) to Original Monthly Household Income (c)÷(a) ×100%		% of Average Salaries Tax and Property Tax to Original Monthly Household Income (d)÷(a) ×100%		% of Average Rates and Government Rent to Original Monthly Household Income <sup>^</sup> (e)÷(a)×100%
	2005	2008	2005	2008	2005	2008	2005	2008	2008
1 <sup>st</sup>	2,600	2,800	36	34	45	49	0	0	11
2 <sup>nd</sup>	6,000	6,500	20	19	32	29	0	0	4
3 <sup>rd</sup>	8,800	9,600	10	9	14	15	0	0	3
4 <sup>th</sup>	11,500	12,800	4	4	10	10	0	0	3
5 <sup>th</sup>	14,600	16,400	1	1	6	6	0	0	2
6 <sup>th</sup>	18,500	20,500	0	0	5	5	0	0	2
7 <sup>th</sup>	23,100	25,800	0	0	3	4	1	1	2
8 <sup>th</sup>	29,700	33,000	0	0	2	3	2	2	2
9 <sup>th</sup>	40,900	45,700	0	0	2	2	4	4	2
10 <sup>th</sup>	88,600	102,900	0	0	1	2	11	10	1
Overall	24,500	27,600	2	1	4	5	5	5	2

Decile Group	% of Average Education Benefits to Original Monthly Household Income (f)÷(a) ×100%		% of Average Medical Benefits to Original Monthly Household Income (g)÷(a) ×100%		% of Average Housing Benefits to Original Monthly Household Income (h)÷(a) ×100%		% of Average Post-tax Post-social Transfer Monthly Household Income to Original Monthly Household Income (i)÷(a) ×100% where (i) = (a) - (d) - (e) + (f) + (g) + (h)	
	2005	2008	2005	2008	2005	2008	2005 <sup>^</sup>	2008
1 <sup>st</sup>	24	20	53	72	11	17	188	199
2 <sup>nd</sup>	26	25	24	21	8	11	157	153
3 <sup>rd</sup>	29	24	15	12	5	8	149	141
4 <sup>th</sup>	23	20	10	9	4	6	138	132
5 <sup>th</sup>	18	14	8	7	3	4	129	122
6 <sup>th</sup>	13	10	6	5	2	2	120	114
7 <sup>th</sup>	10	7	4	4	1	1	114	110
8 <sup>th</sup>	7	5	3	3	1	1	108	105
9 <sup>th</sup>	5	3	2	2	0	0	103	100
10 <sup>th</sup>	3	2	1	1	0	0	93	91
Overall	9	7	4	4	1	2	109	106

**Notes:** Decile groups are formed by ranking all households in terms of their original monthly household incomes and then dividing the households into ten groups of equal size.

CSSA payment and cash transfer are already included in deriving the original monthly household income.

<sup>@</sup> The estimates were derived based on the data reported by individual households. However, these estimates were subject to under-reporting because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

\* Refer to an amount of less than \$100.

<sup>^</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations.



**Table 14: Summary Statistics on Households in the Lowest and the Highest Quintile Groups, 2005 and 2008**

	Households in the 1 <sup>st</sup> and 2 <sup>nd</sup> Decile Groups [Lowest Quintile Group]			Households in the 9 <sup>th</sup> and 10 <sup>th</sup> Decile Groups [Highest Quintile Group]			All Households		
	2005 <sup>^</sup>	2008	% change 08 vs 05	2005 <sup>^</sup>	2008	% change 08 vs 05	2005 <sup>^</sup>	2008	% change 08 vs 05
Average original monthly household income (HK\$)	4,300	4,600	+8.5	64,700	74,300	+14.8	24,500	27,600	+12.6
Average total tax payment per month (HK\$)	0*	300	N.A.	5,800	7,000	+21.1	1,200	1,800	+43.8
Average social benefits allocated per month (HK\$)	2,900	3,400	+18.6	2,900	2,500	-15.0	3,500	3,400	-3.3
Average post-tax monthly household income (HK\$)	4,300	4,400	+1.9	59,400	67,400	+13.4	23,300	25,800	+11.0
Average post-tax post-social transfer monthly household income (HK\$)	7,100	7,700	+8.6	62,300	69,800	+12.1	26,700	29,200	+9.1
<b>With Relief Measures in 2008</b>									
Average total tax payment per month (HK\$)	N.A.	0*	N.A.	N.A.	5,500	-4.5	N.A.	1,200	-1.7
Average social benefits allocated per month (HK\$)	N.A.	3,500	+23.0	N.A.	2,500	-14.4	N.A.	3,500	-0.4
Average post-tax monthly household income (HK\$)	N.A.	4,600	+6.8	N.A.	68,800	+15.9	N.A.	26,400	+13.4
Average post-tax post-social transfer monthly household income (HK\$)	N.A.	8,100	+13.3	N.A.	71,300	+14.5	N.A.	29,800	+11.6

Notes:

\* Refer to an amount of less than \$100.

<sup>^</sup> No imputation on rates and Government rent was performed in the 2005 study because of data limitations.

## **Technical Note on the Methodology of the Study on Impact of Taxation and Social Benefits on Household Income**

### **I. Background**

The poverty situation in Hong Kong is of great concern to the community. Efforts to tackle poverty must start with an understanding of its complexities. A range of public policies are in place to redistribute income and to alleviate the burden of low-income households, viz. housing, education, medical services, other social services and social benefits, with resources supported by the tax system. However, updated statistics reflecting how these policies affect the low-income households are not available.

2. In conducting income and poverty related studies in other countries (including the United States, the United Kingdom, Australia, Canada and Singapore), the concept of adjusted income (after taking into account the taxes and social benefits imposed by the Government) rather than original income has been introduced to better reflect the economic well-being of households. In Hong Kong, the Census and Statistics Department has conducted similar study in 2006 and 2007 based on data collected from the General Household Survey (GHS) in 2005 and the 2006 Population By-census (06BC) respectively. In order to closely monitor the level of income disparity in Hong Kong, it is considered necessary to repeat the Study on impact of taxation and social benefits on household income (the Study) using the data collected from the GHS in 2008. The Study all along confines to the impact on household income resulting from policies on salaries tax system, housing, education, medical services and other social services.

### **II. Unit of analysis**

3. The unit of analysis in the Study is domestic household. A domestic household is defined as a group of persons who live together and make common provision for essentials for living. These persons need not be related. If a person makes provision for essentials for living without sharing with other persons, he/she will be regarded as a one-person household.

### **III. Coverage**

4. All records of domestic households enumerated in GHS in 2008 will be covered. The adjustments on household income taking account of taxation and

various social benefits will be made at record level.

5. Rotational replicate sample design is adopted in GHS such that households in about half of the sampled quarters in a survey month have been enumerated three months ago. It is considered technically acceptable to include both new and repeated records in the Study. This is because each quarterly sample (with no records overlapped) is a representative sample and the pooling of the four quarterly samples (though not independent) can still give estimates to represent the average situation of the four quarters concerned statistically. The estimated number of records covered in this exercise will be about 80 000 households.

6. It should be noted that records of collective households, though enumerated in GHS, are not included in the Study. Inmates of institutions and persons living on board vessels are excluded by virtue of the coverage of GHS.

#### **IV. Concept of household income adopted in GHS and in the Study**

7. In GHS, monthly household income refers to the total cash income, including earnings from all jobs before deduction of the employee's Mandatory Provident Fund (MPF) contribution and other cash incomes, received in the last month by members of the household. The other cash incomes may include rental income, dividend and interest, education grants, scholarships, regular/monthly pensions, regular contribution from persons living outside the household (e.g. from sons/daughters who live separately), social security allowance and CSSA payment, etc.

8. The monthly household income data as collected from GHS will be derived using the following formula:

$$\text{Monthly household income (MHI)} = (MEE - MB) + AB \div 12 + OCI + CT$$

where *MEE* = Employment earnings before deduction of the employee's MPF contribution received by all members last month

*MB* = Employment bonuses received by all members last month

*AB* = Employment bonuses received by all members in the past 12 months

*OCI* = Other cash incomes received by all members last month

*CT* = Cash transfer received by all members from the Government and/or persons living outside the household last month

9. The diagram in Appendix 1 shows the relationship of the concepts of household income in the Study.

## **V. Scope of taxation and social benefits addressed in the Study**

10. Income collected in GHS only covers “money” received by a person through employment and various kinds of transfer. In real life, there are various types of benefits allocated to a person that cannot be reflected in the income data. These benefits can be provided by the public sector (e.g. free-education provided by public funding, and social services by charitable organisations), and by the private sector (e.g. quarters provided to employees). It is difficult to quantify all the benefits allocated to each individual in money terms given the large number of recipients and providers involved, and also the unavailability of data. The scope of benefits covered in this Study confines to government intervention provided to individuals directly through public mechanism/institutions. The Study allocates those public funded benefits and taxes paid that can reasonably be attributed to households. It does not attempt to allocate non-social government expenditure such as capital expenditure and expenditure on the maintenance of law and order to households where there is no clear conceptual basis for allocation; nor does it attempt to allocate company/corporation tax to households as it would be too difficult.

11. As far as taxation is concerned, only salaries tax and property tax from household members are covered in the Study. An imputed value of salaries tax and property tax paid by members of the household will be deducted from the household income. For indirect taxes other than rates and Government rent, they will not be covered in the Study due to the lack of concrete conceptual basis for estimation and the practical difficulties of delineating the target groups.

12. As for social benefits, attempts will be made in the Study to allocate an imputed value of the indirect benefits for education, housing and health care services provided by the Government to individual households. The imputed value will be added to derive the post-tax post-social transfer household income (PTSTHI) as follows:

$$PTSTHI = MHI - TX - RR + EB + HB + MB$$

where *MHI* = Monthly household income

*TX* = Imputed value of salaries tax and property tax

*RR* = Imputed value of rates and Government rent

*EB* = Imputed value of education benefits enjoyed by members who are

*studying full-time in kindergartens, primary schools, secondary schools, vocational and UGC-funded institutions*

*HB = Imputed value of housing benefits enjoyed by the household*

*MB = Imputed value of medical benefits enjoyed by all members*

More details about the imputation are shown in the relevant sections below.

## **VI. Methodology for adjusting household income**

### ***Salaries tax and property tax***

13. No data on salaries tax and property tax are collected in GHS. The amount of salaries tax paid by each member of a household who is classified as employed is estimated by reference to its personal record, following the calculation adopted by the Inland Revenue Department with some simplifications. The assessment year adopted for the Study is 2008-2009 financial year, though the assessment year (covering April 2008 - March 2009) is not exactly the same as the reference period of the GHS data (covering January - December 2008), no adjustment is considered necessary to account for. Similarly, the amount of property tax paid by each member of a household who received rental income can opt for personal assessment or separate assessment from salaries tax and property tax, whichever is lower. Although rental income cannot be distinguished from income from land let, property let and vehicle let, it is assumed that all rental incomes are assessed under property tax treatment.

14. In deriving the “Net Chargeable Income” for calculating salaries tax, the household head is considered as being qualified for selected types of deductions/allowances in addition to the basic allowance. These include deduction from mandatory contributions to recognised retirement schemes<sup>1</sup> (including contributions to MPF Scheme) and single parent allowance<sup>2</sup>. In addition, the household head or his/her spouse is assumed to be entitled to married person’s allowance<sup>3</sup>, children allowance<sup>4</sup> and dependent brother/sister allowance<sup>5</sup> whoever has higher income. All other household members are assumed to be

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<sup>1</sup> *Based on the imputed amount of MPF contributions.*

<sup>2</sup> *Applicable only if the marital status is unmarried/widowed/separated/divorced and has at least one child living together.*

<sup>3</sup> *Applicable only if the household head is married and his/her spouse has no income from employment.*

<sup>4</sup> *Based on the number of children living together, their respective marital status and age, and whether studying full-time.*

<sup>5</sup> *Based on the number of brothers/sisters living together, their respective marital status and age, and whether studying full-time.*

qualified for the basic allowance, deduction from mandatory contributions to recognised retirement schemes, married person's allowance and single parent allowance. Regarding the dependent parents/grandparents allowance<sup>6</sup>, the household members with higher income after deduction of other allowances or deductions are considered as being qualified. The owners of quarters are also entitled to the deduction of home loan interest<sup>7</sup>. Owing to data constraints, the remaining allowances and deductions such as disabled dependant allowance, deduction from self-education expenses, deduction from donations to charities and deduction from elderly residential care expenses will not be incorporated in the computation.

15. Salaries tax charged should not exceed the standard rate of tax applied to the net total income without allowance (i.e. total assessable income less total deductions). The salaries tax paid by the entire household is then be derived by summing up the taxes paid by all household members.

16. Property owners who received rental income are assessed to property tax. In the imputation process, rental income is treated either in the elected personal assessment or under property tax, whichever yields lower tax.

### ***Rates and Government Rent***

17. Rates are one of Hong Kong's indirect taxes levied on properties. Generally, properties in all parts of Hong Kong are liable to rates assessment. On the other hand, all land in Hong Kong is leased from the Government by way of a "land grant" known as Government (formerly Crown) lease. All owners have covenanted under Government leases to pay a rent to the Government in return for the occupation or use of the land leased. Since each household has to pay rates / Government rent, the value of rates / Government rent paid by each household is deducted from the household income.

18. For private housing, the imputation is performed with reference to the 06BC results. Although the information on rate, Government rent and the management fees cannot be identified separately in the 06BC, the breakdowns of individual items can be roughly estimated by making reference to the standard charging percentage of the rate and Government rent to rateable value.

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<sup>6</sup> Based on the number of parents/grandparents living together and their respective age.

<sup>7</sup> Applicable only if the households are with mortgage or loan on their owner-occupied quarter. The required data is derived by making reference to the result of 06BC and the Hong Kong Annual Digest of Statistics published by the Census and Statistics Department.

19. For public rental housing, reference is made to the “Annual Report” and “Review of Domestic Rent Policy Consultation Paper from Housing Authority” published by the Housing Authority when estimating the imputed values of rates and Government rent.

### ***Education benefits***

20. Information on whether each household member is studying full-time and his/her highest level of educational attainment attended was enquired in GHS.

21. The 06BC provided information on students who are studying in Government subsidised schools or schools not receiving Government subsidies, as well as students who are studying locally or abroad. With reference to the pattern observed in 06BC, imputation is performed for the education benefits enjoyed by members who reported themselves as students (except those studying distance-learning courses) at the reference moment.

22. As regards households with members who are studying full-time courses, their eligibility for applying various kinds of education subsidies and financial assistance are assessed individually using the GHS data. The education benefit allocated to a household member who is studying is imputed by reference to his/her level of education attending and the subsidies and financial assistance for each of the five categories of education, viz. (i) pre-primary education, (ii) primary education, (iii) secondary education (including matriculation), (iv) vocational education, and (v) post-secondary education. However, information of household members who were taking subsidised courses or self-financed courses in post-secondary education is neither available from GHS nor 06BC, the education subsidies will be randomly applied to each eligible member making reference to statistics available from the University Grant Committee (UGC).

23. Various types of financial assistance are also taken into account when estimating the education benefit allocated to each eligible students. In brief, the following assistances will be included for students at secondary education or below: (i) Pre-primary education voucher scheme, (ii) Kindergarten and child care centre fee remission scheme, (iii) Financial assistance for primary and secondary students, (iv) Tuition fee reimbursement for Project Yi Jin students (including part-time students), and (v) Senior secondary fee remission scheme. For students at post-secondary and tertiary education, the financial assistances are (i) Tertiary student financial scheme – publicly-funded programmes, (ii) Financial assistance scheme for post-secondary students, and (iii) Student travel subsidy for tertiary and post-secondary students.

24. All the education subsidies and financial assistances allocated to each household member are taken as his/her education benefit enjoyed.

### ***Housing benefits***

25. Households living in public rental flats are assumed to receive housing benefit.

26. For households living in public rental flats, a marginal analysis approach is adopted by estimating the opportunity cost to the Government if a public rental flat is leased in a hypothetical open market since there is actually no transfer payment or expenses made for housing benefits.

27. For each of the households living in public rental flats, a market rent is imputed on the basis of the average market rent of the building where the flat is located according to the data provided by the Rating and Valuation Department. Specifically, an average ratio of market rent to net normal rent is derived for each public rental block based on the average market rent and average net normal rent of all flats in the block.

28. The average ratio is assumed to be the same for all public rental flats for each building and no allowance for quality difference between public and private housing has been made. The difference between the imputed market rent and the actual rent paid by the household is taken as the amount of public housing benefit allocated by that household.

### ***Medical benefits***

29. The total amount of expenditure by the Government in respect of two main types of medical services, namely, doctor consultation and hospitalisation are based on the results of the Hong Kong Domestic Health Accounts (HKDHA) provided by the Food and Health Bureau (FHB). Given the ratio of the amount subsidised by the Government and the actual amount incurred by Hong Kong Population for the service of doctor consultation or hospitalisation, the total amounts incurred in subsidising the two services are thus obtained. The average unit costs with respect to the doctor consultation and the hospitalisation will be estimated by dividing the total amount of subsidies by the total number of doctor consultation and total duration of stay in hospitals (in days) respectively. They are equivalent to the medical benefit generally received by each household member.



30. Specifically, by making reference to the result in the latest round of Thematic Household Survey (THS) on health-related issues conducted in 2008, the medical benefit covering doctor consultation and hospitalisation services is further allocated to household members randomly according to utilisation rates by personal characteristics (i.e. age, sex, type of housing and household income). Although THS did not cover persons who have been passed away, no adjustment is considered necessary to account for such a small number.

31. In addition, two medical services for students which have relatively high enrolment rate, i.e. student health service and school dental care service, are included in the medical benefit. Since information on whom has enrolled in a particular scheme is not available in GHS, the number of pseudo-enrolled students is estimated based on the enrolment rate provided by the Department of Health. Such students will be selected randomly in the GHS datasets and the unit cost will be apportioned to the pseudo-enrolled students as one of the subsidies to medical service.

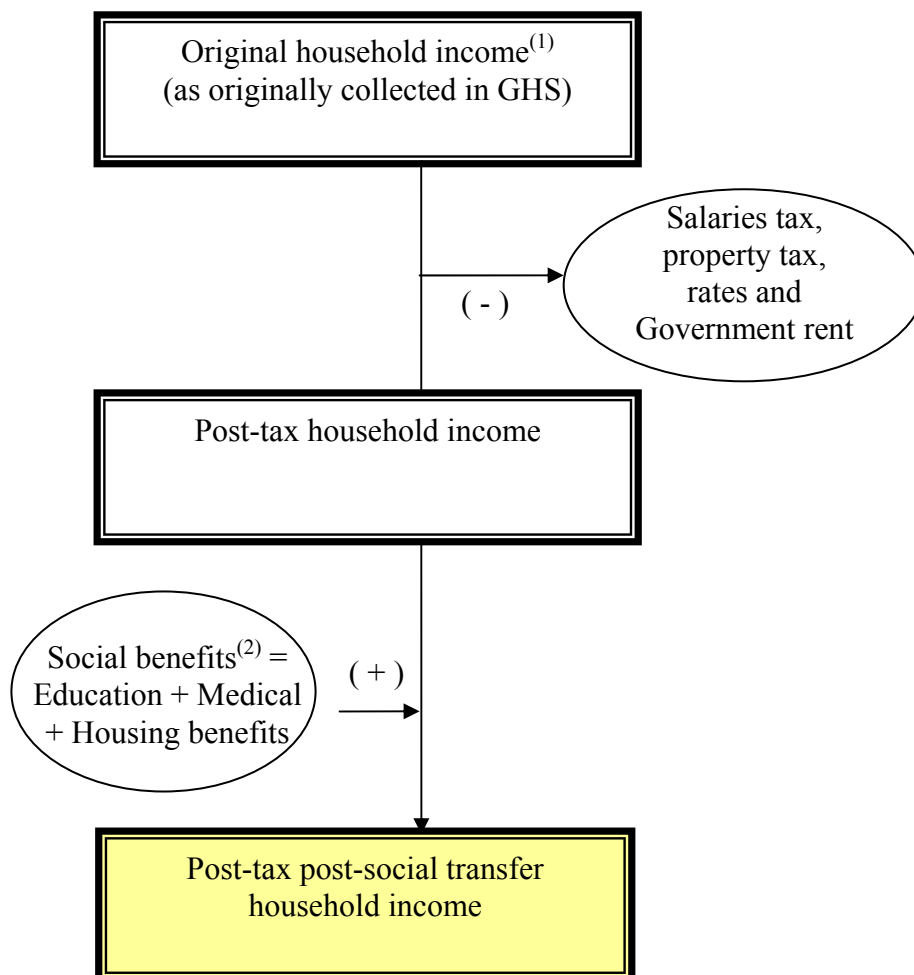
32. The total amount of medical benefits received by each person will be computed by adding up all the benefits received through the doctor consultation, hospitalisation, student health service and school dental care service. The medical benefits enjoyed by a household will be equal to the total sum of medical benefits received by each member within the household.

### ***Government relief measures***

33. In 2008-2009 financial year, the Government has introduced different relief measures to improve people's livelihoods. In February 2008, the Financial Secretary unveiled in his budget a package of relief measures including tax reduction, rates waiver, rent payment for public housing tenants, extra payment of CSSA, Disability Allowance and Old Age Allowance, electricity subsidy and so on. That apart, the Chief Executive announced another package of relief measures such as MTR student fare concessions, suspension of Employees Retraining Levy, etc., in July 2008. Details of individual measures are given at [Appendix 2](#).

34. Some of the relief measures fell within the scope of the Study. To examine how government interventions, by means of taxes and social benefits including education, medical and housing benefits, redistribute income amongst households in Hong Kong, relevant relief measures will be included in the Study.

### Relationship of the Concepts of Household Income in the Study



**Note**

- (1) Referring to monthly domestic household income which includes income from employment, income from investment (e.g. rental income, dividend and interest) and cash transfer.
- (2) Covering such social benefits as education, housing and medical benefits.

### Summary of Relief Measures Implemented in 2008

	<b>Details of the measures</b>	<b>Whether included in the Study</b>
<b>A. Taxation</b>	(a) Salaries tax - One-off tax reduction of 100% for 2008-09 salaries tax and tax under personal assessment with a ceiling of \$8,000.	(a) Yes
<b>B. Rates and Government Rent</b>	(a) Rates concession - Maximum ceiling of \$5,000 per quarter is waived for each rateable tenement.	(a) Yes
<b>C. Education</b>	(a) Education Allowance - One-off grant of \$1,000 for students who are eligible for receiving financial assistance from The Student Financial Assistance Agency or students whose families are CSSA recipients.	(a) Yes
<b>D. Housing</b>	(a) Waiver of rental payment of Public Rental Estates - Three months' rental payments (Aug – Oct 2008) are waived for those lower income families living in Public Rental Estates.	(a) Yes
<b>E. Other Social Benefits</b>	(a) CSSA - Additional two months' standard rate of CSSA payments are provided for CSSA recipients.  (b) Old Age Allowance - One-off grant of \$3,000 is offered to the eligible elderly persons with additional two months' standard rate of payments.  (c) Disability Allowance - Additional two months' disability allowance is provided for recipients.	(a) Yes  (b) Yes  (c) Yes

Already included in the original household income, though the additional payment / allowance cannot be distinguished therefrom.

	<b>Details of the measures</b>	<b>Whether included in the Study</b>
<b>F. Miscellaneous</b>	(a) Home Environment Improvement Scheme for the Elderly (Provided by Social Welfare Department) - To help eligible elderly people without family support improve their home environment with ceiling of \$5,000 per case.	(a) No #
	(b) Building Maintenance Grant Scheme for Elderly Owners (Provided by Hong Kong Housing Society) - To subsidise eligible elderly owner-occupiers to carry out maintenance or safety improvement in their flats with ceiling of \$40,000 over 5 years.	(b) No #
	(c) Transport Support Scheme - On-the-Job Transport Allowance of \$600 per month (up to 12 months) is provided to those working and eligible persons who are residing in Tuen Mun, Yuen Long, North and Islands District Council Districts. - Job Search Allowance of up to \$600 is provided to eligible job-seekers residing in Tuen Mun, Yuen Long, North and Islands District Council Districts.	(c) No
	(d) Electricity Subsidy - Monthly electricity charge subsidy of maximum of \$300 a month is credited to the domestic tariff electricity account of each quarter.	(d) No
	(e) Suspension of Employees Retraining Levy for Foreign Domestic Helpers - \$400 per month per helper is waived for each household hiring foreign domestic helper	(e) No
	(f) Extension of student fare concession by MTRC (Formerly KCR lines)	(f) No #

Note:

# It would not be covered in the analysis of the Study due to the lack of concrete conceptual basis for estimation and the practical difficulties of delineating the target groups in Hong Kong population.

## **Socio-economic Characteristics of Households by Decile Group, 2008**

This section analyses the socio-economic characteristics of households in various decile groups (ranked by their original household income) based on data collected in the General Household Survey in 2008. A comparison of the socio-economic characteristics of the households by decile group is presented in Table 1 to Annex 2.

### Age

2. In analysing the age of persons from households of different decile groups, it was noted that relatively higher percentages of households in the 1<sup>st</sup> and 2<sup>nd</sup> decile groups (60% and 29% respectively) were having all household members aged 60 and above.

### Educational attainment

3. For households in the lower decile groups, their household members generally had lower level of educational attainment. Among persons aged 15 and over from the 1<sup>st</sup> decile group, 70% had lower secondary education and below and the percentages gradually decreased to 12% in the 10<sup>th</sup> decile group.

### Labour force participation rate

4. Extremely low labour force participation rate (about 15%) was recorded for persons aged 15 and over from households in the 1<sup>st</sup> decile group, possibly due to more elderly households in that group. On the contrary, persons from households with higher household income had higher labour force participation rate, at 76% and 78% in the 9<sup>th</sup> and 10<sup>th</sup> decile groups respectively.

### Type of housing

5. Among households in the first four decile groups, nearly half of them (about 50%) were living in public rental housing. The proportion gradually decreased to less than 1% in the 10<sup>th</sup> decile group.

### Household size

6. Household size is the number of persons living in a household. The larger the household size, the greater probability for the households to have more economically active members and hence a higher level of household income. The majority of households in the 1<sup>st</sup> and 2<sup>nd</sup> decile groups were small households with

only one to two household members (90% and 69% respectively). The proportion of small households decreased in the higher decile groups, ranging from 25% to 30% for the 5<sup>th</sup> to 10<sup>th</sup> decile groups.

Dual-income couples (couples are both employed persons)

7. A significant proportion of the higher income households were formed by dual-income couples. It was noted that more than half of the households (54%) in the top 2 decile groups were formed by dual-income couples, as compared with only a mere proportion (1%) of the households in the bottom two decile groups.

Single parent households

8. Around one-tenth (9%) of the households in the 2<sup>nd</sup> decile groups were single parent households, relatively higher than the corresponding percentages in other decile groups.

Contribution to post-tax post-social transfer monthly household income

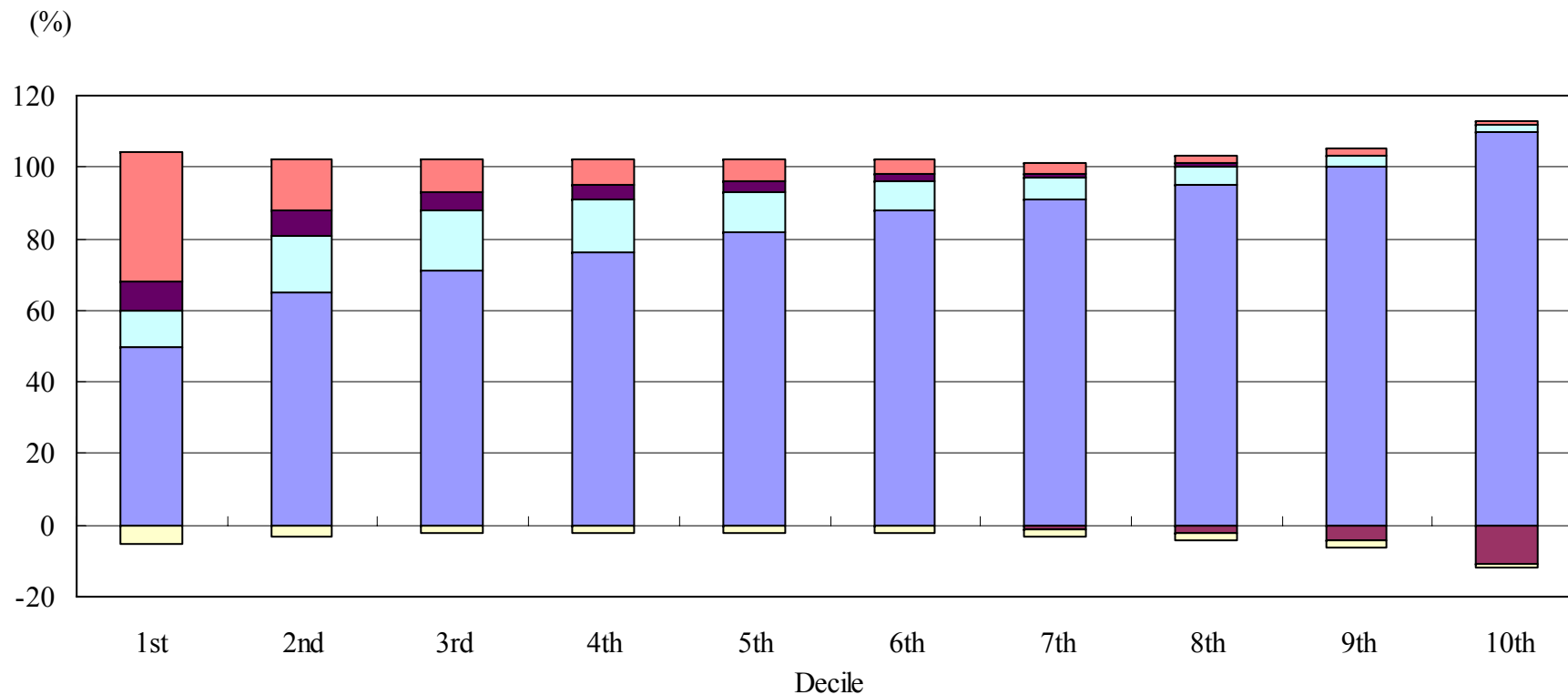
9. As shown in Figure 1, medical benefits was predominant income source for the lowest decile group while original household income is the main contributor to monthly post-tax post-social transfer monthly household income in other decile groups.

**Table 1 to Annex 2 : Percentage Distribution of Households with Selected Socio-economic Characteristics by Decile Group, 2008**

Socio-economic characteristics	Decile Group (%)										Overall
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	
Labour force participation rate (among persons aged 15 and over)	15	34	46	54	61	65	70	73	76	78	61
Share of persons with lower secondary education and below (among persons aged 15 and over)	70	66	57	54	47	41	36	29	22	12	40
Share of households with 1 - 2 members	90	69	45	35	30	29	25	27	30	30	41
Share of households with all members aged 60 and above	60	29	8	4	2	1	1	1	1	1	11
Share of households living in public rental housing	45	56	50	48	38	29	23	13	6	1	31
Share of households with dual-income couples	0	2	8	19	27	32	39	43	51	57	28
Share of single parent households	3	9	7	5	2	2	2	1	1	1	3

Note: Decile groups are formed by first ranking all households in terms of their original monthly household income and then dividing the households into ten groups of equal size.

**Figure 1 to Annex 2: Percentage Share of Post-tax Post-social Transfer Monthly Household Income by Decile Group, 2008**



- Average Original Monthly Household Income
- Average Rates and Government Rent Per Month
- Average Housing Benefits Per Month
- Average Salaries Tax and Property Tax Per Month
- Average Education Benefits Per Month
- Average Medical Benefits Per Month

Note: Each of the ten decile groups contains the same number of households, ranked by the original monthly household income



## **Analysis of Elderly Households, 2008**

This analysis addresses the characteristics of households with all members aged 60 and over. There were 246 200 elderly households in 2008, accounting for 11% of all households in Hong Kong.

### Educational attainment

2. Of those persons from elderly households, some 9% had attained post-secondary education and the majority (78%) had only lower secondary education or below.

### Labour force participation rate

3. Some 9% of the persons from elderly households were still in the labour force. Of those employed persons, over one-third (39%) were workers in elementary occupations.

### Type of housing

4. Some 47% of the elderly households were living in public rental housing. The corresponding figures for subsidized sale flats and private permanent housing were 10% and 41% respectively. Among the elderly households living in private permanent housing, around 95% were occupying the whole flat.

### Household size

5. Almost all of the elderly households (99%) were small households with 1 – 2 members. There were 139 300 1-person and 105 200 2-person households which accounted for some 57% and 43% respectively of all the elderly households.

### CSSA

6. Some 28% of the elderly households were receiving CSSA<sup>1</sup>.

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<sup>1</sup> The percentage was derived based on the data reported by individual households. It is however expected that the actual percentage should be much higher because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

Post-tax post-social transfer monthly household income

7. Some 82% of the elderly households belonged to the group of households with the lowest 20% of household income. After taking into account the impacts of taxation and social benefits, the average monthly household income of the elderly households increased from \$7,500 originally to \$9,600 post-tax post-social transfer.

**Table 1 to Annex 3 : Socio-economic Characteristics  
of Elderly Households, 2008**

Socio-economic characteristics	%
Labour force participation rate	9
Share of persons with lower secondary education and below	78
Share of households with 1 - 2 members	99
Share of households living in public rental housing	47
Share of households receiving CSSA	28

## **Analysis of Non-elderly Workless Households, 2008**

This analysis addresses the characteristics of non-elderly households without working members. These households should consist of at least one household member who was aged below 60 and all members therein are not working. There were 161 900 non-elderly workless households in 2008, accounting for 7% of all households in Hong Kong.

### Age

2. In 2008, about 28% of those members belonging to non-elderly workless households were aged below 20 and another 18% aged 60 and over.

### Educational attainment

3. Of those persons aged 15 and over from non-elderly workless households, some 13% had attended post-secondary education and 57% had lower secondary education and below.

### Type of housing

4. Some 49% of the non-elderly workless households were living in public rental housing while 40% and 10% in private permanent housing and subsidized sale flats respectively.

### Household size

5. About 61% of the non-elderly workless households were small households with only 1 – 2 members.

### CSSA

6. Nearly two-fifths (39%) of the non-elderly workless households were receiving CSSA<sup>1</sup>.

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<sup>1</sup> The percentage was derived based on the data reported by individual households. It is however expected that the actual percentage should be much higher because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

Post-tax post-social transfer monthly household income

7. After taking into account the impacts of taxation and social benefits, the average monthly household income of those non-elderly workless households increased significantly from \$7,000 originally to \$10,900 post-tax post-social transfer.

**Table 1 to Annex 4 : Socio-economic Characteristics  
of Non-elderly Workless Households, 2008**

Socio-economic characteristics	%
Share of persons with lower secondary education and below (among persons aged 15 and over)	57
Share of households with 1 - 2 members	61
Share of households living in public rental housing	49
Share of households receiving CSSA	39

### **Analysis of Low Income Households and Low Income Working Households, 2008**

This analysis addresses the characteristics of low income households with monthly household income (excluding that of foreign domestic helpers, if presence therein) below the average monthly CSSA payment for households of the corresponding household size. For those low income households consisting of at least one employed person (excluding foreign domestic helpers), they are referred to as “low income working households”. There were 314 700 low income households and 98 100 low income working households in 2008, accounting for 14% and 4% respectively of all households in Hong Kong.

Household size	Average monthly CSSA payment (HK\$)
1	3,560
2	5,809
3	7,782
4	9,203
5	10,871
6+	13,652

#### Age

2. More than one-third (36%) of those persons from the low income working households were aged below 20 and another 12% were aged 60 and over. The corresponding percentages for low income households were 26% and 34% respectively.

#### Educational attainment

3. Of those persons aged 15 and over from low income working households, only 15% had attained matriculation education and above, and 59% had lower secondary education and below. The corresponding percentages for low income households were 14% and 65% respectively.

#### Labour force participation rate

4. Some 45% of those persons aged 15 and over from the low income working households were in the labour force. Among them, 11% were unemployed persons. Of those employed persons, the majority (92%) were engaged in low-skilled jobs such as clerks, service workers and shop sales, craft and related workers, plant and machine operators and assemblers, and workers in elementary occupations.

5. In contrast, a quarter (24%) of those persons aged 15 and over from the low income households were in the labour force. Among them, 24% were unemployed persons. Of those employed persons, the majority (92%) were engaged in low-skilled jobs.

#### Type of housing

6. Over half of the low income working households were living in public rental housing. Another 14% were living in subsidized sale flats and 31% in private permanent housing. Among the low income working households living in private permanent housing, 95% were occupying the whole flat.

7. Similarly, some 50% of the low income households were living in public rental housing. More than one-tenth (12%) of low income households were living in subsidized sale flats while 37% of the households were living in private permanent housing. Some 95% of the latter group were occupying the whole flat.

#### Household size

8. Among the low income working households, 80 400 were households with 3 members and more, accounting for some 82% of all low income working households.

9. Yet there were 126 000 low income households with 3 members and more, accounting for 40% of all low income households.

#### CSSA

10. Among all low income working households, 93% were not receiving CSSA although their monthly household incomes were less than the average CSSA payment for households of the same household size<sup>1</sup>. The corresponding percentage for low income households was much lower, at 73%.

#### Post-tax post-social transfer monthly household income

11. After taking into account the impacts on taxation and social benefits, the average monthly household income of both low income working households and low income households nearly doubled in 2008, from \$6,900 to \$13,300 for low income working households and from \$4,500 to \$8,800 for low income households.

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<sup>1</sup> The percentage was derived based on the data reported by individual households. It is however expected that the actual percentage should be much higher because of the prevailing reluctance of individual households in revealing their status of receiving CSSA.

**Table 1 to Annex 5 : Socio-economic Characteristics  
of Low Income Households and Low Income Working Households, 2008**

Socio-economic characteristics	Low income households (%)	Low income working households (%)
Labour force participation rate (among persons aged 15 and over)	24	45
Share of persons with lower secondary education and below (among persons aged 15 and over)	65	59
Share of households with 1 - 2 members	60	18
Share of households with all members aged 60 or above	39	3
Share of households living in public rental housing	50	54
Share of households receiving CSSA	27	7