OFFICIAL REPORT OF PROCEEDINGS

Meeting of 9th June 1965

PRESENT

HIS EXCELLENCY THE GOVERNOR *(PRESIDENT)*
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
HIS EXCELLENCY LIEUTENANT-GENERAL SIR DENIS STUART SCOTT O'CONNOR, KBE, CB
COMMANDER BRITISH FORCES
THE HONOURABLE GEOFFREY CADZOW HAMILTON
ACTING COLONIAL SECRETARY
THE HONOURABLE MAURICE HEENAN, QC
ATTORNEY GENERAL
THE HONOURABLE JOHN CRICHTON McDOUALL
SECRETARY FOR CHINESE AFFAIRS
THE HONOURABLE JOHN JAMES COWPERTHWAITE, CMG, OBE
FINANCIAL SECRETARY
THE HONOURABLE KENNETH STRATHMORE KINGHORN
DIRECTOR OF URBAN SERVICES
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT
DIRECTOR OF PUBLIC WORKS
DR THE HONOURABLE TENG PIN-HUI, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE WILLIAM DAVID GREGG
DIRECTOR OF EDUCATION
HONOURABLE PATRICK CARDINALL MASON SEDGWICK
COMMISSIONER OF LABOUR
THE HONOURABLE JOHN PHILIP ASERAPPA
DISTRICT COMMISSIONER NEW TERRITORIES
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE FUNG PING-FAN, OBE
THE HONOURABLE KWAN CHO-YIU, CBE
THE HONOURABLE KAN YUET-KEUNG, OBE
THE HONOURABLE SIDNEY SAMUEL GORDON
THE HONOURABLE LI FOOK-SHU, OBE
THE HONOURABLE FUNG HON-CHU
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE SZETO WAI
MR ANDREW McDONALD CHAPMAN *(Deputy Clerk of Councils)*

ABSENT

THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED
DIRECTOR OF COMMERCE AND INDUSTRY

MINUTES

The Minutes of the meeting of the Council held on 26th May 1965, were confirmed.

PAPERS

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

Subject	*LN No*
Waterworks Ordinance.	
Waterworks (Amendment) Regulations 1965	77
Hong Kong and Yaumati Ferry Company (Services) Ordinance 1951.	
Hong Kong and Yaumati Ferry Company By-laws 1965	78

PROBATE AND ADMINISTRATION ORDINANCE

CHAPTER 10

THE ATTORNEY GENERAL moved the following resolution:—

Resolved, pursuant to section 69 of the Probate and Administration Ordinance, that the Probate (Order of 1941) (Cancellation) Order 1965, made by the Chief Justice under section 69 of the said Ordinance on the 20th day of May, 1965, be approved.

He said:—Sir, in October 1941 an order was made prohibiting the grant of probate and letters of administration in relation to the property of enemy aliens. That order is no longer required and the Chief Justice has therefore made an order cancelling it. This resolution gives approval to the Chief Justice's order.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

RENT INCREASES (DOMESTIC PREMISES) CONTROL (AMENDMENT) BILL 1965

THE COLONIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance to amend the Rent Increases (Domestic Premises) Control Ordinance 1965".

He said: —Sir, the main purpose of this bill is to extend the life of he Rent Increases (Domestic Premises) Control Ordinance 1963, which

was due to expire on 30th June 1965 for a further year until 30th June 1966.

The proposed extension of this legislation for only one year represents a change from the public announcement made in December 1964 that Government proposed to introduce legislation to extend the life of the Ordinance for two years. There have, however, been a number of developments since last December, affecting the rents of post-war domestic premises, which have led Government to review its previously declared intention.

Before referring to these developments, I must explain that the purpose of the 1963 Ordinance was to control the amount of rent increase that a landlord of certain types of post-war domestic premises could demand from his tenants, and also to provide such tenants with security of tenure. When this legislation was first introduced, Government had hoped that the domestic housing situation would have improved sufficiently by about 1965-1967 to remove altogether the need for this restrictive, and essentially temporary, legislation. However, in the autumn of 1964 the information available to Government showed that, despite the recent marked increase in the construction of new domestic accommodation, rents were still being maintained at a high level, that there was a risk of further rent increase for many domestic tenancies, when the protection, now given by the Ordinance, was withdrawn; and that the existing controls had not adversely affected private development.

During recent months, as Members will be aware, there has been some increase in the number of properties being made available for letting and a lowering of rental levels for a wide range of domestic accommodation. This has been caused mainly by the very large volume of new accommodation coming on to the market and the continuing high level of residential development in both the private and public sectors. A further contributing factor has been the shortage of credit facilities for the purchase of flats from developers.

In other words, the situation is no longer quite as clear as it seemed to be in December last year, and Government takes the view that it would be wrong in principle at the present time to extend this legislation for two years. We feel that the correct course of action is to extend the life of the Ordinance for one year only and to review the position again towards the end of 1965 to see whether or not the need for a further extension of the legislation still exists at that time. It will be appreciated that this change in Government's intentions does not represent any reduction in the protection given to tenants of domestic premises whose rents are increased during the extended life of the Ordinance. These tenants will still enjoy two full years of security of tenure from the date of increase.

The bill also seeks to clarify the position of tenancies to which the Tenancy (Prolonged Duration) Ordinance 1952 applies. These will continue to be excluded from the ambit of the Rent Increases (Domestic Premises) Control Ordinance so long as they enjoy protection under the 1952 Ordinance and also for such time as the tenancy continues on the same terms and conditions as before. If, however, the landlord negotiates a new tenancy with the same or a new tenant, then the 1963 Ordinance will apply.

The bill also lays down a requirement for a landlord who is serving a notice to quit under section 6 of the Ordinance to draw his tenant's attention, first, to his right to serve a counter notice disputing the landlord's right to serve the notice to quit, and, secondly, to the Court's powers, when the notice to quit is served on the ground that the landlord requires the premises for use by himself or certain other near relatives, to refuse an order for possession if the Court is satisfied that greater hardship would be caused by granting the order than by refusing to grant it.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

The "Objects and Reasons" for the Bill were stated as follows:—

The object of this Bill is to extend the duration of the Rent Increases (Domestic Premises) Control Ordinance 1963 (the principal Ordinance) for a period of one year from 30th June, 1965, when it will otherwise expire.

2. Clause 2 seeks to make consequential amendments to section 3 of the principal Ordinance. By virtue of paragraph (*c*) of subsection (5) of that section, the principal Ordinance does not apply to a tenancy or sub-tenancy which was enjoying protection under the Tenancy (Prolonged Duration) Ordinance 1952 at the commencement of the principal Ordinance. In an extreme case, this has the effect that a tenancy which ceased to enjoy the protection of the 1952 Ordinance on the day after the commencement of the principal Ordinance will always be outside the ambit of the principal Ordinance. Whilst this was reasonable at the time the principal Ordinance became law, since it was then intended that the Ordinance should expire in just over two years, it is no longer reasonable in view of the proposed extension of the duration of the principal Ordinance. Accordingly, new provisions have been devised to provide for the case of tenancies to which the 1952 Ordinance applies.

The new provisions are based on the approach that a tenancy enjoying protection under the 1952 Ordinance is equivalent to a tenancy for a fixed term of three years or five years, as the case may be, to which the principal Ordinance does not apply by virtue of section 3(5)(*a*). The new subsection (5A) of section 3 introduced by clause 2*(b)* will, therefore, exclude from the application of the principal Ordinance a tenancy or sub-tenancy during the time that it is enjoying protection under the 1952 Ordinance and will also exclude a tenancy or sub-tenancy which has ceased to enjoy protection under the 1952 Ordinance so long as the tenancy or sub-tenancy continues on the same terms and conditions (save in so far as they may have been varied by any enactment) as those which applied when it enjoyed that protection. This will mean that a landlord will, in the case of a tenancy which has ceased to enjoy protection under the 1952 Ordinance, have an opportunity of negotiating a new tenancy, either with the same tenant or with another, at an agreed rent, or of varying the existing tenancy by agreement with the tenant. The principal Ordinance will then apply to the new tenancy or the existing tenancy as varied.

3. Experience has shown that it is desirable that a notice to quit given under section 6 of the principal Ordinance should draw the tenant's attention to the provisions of subsection (5) of that section and, where the notice to quit is given on the ground specified in subsection (2)(*a*) of that section, to the provisions of the proviso to subsection (6). Clause 3 will make the necessary provisions.

TELEPHONE (AMENDMENT) (NO 2) BILL 1965

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance further to amend the Telephone Ordinance 1951."

He said:—You will recall. Sir, that, at the end of March, you inaugurated the Hong Kong—Malaysia link of the Seacom system, which is now available for public use, through a section of the submarine South East Asia Commonwealth Cable, more conveniently known as the Seacom cable, linking Hong Kong with Jesselton. Another section is now being laid between Hong Kong and Guam. These two sections are part of a new complex system of public telephone communication which will eventually link Hong Kong with many parts of the world.

Under Section 3 of the Telephone Ordinance 1951, the Hong Kong Telephone Company Limited has the sole right to supply and operate public telephone communications within the Colony, including trunk line telephone communications for communicating with places outside the Colony. The submarine cables of the Seacom system to Jesselton and to Guam infringe this right. The Hong Kong Telephone Company has confirmed in writing that it has no objection to the operation in

Hong Kong by Cable and Wireless Limited of the submarine cables of the Seacom system. Under Section 40 of the Telephone Ordinance 1951, the concession granted by the Ordinance is personal to the Hong Kong Telephone Company Limited and the company may not dispose of any part of the concession without the previous consent in writing of the Governor-in-Council. It is considered advisable to amend Section 3 of the principal Ordinance to establish beyond doubt that Cable and Wireless Limited may legally construct, maintain, and use the coaxial submarine cables from Hong Kong to Jesselton and to Guam which form part of the Seacom system. Section 2 of the amending Bill before Council gives effect to this proposal.

The opportunity is also taken to replace section 30 of the principal Ordinance which deals with the right to require deposits as security for charges in respect of overseas calls. Amendment is necessary partly because this section refers only to telephone calls by radio to other parts of the world, whereas calls on the Seacom system are by submarine cable. In addition, the present Section 30 requires notification of proposed calls in writing. Such notification is no longer essential. The rights, however, of the Telephone Company Limited to require deposits for charges for calls through its system by way of services operated by Cable and Wireless Limited must be safeguarded. The new Section 30 is drafted accordingly.

Both the Hong Kong Telephone Company Limited and Cable and Wireless Limited were consulted regarding the provisions of the amending bill. They have confirmed that they have no objections to the amendments now proposed.

THE COLONIAL SECRETARY seconded.

Messrs. F. S. LI, P. Y. TANG and G. R. Ross declared an interest and abstained from voting.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

The "Objects and Reasons" for the Bill were stated as follows:—

The purpose of this Bill is to amend the Telephone Ordinance 1951 to establish beyond doubt that the monopoly granted thereby to the Hong Kong Telephone Company Limited is not infringed by the construction, maintenance and use of the coaxial submarine cables from Hong Kong to Jesselton and to Guam landed and operated by Cable and

Wireless Limited. The opportunity is being taken to repeal and replace section 30 to clarify the rights of the Company in relation to security for charges for the use of such service.

INLAND REVENUE (AMENDMENT) BILL 1965

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled "An Ordinance further to amend the Inland Revenue Ordinance"

He said:—Sir, when I introduced the short Inland Revenue (Amendment) Bill 1964, into Council last year, I said that I hoped to introduce a fairly substantial number of amendments later that financial year, some of which would operate in favour of the taxpayer. Then, when introducing this year's Budget, I said that the proposed Bill was in draft but was still the subject of consultation with professional associations; and I also gave notice of two proposed amendments which would operate against the taxpayer, one bringing to tax certain payments made after termination of employment and one concerning balancing allowances on industrial buildings demolished for purposes not connected with the owner's business. I gave this notice so that the changes could fake effect during this current financial year.

The Bill is finally before Council to-day. Although it is fairly lengthy, it is very far from being a comprehensive bill covering all points on which I think amendment is desirable. It is intended largely to clear up a number of uncontroversial and relatively simple points, almost all in the taxpayer's favour, and some concerned with existing extra-staitutory concessions already allowed by the Commissioner for which statutory sanction is desirable. The only major changes it proposes are an increase in depreciation allowances, for industry in particular, and a change in the appeal provisions. There are a considerable number of more radical and more controversial matters where there are grounds for thinking that amendment of the present law would be desirable and it is my intention to propose that such major points be remitted for consideration by a special committee, as was done in 1954.

The Bill, largely in its present form, has already been seen by the General Chamber of Commerce, the Federation of Industries, the Law Society the Association of Chartered Accountants and the Society of Chinese Accountants and Auditors. Some of their suggestions have been incorporated in the Bill but in other cases I have not felt myself able to accept their views; in yet others, it would be more appropriate for the points they have raised to be referred to the proposed special committee. I have to thank all these bodies for their assistance.

The Bill has attached to it very full objects and reasons and I do not think it necessary for me to-day to go through each amendment in

detail and explain it further. I will therefore confine myself to a few points where further explanation may be desirable.

In terms of changes in tax yield the industrial depreciation proposals, which have been drawn up in consultation with the Federation of Industries, are the only important ones; although, of course, they have the effect of postponing payment of tax rather than permanently exempting from tax; and when there is a prospect of increased rates of taxation in future, that could, I suppose, be a mixed blessing. The immediate loss of tax is estimated at about $5 million a year. The main change is the re-introduction of initial allowances for industrial buildings, which were abolished in 1955, at the increased rate of 20%, and a doubling of the annual allowance of 4%. Furthermore, the restriction of these allowances to cases where the building is used only by the owners has been removed. This is important in relation to the growth of the construction of flatted factories for rent, which clearly should not be discouraged.

There are other proposals for increases in depreciation rates on machinery and plant. These fall within the province, however, of the Board of Inland Revenue and have been referred to it.

I hope that these changes will have a beneficial effect on industrial development.

The one change in depreciation provisions which I have already mentioned as operating against the taxpayer, and which is in Clause 18, should have no adverse effect on industry as it relates to circumstances where an industrial building is demolished so that the land can be put to other purposes.

I should mention one aspect of the amendment in Clause 7 bringing to assessment certain payments made after cessation of employment. During the Budget Debate my honourable Friend, Mr. GORDON, referred to what he implied was the opposite case, the taxation of income received in Hong Kong in respect of previous employment outside Hong Kong. As I said at that time, this raises a different question, not, as in the case of the present amendment, one of the timing of receipt of income in relation to employment, but a question of the source of the income, that is whether or not it arises in or is derived from Hong Kong. This question of source is a particularly difficult one in relation to salaries tax, not only here but in other countries. The 1954 Inland Revenue Ordinance Committee struggled with the problem but the solution they suggested was not accepted, or, rather, was much watered down. I am not particularly happy either with our present law on

the subject or with some of the present interpretations of it, which seem to me to depart, largely in the taxpayer's favour, but not always, from the pure milk of the doctrine of our unusual form of income tax. I have commented at other times on the desirability of not whittling away that doctrine unless we are to substitute a full income tax. I propose therefore that this problem be remitted to the proposed special committee for further study.

Another matter I might mention is personal allowances for salaries tax and personal assessment. It has been the subject of newspaper comment and I have had an exchange of correspondence with the Civic Association about it, their letter to me having been published in the press. Two of the professional bodies consulted have also made suggestions. It has been argued that the existing allowances inflict a real hardship upon our white collar families, because they have not been adjusted to match the rise in the cost of living since they were last changed in 1956. I must confess to the greatest difficulty in accepting that there is any hardship involved. Our allowances are just about the highest, as our tax rates are the lowest, of any country in the world.

I should like to put the argument in quantitative terms. With present allowances a married man with two children and a salary of $1,500 a month is completely exempt from salaries tax; so there can be no hardship in his case as a result of salaries tax. If his salary is $2,000 a month, he pays $175 a year in tax (or $15 a month). Does that represent hardship? If these allowances were raised by, say, 20% in consideration of the increase in cost of living, his tax would be reduced from $175 to $60 a year, a reduction of $115 a year or about $10 a month, reducing the rate of tax on his total income from about ¾ of 1% to ¼ of 1%. This is to be compared with the standard rate of 12½%. Two dollars fifty a month additional income for each member of the family would hardly go very far towards removing hardship, had there been any before. (I may add in parenthesis that a man in similar circumstances earning $6,000 a month, who very clearly suffers no hardship, would benefit from such a change, not by $115 a year, but by $900 a year. This suggests that an increase in personal allowances would be an expensive way of affording a very slight degree of relief to the lowest taxpayers, had they a case for it).

It is indeed self-evident that, so long as our tax rates are as low as they are, personal allowances have to be very high indeed, if they are to mean very much in terms of tax remitted; but it would surely be absurd to argue that, because our tax rates in themselves press so lightly on middle incomes, personal allowances must be even more generous than they already are; just as it would be absurd to suggest that the standard rate of tax should be increased so that the remission represented by these allowances would appear greater.

I do not agree therefore that there is any case for an increase in these allowances at present, even if it can be argued that their remaining unchanged in the face of an increased cost of living has reduced their real value and therefore increased slightly the real burden of our very low rate of tax. It can incidentally be argued also that the maintenance of our present sliding scale of tax rates on salaries which have been increased to take account of cost of living changes, has in the same way increased slightly the real burden of tax; but it is still very light. This "creep" of the tax system is a common phenomena in other countries, even those with very much higher rates of tax, and of inflation where the effect is, of course, correspondingly very much greater than here where it is small and from a small base.

The Bill does, however, propose some increases in personal allowances. At present the allowance for the fifth to the ninth child is $200. This is a rather derisory figure which does little but recognize the existence of these children; although, if hardship were in fact to arise, it would be in very large families. It is proposed therefore, not very logically, I admit, in the light of what I already have said, to increase these allowances to $1,000 for the fifth and sixth child and $500 for the remainder. This raises the maximum total allowance for children from $7,000 to $9,500.

Clause 26 makes some changes in the provisions for the obtaining and giving of information relating to tax liability. Under the principal Ordinance as it now stands, sections 51(4) and 80(1) impose a general obligation (failure to comply with which is a criminal offence) on every person to furnish, on request, such information as may be in his possession relating to any other person's tax liability. On occasions solicitors have queried whether these provisions override a claim to refuse to divulge, on the grounds of privilege, information relating to a client's affairs which has been confidentially communicated to the solicitor. Government's view always has been that the relevant statutory provisions prevail; but, if Government were to insist on disclosure, this would place the solicitor in the unenviable position of either refusing disclosure and inviting a prosecution against himself in order to test which view is correct, or of disclosing the information and risking criticism, or an even more serious reaction, on the part of his clients for doing so. Under the proposed amendments privilege will be recognized as an excuse for non-disclosure except as regards the limited information prescribed in the proposed section 51(4A) in Clause 26. At the same time, failure to disclose information where there is an obligation to disclose will no longer be a criminal offence, but a civil matter for which a maximum default penalty of $2,000 is provided.

The present procedure for appeals to the Commissioner against assessments made by assessors has led to some misunderstanding because of its similarity to the procedure employed in litigation before the Courts. The Supreme Court has held that the Commissioner exercises an essentially administrative function in determining appeals but has commented on "the manifest undesirability of the Commissioner, as the Chief Officer of the Department, acting in a judicial or quasi-judicial capacity". In order to clarify the position the proposed new Section 64 introduced by Clause 29 follows precedent elsewhere by providing that the initial steps for challenging an assessment are to be by way of "objection" rather than "appeal". The Commissioner will then review the assessment substituting his assessment for that of the assessor if need be, and the procedure will be less formal in manner and simpler than at present. The purpose of these new provisions is to make it clearer than at present that the Commissioner exercises a purely administrative function and to dispense as far as possible with formality at this stage. The taxpayer's rights to challenge the Commissioner's decision by appeal to the Board of Review and upwards will not be curtailed.

I shall confine myself to-day to only one point on which I have not been able to see eye to eye with the professional bodies I have consulted. This refers to the definition of "business" in Clause 2. It has been represented that all persons letting or sub-letting premises should be treated alike, in that all lettings by individuals as well as by corporations should be treated as a business and chargeable to Business Profits Tax and not to Property Tax. Since Property Tax on owner-occupied premises was abolished in 1961, this proposal would virtually abolish the tax altogether. That perhaps would not matter much in If as a study of the question shows that the tax yield would be approximately the same (although the incidence might be slightly different). But the administration of the tax would be much more complicated and burdensome both for taxpayer and Department as, while at present tax is assessed simply on the return of rent which the landlord makes in any case to the Commissioner of Rating and Valuation for rating purposes, if this suggestion were adopted the landlord would also have to submit a return under the Business Profits Tax Section of the Inland Revenue Ordinance. As Property Tax may be included for purposes of personal assessment in a like manner to Business Profits Tax there is no question of hardship from a decision not to treat all letting and sub-letting as businesses.

Finally I would like to draw attention to Clause 42 whereby any person whose assessment for this year has already been finalized may claim a downward revision if he would be benefited by the present amendments. The Commissioner may not make an upward revision in the opposite case.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons

The "Objects and Reasons" for the Bill were stated as follows:—

The general purpose of this Bill is twofold; first, to grant certain new concessions to the taxpayer and, at the same time, to increase others; and secondly, to deal with a series of unconnected matters in the field of tax management for which practical experience in the last few years has indicated a need either in order to give proper statutory authority for various practices currently followed by the Inland Revenue Department involving, in the case of several such practices, the exercise of a degree of administrative discretion in the taxpayer's favour for which there is, at best, doubtful authority at present, or in order to achieve greater clarity as regards certain existing provisions.

2. In 1949 the definition "business" was amended to provide that sub-letting by principal tenants was to be regarded as a business, as there was some doubt as to whether such a sub-letting was a business assessable to tax. In applying what was thought to be the intention and effect of this amendment. Crown lessees were not regarded as principal tenants; thus, any Crown lessee who sub-let the premises was not automatically considered as carrying on a business, but the circumstances in which he sub-let the premises were examined to determine whether, in the ordinary meaning of the word "business", he was in fact carrying on a business and, accordingly, subject to profits tax reduced by the amount of the property tax on the premises, or whether his possession of the property should be regarded only as a landed investment subject only to property tax. The Full Court has, however, decided that all Crown lessees who sub-let are carrying on a business irrespective of whether the circumstances indicate that the sub-letting is, in fact, no more than the passive receipt of the fruits of a landed investment. As land in the Colony is mostly held under lease from the Crown, a full application of this decision would have the effect of largely nullifying the whole purpose and object of the provisions relating to property tax since under section 25 of the Ordinance property tax paid in respect of the sub-let premises would then require to be set off against the landlord's profits tax on the grounds that the profits derived from the property, namely, the rent, would have to be regarded as part of the profits of a business, even though the sub-letting might not in fact, be a business. The overall result, apart from administrative difficulties, would be a need for all such property owners to furnish returns for

profits tax with a consequential inconvenience to many persons and a considerable increase in costs. To avoid this, clause 2 amends the definition "business" with a view to providing that the mere sub-letting by individual Crown lessees should not automatically be deemed to be a business.

3. Clause 3 is designed to achieve two ends. First, it will exempt corporations carrying on a trade, profession or business in the Colony from the property tax which would otherwise be set off against their profits tax under section 25. The present process of charging the property tax and then setting it off against the profits tax involves unnecessary administrative work which can be avoided, without detriment to the taxpayer, by eliminating the property tax charge in the first place. The exemption must be claimed by the corporation but, once obtained, will continue for so long as the circumstances qualifying for exemption continue. An obligation is imposed on exempted corporations to notify the Commissioner of any material change in the circumstances. Secondly, clause 3 is designed to make it clear that owners of buildings who themselves occupy the building exclusively for residential purposes will be entitled not only to full exemption from the property tax if they so occupy for the whole year, but also to a proportionate reduction if they occupy for only part of a year. At the same time, the provisions dealing with this aspect are redrafted in greater detail particularly as to how reductions are to be computed in the case of several co-owners occupying for different periods, and it is made clear, with consequential amendments to section 7A by clause 4, that references to parts of a building mean only such parts as are separately valued for rating purposes. An obligation is imposed on owners who have obtained exemption and reductions to notify the Commissioner of their ceasing to occupy.

4. The amendment in clause 5 is proposed as a result of the consideration, in connexion with clause 25*(a),* of the position of the husband and wife who are living apart. The present position is that any regular or annual payment in the nature of alimony or maintenance by a husband or ex-husband would be assessable to salaries tax in the hands of the wife or ex-wife under Part III of the Ordinance (cf. s. 9(4)), which deems such payments to be a pension, if the wife or ex-wife has not permanently left the Colony. The 1954 Committee in considering Part III which was then headed Salaries and Annuities Tax, commented in paragraph 9 of their report that "an annuity resembles a salary or pension only in the one single feature that it is paid at regular intervals". As a result of the recommendations of that committee, Part III was changed (and headed only Salaries Tax) by removing annuities from the charge under that Part and by bringing the assessable interest portion of annuities into charge under Part V—Interest Tax. Payments by way of alimony on maintenance similarly bear no affinity to income from an

office or employment of profit or a pension beyond the regularity of payment. Bearing in mind, therefore, that the Inland Revenue Ordinance is "to impose a tax on earnings and profits" and that there is no system of full income tax in the Colony, there is no justification for bringing payments by way of alimony or maintenance into charge in the hands of the recipient as being in the nature of salary or pension, and clause 5 will, accordingly, exclude such payments from the charge,

5. Income, for salaries tax purposes, includes the rental value of accommodation provided by an employer, which is deemed to be 7½% of income of the employee from his employment for the period during which he occupied the accommodation. Some employees, however, receive a lump sum payment or gratuity upon retirement or termination of employment and if this is to be regarded as income from that employment for the purpose of assessing rental value it will distort the value of quarters provided for the employee in the last year of employment. It is felt, however, that the rental value should remain as based on the normal recurrent annual income. Clause 6 is intended to avoid this inflated value in these circumstances.

6. It is a usual custom in Hong Kong for employees to be remunerated on the basis of salary plus a bonus or commission. Where the bonus or commission is related to the employer's trading results it is generally paid sometime after the close of the employer's financial year and, in relation to employees who have terminated their employment, cases have arisen where payment was not made until after the end of the year of assessment in which the employment was terminated. Similarly, cases have arisen where the contract of services of an employee has been amended so as materially to alter the effective date of termination of employment and the employer has then paid what is claimed to be an *ex gratia* payment in the year of assessment following the cessation of employment. In either case, whether arising fortuitously or deliberately, there is doubt whether the payment can be brought in as part of the income of the employee for the purpose of salaries tax I for the year of assessment in which the employment ceased since the basis period for that year of assessment ends on the day on which the employment ceases (cf. s. 11(6)). If the employee could establish that he was not entitled to claim the payment before cessation of his employment, i.e. during the basis period for his last year of assessment, the doubt arises as to whether the payment accrues to him during that basis period (cf. s. 11(9)). If it does not, an additional assessment could not be raised under section 11(8). Thus, salaries tax on such payments could be, not simply deferred, but avoided. To remove these doubts and to ensure that salaries tax cannot be avoided in this manner, clause 7 proposes to amend section 11 so that such payments will be deemed to have accrued to the employee on the last day of his employment.

7. The amendment of section 12(2A) by clause 8 is intended to remove a possible ambiguity. Where a balancing allowance or charge falls to be made in respect of plant or machinery, it is the intention that any apportionment of either the allowance or the charge shall be determined on the extent to which the plant or machinery has been used in the production of assessable income not only in the year in which the allowance or charge falls to be made but also in the previous years.

8. Under section 16(1), outgoings and expenses incurred in the production of chargeable profits are expressed to be deductible only where they are wholly and exclusively so incurred. Apportionment of outgoings and expenses has in the past been allowed. In respect of a sum which comprises several distinct items of expenditure no difficulty arises where the apportionment consists of allowing each distinct item which, when viewed separately, is wholly and exclusively incurred in the production of chargeable profits, while disallowing the remaining items. Where, however, any distinct item is found to have been incurred not solely in the production of chargeable profits but in the pursuit of that purpose as well as some other, the Inland Revenue Department have in practice been allowing a portion of such an item as deductible, although some doubt exists as to whether they can properly do so in the face of the words "wholly and exclusively incurred". Accordingly, to bring section 16(1) into line with the current practice, clause 9*(a)* will delete those words and substitute, in lieu, a reference to the extent to which the outgoings and expenses are incurred in the production of chargeable profits. The rest of the clause, *inter alia,* allows new deductions in accordance with the proposed two new sections 16B and 16C.

9. The two new sections 16B and 16C are contained in clause 10. Section 16B is modelled on section 73A of the Australian Income Tax and Social Services Contribution Assessment Act 1936-1953, which in turn was modelled on Part IV of the English Finance Act 1944, now Part XI of the English Income Tax Act 1952. The purpose of section 16B is to allow, as a deduction, payments made to research institutes, approved by the Director of Education, for scientific research, and (with a limited exception) to allow, as a deduction, expenditure on scientific research, related to the trade or business of the person making the payment or incurring the expenditure or to the same class of trade or business to which his trade or business belongs. Where, however, the expenditure is made or incurred outside the Colony in relation to a trade or business carried on partly in and partly out of the Colony, only such part of the payment or expenditure as is reasonable in the circumstances will be allowed as a deduction; otherwise, the total world expenditure on scientific research by international corporations whose activities in the Colony might be infinitesimal in comparison with their world activities could completely off-set their tax liabilities in the Colony for years. Payments or expenditure made or incurred in the Colony, however, will be allowed in full notwithstanding that the trade or

business was also carried on outside the Colony. The limited exception referred to above is in respect of capital expenditure on land and buildings, but any expenditure on buildings for scientific research will be brought in for industrial building allowances under section 34 of the Ordinance by virtue of the new paragraph *(f)* proposed to be inserted in the definition in section 40 of "industrial building or structure" by clause 22.

10. A full deduction of capital expenditure on plant or machinery for scientific research is to be allowed under the proposed new section 16B where the plant or machinery is acquired for the purpose of scientific research by the person who incurred the expenditure. Accordingly, if he ceases to use it and sells it, having been granted a deduction of the full cost, section 16B will require him to bring in the proceeds of the sale as part of his trading receipts. Similarly, where the plant or machinery is destroyed, any insurance moneys or other compensation will be brought in as a trading receipt.

11. The allowance proposed by the new section 16B of the full expenditure incurred on the provision of plant and machinery for scientific research is intended to be in lieu of the initial allowance and subsequent annual allowances generally allowed for plant and machinery under sections 37 and 37A of the Inland Revenue Ordinance. Clauses 19(*a*) and *(e)* and 20(*a*) and (*c*), therefore, amend these two sections accordingly.

12. The purpose of the proposed new section 16C, which is also contained in clause 10 and modelled on section 140 of the English Income Tax Act 1952, is to allow, as deductions, payments made by a person carrying on a trade or business to be used for the purpose of technical education related to that trade or business at any university, university college, technical college or similar institute approved by the Director of Education. This provision will permit the deduction, in addition to any recurrent expenditure in respect of the technical education of employees or staff, of any lump sums paid or contributed towards this general advancement of technical education in such a trade or business or class of trade or business.

13. Sections 23B and 23C of the Inland Revenue Ordinance deal with the ascertainment of the assessable profits of ship-owners, but although sums receivable in respect of carriage of passengers, mail, livestock and goods, and in respect of charter hire, are specifically mentioned, towage, which, where it arises, is part of the business of a ship-owner and should therefore be treated in the same way as freight for the purpose of ascertaining the assessable profits, is not mentioned. Clauses 12 and 13 amend these two sections in order to rectify this omission.

14. Under paragraph *(a)* of the proviso to section 25 of the Inland Revenue Ordinance property tax paid by any person carrying on a trade, profession or business in the Colony may be set off against his profits tax not only where the profits from the property in question are part of the profits of his trade, profession or business, but also where the property is occupied by him for the purposes of his trade, profession or business. Property may, however, be used by a person for the purpose of his trade, profession or business without being actually occupied by him for this purpose. It is not considered reasonable to deny this set-off to a person who uses his property for the purpose of his trade, profession or business, simply because he is not occupying the property. Clause 14 amends the proviso accordingly while at the same time bringing the wording more into line with that used in section 16(1) of the Ordinance.

15. As the Ordinance stands at present, banks and corporations are exempt from interest tax since interest received by them is treated as part of their profits and, as such, liable to profits tax. This exemption, however, does not extend to individuals and where the individual is a pawnbroker or money-lender he could, strictly speaking, be liable to double taxation; first, to interest tax on the gross interest received by him without any deductions for expenses, and secondly, because the activities of a pawnbroker or money-lender amount to carrying on a business, to business profits tax on the net interest. This was never intended and, in any case, although the interest tax should be deducted by the person paying or crediting the interest, it rarely ever is in the case of pawnbrokers and money-lenders. Accordingly, it has been the practice of the Inland Revenue Department to collect tax by way of an assessment allowing deductions for bad debts and expenses as in the case of any other type of business. In other words, the liability is regarded solely as a liability to business profits and any liability to interest tax has been disregarded. Clause 15, by exempting licensed pawnbrokers and registered money-lenders from interest tax, will regularize this practice.

16. The general obligation of a person paying or crediting interest to another person to deduct the amount of the interest tax is contained in section 29 of the Ordinance which states that sums so deducted shall be a debt due to the Government and shall be recoverable as such. This might be construed as imposing an obligation on Government to take the first steps to obtain payment of these sums. There is, however, little justification for this view, and money in the hands of a person paying or crediting the interest, which has been deducted by him as being the tax due on the interest, should be paid over to Government without Government having to take the first or any steps, by way of demand or otherwise, to obtain it. To make this clear and to avoid the above construction, clause 16 proposes to substitute the word "payable" for the word "recoverable" in this context.

17. The object of clause 17 is to restore the initial allowance on capital expenditure incurred on industrial buildings and structures, which was abolished in 1955 for years of assessment after the 1957/58 year of assessment, and to increase the annual allowances in respect of industrial buildings and structures from the present 2% to 4%. The abolition of the initial allowance was based on the recommendation of the 1954 Inland Revenue Ordinance Committee which viewed the question of allowances mainly on the basis of being designed to cover undue wear and tear on buildings by reason of the nature of the trade carried on in them rather than in the light of affording encouragement to industry. Under present conditions in the Colony, however, it is felt that there are good reasons why the provisions for both types of allowances should be viewed as an encouragement to industrial development. For this reason the initial allowance is not only restored by the amendment in clause 17, but is increased from 10% (which was the amount allowed before the 1955 abolition) to 20% of the capital expenditure incurred. The increase proposed in the annual allowance requires further amendments in the nature of transitional provisions. These are contained in clauses 17(*d*) and 22(*b*).

18. Where certain events, specified in section 35(1) of the Ordinance, occur in relation to an industrial building on which capital expenditure has been incurred, then, if the initial allowance (if any) and the annual allowances granted in respect of the building to the person who incurred the capital expenditure, together with any sale, insurance, salvage or compensation moneys he may have received in respect of the building, is less than the capital expenditure, he is granted an allowance, known as a balancing allowance, roughly equal to the difference. The reason for balancing allowances is that where depreciation is recognized in tax legislation, as is the case in granting initial and annual allowances under section 34, then, if the circumstances in any particular case indicate that the amount of depreciation allowed is in fact less than the actual depreciation, this should also be recognized. It is, however, a basic principle of the Inland Revenue Ordinance that only those expenses that are incurred in the production of taxable profits should be deductible. Depreciation of a building is such an expense and should, therefore, be deductible only to the extent that the asset has been consumed in the production of taxable profits. This is not, however, at present recognized in section 35 which provides for balancing allowances to be granted simply where, *inter alia,* the building is demolished. This provision is defective in that it does not make the allowance conditional on the demolition arising out of the conduct of the trade or business from which the taxable profits have been earned. It is considered only equitable and in accordance with the basic principle referred to above that a balancing allowance should not be granted where the demolition was undertaken for purposes unconnected with and not

in the ordinary course of conduct of the trade or business carried on in the building. The amendment proposed to section 35 by clause 18 is designed to achieve this.

19. Section 37(2) of the Ordinance grants annual allowances in respect of plant and machinery calculated at prescribed rates on the original cost of the asset reduced by previous allowances. Clause 19(*b*) will delete the word "original" in this context since it may be taken to indicate that the cost referred to is always the cost paid by the original owner of the asset, whereas if the asset has been sold, the allowances should be computed only on the cost to the purchaser. Clause 19(*c*) and *(d),* with clause 20*(b),* will substitute the word "computed" in place of "granted" in sections 27(2) and 37A(2) in referring to initial and annual allowances on plant and machinery since, with the provisions for apportionment and consequential reduction of these allowances in section 16(1)(*c*) of the Ordinance, the allowance granted may be less than the computed allowance. Where this is so the reference in sections 37(2) and 37A(2) to the reduction of the cost of the asset by the amount of the allowances granted conflicts with the provisions of section 16(2), which specifically provides that where such an allowance is reduced, subsequent allowances shall be computed as if the full amount of the allowance had been granted. The remaining provisions of clauses 19 and 20 are explained in paragraph 11.

20. The proviso to section 38(4) of the Ordinance entitles a taxpayer to claim the adjustment of a balancing allowance or charge in certain circumstances but there is no specific authority to re-open an assessment to give effect to such a claim after the assessment has become final and conclusive under section 70. Clause 21 is intended to provide such authority.

21. Clause 22, in replacing the definition in section 40 of "commercial building and structure" will delete the requirement that the building or structure must be wholly and exclusively used as a commercial building in order to qualify for the annual rebuilding allowance, as this is unfair and not in keeping with the general provisions for apportionment of expenses referred to in paragraph 8. Further, in replacing the definition "industrial building or structure", this same clause is intended to achieve several ends. First, it will make it clear that use of part only of a building or structure as an industrial building or structure will qualify for allowances, in keeping with the general provisions for apportionment of expenses. Secondly, it will remove the restriction, which was imposed in 1955 on the recommendation of the 1954 Inland Revenue Ordinance Committee, that the allowances should only be granted where the building is used for industrial purposes by the owner himself, and thus, along with the amendments proposed by clause 17 and explained in paragraph 17, the amended definition will afford further encouragement to industrial development.

Thirdly, specific reference is made to gas undertakings and to public telephonic and telegraphic services, as to which there has been some doubt and which, in providing a public service, are similar to the already-specified transport, dock, water and electricity undertakings. Fourthly, in that part of the definition which refers to the arrival of goods or material in the Colony, the amended definition will omit the reference to arrival by sea or air since, however the goods or material arrives in the Colony, a building used in the course of a trade for the purpose of storing them should not have to depend on the manner in which the goods came into the Colony in order to qualify for the allowances. Fifthly, in conjunction with the proposed new provisions in clause 10 as to scientific research expenditure, the amended definition will make it clear, by virtue of a new paragraph *(f)* in the definition, that buildings and structures used for the purpose of scientific research in relation to any trade or business (and not simply the trades and businesses specifically referred to in the earlier paragraphs of the definition) will be industrial buildings and structures qualifying for the allowances. Finally, as is the case in the United Kingdom, the amended definition will provide that where part of a building is, and part is not, an industrial building, if the part which does not qualify as an industrial building is not more than 10% of the whole building (by reference to capital expenditure incurred on the construction of the building), the whole building shall be treated as an industrial building or structure, thus regularizing what is in fact the Inland Revenue Department's practice.

22. The opportunity is taken in clause 22*(d)* to provide that where capital expenditure is incurred for the purpose of a trade, profession or business prior to the date of commencement of the trade, profession or business, it shall be deemed to have been incurred on the day the trade, profession or business commenced. The reason is that, as initial allowances are related to capital expenditure incurred in the basis period for a year of assessment, expenditure incurred prior to the commencement of the trade, profession or business does not strictly speaking fall within any basis period and should not, therefore, be taken into account in computing the initial allowance. This was never intended and clause 22*(d)* will give authority for what has been the Inland [s] Revenue Department's practice of treating such expenditure as having been incurred in the basis period of the first year of assessment.

23. On the recommendation of the 1954 Inland Revenue Ordinance Committee the right of an individual to elect to be personally assessed on the profits of his trade, profession or business was extended to executors of deceased individuals but was limited to the year of assessment in which the death occurred. It has been found that this frequently results in hardship particularly where returns have not been called for for several years, and it is considered to be more just that

the same right of election for personal assessment should lie with the executors as would have been available to the deceased had he not died. Clause 23 will give effect to this.

24. The amendment in clause 24 is related to the fact that any company, association or partnership consisting of more than 20 persons is required by sections 330 and 331 of the Companies Ordinance to be registered as a company under that Ordinance, unless formed in pursuance of some other Ordinance, Act of Parliament or Letters Patent. Companies so registered or formed are liable to corporations profits tax on the whole of their profits derived in the Colony. Partnerships, however, are assessable firstly to business profits tax but the partners may bring in their shares of the partnership profits for personal assessment and so obtain the benefits of personal reliefs and the graduated rates of tax. Where, however, there are partnerships and associations which, having more than 20 members, have failed to register under the Companies Ordinance, it is considered only fair that they should be treated the same as registered companies and should not, by contravening the law, be able to spread the profits over an unlimited number of persons each with the right to personal reliefs, and perhaps a lower rate of tax, by claiming personal assessment. The purpose of clause 24 is to remove any right to allocation for personal assessment in such cases.

25. The purpose of clause 25(*a*) is to enable a husband to claim the $7,000 annual married allowance even if his wife is living apart from him. He must, however, be maintaining or supporting her. If he does claim the allowance, his wife will be treated as not living apart from him for the purposes of the aggregation of income provisions. As the Inland Revenue Department have the right of raising additional assessments at any time up to 6 years after a year of assessment (cf. s. 60) and may therefore re-determine the assessable income of either the wife or the husband, the husband will be given the right by this proposed amendment to revoke his claim within 6 years where, for example, by reason of the aggregation provisions, he discovers he is worse off by claiming the allowance than by not claiming it.

26. Clause 25, if enacted, will also increase the child allowance in respect of the fifth and sixth child from $200 to $1,000, and for the seventh, eighth and ninth child from $200 to $500.

27. The purpose of clause 26 is twofold. Section 51(1) of the Ordinance empowers assessors to call for returns of any sum assessable to tax. This may, however, be taken to suggest that a person, on being required to furnish a return, is not obliged to do so if he has suffered a loss or his income is insufficient to render him liable to tax. The opportunity is taken to make it clear that this is not so and that a person is obliged to furnish a return, albeit a "nil" return. The second purpose of clause 26 is to put beyond doubt the provisions of subsection

(4) of section 51 of the Ordinance which provides for the obtaining and giving of information relating to tax liability. As presently worded, section 51(4) enables information to be sought from the person whose assessability to tax is the subject of the inquiry and from "any other person" whom the assistant commissioner may deem able to furnish information, and any person who fails to give such information is liable to a prosecution under section 80(1) unless he has a reasonable excuse or sufficient cause for such failure. Under these provisions, information has on occasions been sought, *inter alia,* from solicitors, mainly in respect of property transactions, who although in some cases expressing a willingness to co-operate, have felt compelled to refuse disclosure of the information on the grounds that their right to refuse to disclose information relating to clients, which is privileged by reason of having come to their knowledge in their capacity as legal advisers to the clients, extends to inquiries under section 51(4) as constituting a reasonable excuse and sufficient cause, within the meaning of section 80(1), for non-disclosure. This view is not accepted by Government, but in the face of the difference of opinion on the point, the opportunity is taken in clause 26 to propose an amendment substituting new revised provisions in section 51 which, in the first place, will recognize the existence of this privilege as constituting a general ground upon which disclosure can be refused, but will also make it clear that privilege is no excuse for non-disclosure by any person in the limited capacities specified in paragraph *(a)* to *(d)* of the proposed new subsection (4A), of information of the limited kind specified in paragraphs (i) to (iii) of the same subsection. As the grounds upon which a notice under the proposed new subsection (4) may be resisted are more appropriately matters for a civil court to determine, rather than a criminal court, clause 26 adds a further subsection (4B) to section 51 which will make it a civil matter to fail to comply with a notice under subsection (4) subject to a penalty recoverable civilly in the District Court. The defence of reasonable excuse is retained, although the burden of establishing it is on the person who raises the defence. Similarly, the Commissioner's powers of setting disputes out of court are retained. The District Court, in default proceedings under these new subsections, is empowered to order the person in default to do the act which he has failed to do. This will obviate the necessity in every case of going through the whole process of issuing fresh notices in identical terms and so on. Failure to comply with such an order will be an offence punishable by a fine not exceeding $5,000, by virtue of the amendment contained in clause 40.

28. The amendments in clause 27 are simply to provide that notices of assessment and related notices shall be under the name of the Commissioner and not, as at present, under the name of an assistant commissioner. This is more in keeping with the position of the Commissioner

as the administrative head of the Inland Revenue Department and is in line with the proposal in clause 29 to provide for objections being made to the Commissioner in that capacity.

29. The purpose of clause 29 is to delete all reference to appeals to the Commissioner and to dispense with the requirement for a formal hearing of appeals before the Commissioner. It is inapt terminology to refer to "appeals" to the Commissioner. Such references may mistakenly be looked upon as constituting him a judicial functionary, rather than, what he is in fact, an administrative functionary. The deletion of the references to appeals to the Commissioner will not curtail the existing rights of the taxpayer. He will still be entitled to dispute an assessment before the Commissioner, but this will be known as an objection to the assessment, rather than appeal, and the Commissioner will consider the objection, rather than hear an appeal. A formal hearing will no longer be required as a general rule, although there is nothing to prevent the Commissioner from holding a formal hearing in respect of any objection if the circumstances warrant this course. The right of a taxpayer to appeal from the decision of the Commissioner to the Board of Review is preserved in the proposed new section 64. Clauses 28, 30, 32, 33, 34, 35, 38 and 39 are largely consequential upon this save that under subsection (3) of the proposed new section 66 in clause 32, the Board will be empowered to allow an appellant to rely on grounds of appeal which are not in his statement of grounds of appeal, and under the proposed new subsections (8) and (10) of section 68 in clause 34 the Commissioner is authorized to seek the directions of the Board concerning the revision of any assessment required to be revised by the opinion of the Board and the Board are given the same powers under the Commissioners Powers Ordinance as the Commissioner possesses.

30. Clause 31 will increase the maximum number of members on the panel for the Board of Review by twenty, in order to facilitate the arranging of members to constitute a Board and to enable the functions discharged by the Board to be spread over a wider cross-section of the community.

31. The purpose of clause 36 is to confer upon taxpayers the same rights of objection and appeal against the refusal of an assessor to correct an assessment in accordance with an application made under section 70A, as they have against an assessment.

32. By virtue of the amendments in clause 40, corporations or other persons owning property will be liable to prosecution for failure to comply with the obligation, referred to in paragraph 3, to notify the Commissioner of any change affecting their exemption from or the reduction of their property tax. Further, a court before which a person is successfully prosecuted for failing to do any act which he is required to do will be empowered to order him, within the time specified by the court, to do that act, subject to a fine not exceeding $5,000 for

contravention of such an order. As in the case of a similar provision contained in clause 26, the reason for giving the court this power is to obviate the necessity in every case of going through the whole process again of issuing a fresh return form and so on. References to contravention of notices under section 51(4) are removed from section 80(1) by this clause in view of the proposed new subsection (4B) of section 51 contained in clause 26. Other alterations made in the new subsection (1) of section 80 of the Ordinance by this clause are consequential upon the incidental renumbering of other sections and subsections in the Ordinance by other clauses of this Bill.

33. Although the powers to make rules conferred in section 85 of the Ordinance are very wide, clause 41 will ensure, by specific provision, that these powers do in fact extend to making rules for determining what is or is not machinery or plant on the one hand, or an implement, utensil or article on the other, for the purposes of the Ordinance.

34. By clause 1(2) many of the amendments contained in this Bill will apply to assessments for the current year of assessment, and thus to persons who, if this Bill is enacted, may already by then have been assessed to tax for this year. In order to ensure that such persons are not denied any tax advantages as a result of being assessed to tax before the enactment of this Bill, clause 42 will enable them to apply for reassessment under the Ordinance as amended by this Bill.

LIMITATION BILL 1965

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance to consolidate and amend the law relating to the limitation of actions and arbitrations"

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

Council then went into Committee to consider the Bill clause by clause.

Clauses 1 to 40 and the Schedule were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Limitation Bill 1965 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed into law.

ADJOURNMENT

HIS EXCELLENCY THE GOVERNOR: —That concludes the business for today, gentlemen. The next meeting of Council will be held on 23rd June.

PRINTED BY THE GOVERNMENT PRINTER, HONG KONG