

**立法會**  
**Legislative Council**

Ref : CB2/BC/12/01

LC Paper No. CB(2) 1059/02-03  
(These minutes have been seen by  
the Administration)

**Bills Committee on  
Inland Revenue (Amendment) (No.2) Bill 2001**

**Minutes of meeting  
held on Friday, 3 January 2003 at 8:30 am  
in Conference Room A of the Legislative Council Building**

**Members present** : Hon Eric LI Ka-cheung, JP (Chairman)  
Hon Margaret NG  
Hon HUI Cheung-ching, JP  
Hon SIN Chung-kai

**Members absent** : Hon CHAN Kwok-keung  
Hon Howard YOUNG, JP

**Public Officers attending** : Mr Martin GLASS  
Deputy Secretary for Financial Services and  
the Treasury (Treasury)

Mr Ivanhoe CHANG  
Assistant Secretary for Financial Services and  
the Treasury (Treasury)

Mr CHU Yam-yuen  
Assistant Commissioner of Inland Revenue

Mrs Brenda LEE  
Chief Assessor  
Inland Revenue Department

Mr CHAU Ho-man  
Chief Assessor  
Inland Revenue Department

Mr Richard LEUNG  
Chief System Manager  
Inland Revenue Department

Ms Lonnie NG  
Senior Government Counsel  
Department of Justice

**Clerk in attendance** : Mrs Constance LI  
Chief Assistant Secretary (2)5

**Staff in attendance** : Mr Arthur CHEUNG  
Senior Assistant Legal Adviser 2

Miss Betty MA  
Senior Assistant Secretary (2)1

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**I Confirmation of minutes of meeting**  
[LC Paper No. CB(2) 786/02-03]

The minutes of the meeting on 13 December 2002 were confirmed.

**II Meeting with the Administration**  
[LC Paper No. CB(2) 794/02-03(01)]  
[LC Paper No. CB(2) 610/02-03(01)]

2. The Bills Committee deliberated (Index of proceedings attached at **Annex**).
3. The Administration briefed members on its written response and follow-up actions on the issues brought up at the last meeting on 13 December 2002. The Administration then took members through its response (tabled at the meeting) on the proposal of adding specific provisions in the Bill to prescribe that the Inland Revenue Department (IRD) should use a trustworthy system in its Electronic Return Filing Services.

*(Post-meeting note : The Administration's response was subsequently issued to members vide LC Paper No. CB(2) 819/02-03(01).)*

4. Some members had raised concern about the level of security of the use of a six-digit numeric password in IRD's tax filing application under the Electronic Service Delivery (ESD) system, since some other overseas jurisdictions had adopted an eight-digit alphanumeric password for their PIN-based electronic tax return service.

5. The Chairman requested the Administration to take note of the concerns expressed by members and the information technology industry about the security and risks involved in using password as a signing device for filing tax returns, when considering enhancements to the ESD tax filing application.

6. The Bills Committee requested the Administration to -

- (a) provide an undertaking in the speech to be delivered by the Secretary for Financial Services and the Treasury during the resumption of Second Reading debate on the Bill that the Administration would continually review and improve the functionalities and compatibility features of the return filing application under the ESD platform, including the support for other operating systems, such as Linux;
- (b) advise whether it was a central policy decision that "official paid mail" should not be provided, and which bureau should be responsible for reviewing such a policy;
- (c) provide a comparison between the password used in IRD's tax filing application under the ESD system and the one used in similar system in the United Kingdom (UK), e.g. why IRD did not propose to adopt a 8-dight alphanumeric password as in UK;
- (d) review whether it was necessary to adopt the same password for filing tax returns by Internet and by telephone since taxpayers would not file a tax return under both systems; and
- (e) strengthen public education on the difference in the level of security between using a password and a digital signature in filing a tax return electronically.

### **III. Clause-by-clause examination**

[LC Paper No. CB(2) 2612/01-02(02)]

[LC Paper No. CB(2) 610/02-03(02)]

[LC Paper No. CB(2) 794/02-03(02)]

7. The Bills Committee examined the Bill clause-by-clause, together with the draft Committee Stage amendments (CSAs) proposed by the Administration [LC Paper No. CB(2) 610/02-03(02)]. The Administration informed members that it would propose a further technical amendment to clause 1(2) of the Bill to amend the reference to "Secretary for the Treasury" to "Secretary for Financial Services and the Treasury". Members did not raise any queries to the CSAs proposed by the Administration.

8. Senior Assistant Legal Adviser 2 briefed members on his letter dated 30 December 2002 [LC Paper No. CB(2) 794/02-03(02)] to the Administration on the drafting issues of the Bill and the Administration's response.

*(Post-meeting note : The Administration's response on the drafting issues of the Bill was issued to member vide LC Paper No. CB(2) 819/02-03(02).)*

9. Members requested the Administration to consider the following drafting points -

Clause 2

- (a) to replace "adopting" in the proposed section 2(5) by "affixing of a digital signature to a return" and "inclusion of a password with a return"; and

Clause 8

- (b) to replace "for the purposes of this Ordinance" by "for the purposes of this section" in the proposed new section 51AA(7), so as to restrict the empowering provision to the proposed new section 51AA(5)(b);

10. The Chairman said that the Bills Committee might consider moving the above amendments if the Administration did not agree to take them up.

**IV. Any other business**

11. Members agreed that no further meeting would be held if members raised no objection to the Administration's response which would be circulated to members for consideration.

12. The Chairman said that as the proposed tax filing application under the ESD system and the telefiling system aimed at providing an additional option for filing tax returns, the Bills Committee had no objection to the resumption of the Second Reading debate on the Bill. He further said that the Bills Committee would report its deliberations to the House Committee after members had considered the Administration's response to the outstanding issues raised at this meeting.

13. There being no other business, the meeting ended at 10:03 am.

**Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2001  
Meeting on Friday, 3 January 2003 at 8:30 am  
in Conference Room A of the Legislative Council Building**

| <b>Time marker</b> | <b>Speaker</b>  | <b>Subject(s)</b>  | <b>Action Required</b>                                  |
|--------------------|---|--|---|
| 0001-0249          | Chairman  | Confirmation of minutes of meeting on 13 December 2002   |   |
| 0250-1025          | Administration<br>Chairman  | Administration's response to concerns raised at the last Bills Committee meeting on 13 December 2002<br>[LC Paper No. CB(2) 794/02-03(01)]   | <b>Admin to consider members' views</b>                 |
| 1026-1313          | Administration<br>Chairman  | Administration's response to the proposal of adding specific provisions to the Bill that the Inland Revenue Department should use a trustworthy system in its Electronic Return Filing Services. |   |
| 1314-2345          | Hon HUI Cheung-ching<br>Administration<br>Chairman<br>Hon Margaret NG       | Feasibility of providing a stamped self-addressed envelope<br>[Paragraphs 17-18 of LC Paper No. CB(2) 794/02-03(01)]   | <b>Admin to consider members' views</b>                 |
| 2346-4820          | SALA2<br>Administration<br>Chairman<br>Hon SIN Chung-kai<br>Hon Margaret NG | Use of PIN in other overseas jurisdictions   | <b>Admin to provide a comparison with the UK system</b> |
| 4821-5040          | Chairman  | Clause-by-clause examination of the Bill   |   |
| 5041-010828        | SALA2<br>Chairman<br>Administration   | Comments on the drafting of the Bill<br>[LC Paper No. CB(2) 794/02-03(02)]   | <b>Admin to consider</b>                                |

|               |   |  |   |
|---------------|---|--|---|
| 010829-010952 | Chairman<br>Administration                      | Committee Stage amendments<br>(CSAs) proposed by the<br>Administration to the Bill<br>[LC Paper No. CB(2) 610/02-<br>03(02)] | <b>Admin to<br/>follow up and<br/>provide an<br/>updated list<br/>of CSAs</b> |
| 010953-011330 | Chairman<br>Administration                      | Clauses 1 to 7   |   |
| 011331-012412 | Administration<br>Chairman<br>Hon SIN Chung-kai | Clause 8   | <b>Admin to<br/>consider<br/>members'<br/>views</b>                           |
| 012413-012503 | Chairman<br>Administration                      | Clauses 9 to 14  |   |
| 012504-013106 | Chairman<br>Hon SIN Chung-kai                   | Way forward  |   |

**Note : The audio records of the above proceedings are kept at the LegCo Library**

Council Business Division 2  
Legislative Council Secretariat  
28 January 2003