

**立法會**  
**Legislative Council**

LC Paper No. CB(2) 312/02-03  
(These minutes have been seen by  
the Administration)

Ref : CB2/BC/12/01

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

**Minutes of meeting  
held on Wednesday, 23 October 2002 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 Howard YOUNG, JP

**Members absent** : Hon CHAN Kwok-keung  
Hon SIN Chung-kai

**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

**Attendance by invitation** : Professional Information Security Association

Mr S C LEUNG  
Chairperson

Information Systems Audit and Control Association (Hong Kong Chapter)

Ms Susanna CHIU  
President

Mr William GEE  
Vice-President

Mr Vincent CHAN  
Secretary

Hong Kong Society of Accountants

Mr CHAN Kee-huen, Michael  
Council Member

Mr Peter Tisman  
Deputy Director (Business and Practice)

**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

---

## **I Confirmation of minutes of meeting**

[LC Paper No. CB(2) 32/02-03]

The minutes of the meeting on 22 July 2002 were confirmed.

## **II Meeting with deputations**

[LC Paper Nos. CB(2) 4/02-03(02) - (07)]

[LC Paper No. CB(2) 70/02-03(01)]

[LC Paper No. CB(2) 88/02-03(01)]

2. The Bills Committee met with representatives of three deputations and the Administration. The Bills Committee noted that seven submissions were received and the Secretariat had prepared a summary for members' reference. The Bills Committee deliberated (Index of proceedings attached at **Annex**).

3. Representatives of the deputations expressed concern about the security aspects of the proposed electronic transaction mechanism, the interface of the Inland Revenue (Amendment) (No. 2) Bill 2001 (the Bill) with the Electronic Transactions Ordinance (ETO), and the absence of a legal framework for adopting methods of authentication other than digital certificates. Some deputations considered that the use of password i.e. Personal Identification Number (PIN) in the proposed tax return system was less secure than the use of digital certificates, and there would be difficulty in establishing non-repudiation for tax returns filed through the proposed system. One deputation informed members that the United Kingdom (UK) had suspended the on-line tax returns filing system for a certain period in 2002.

## **III Meeting with the Administration**

[LC Paper Nos. CB(2) 4/02-03(01) and CB(2) 172/02-03(01)]

4. The Administration took members through its written response (tabled at the meeting) to concerns raised in the submissions.

5. The Chairman advised that when the ETO was enacted in 7 January 2000, the Administration had undertaken to conduct a review in 18 months. He informed members that the Administration had tentatively included the Electronic Transactions (Amendment) Bill in the Legislative Programme for 2002-2003 session. The Chairman further advised that the Administration would brief the Panel on Information Technology and Broadcasting on the review of ETO at its meeting on 7 November 2002.

6. In response to the concerns raised by deputations and members, the Chairman requested the Administration to provide the following information -

- (a) scope of the current review of the ETO and the proposed Electronic Transactions (Amendment) Bill, e.g. whether it covered the use of PIN for authentication;

- (b) the Commerce, Industry and Technology Bureau to explain at the meeting of the Panel on Information Technology and Broadcasting on 7 November 2002 -
  - (i) the interface of the Inland Revenue (Amendment) (No.2) Bill 2001 with the ETO; and
  - (ii) the experience of overseas jurisdictions where PIN was used for authentication of documents filed with the government, e.g. whether any difficulties were encountered in meeting the security requirements;
- (c) examples of "reasonable excuse" as a defence against the imposition of criminal responsibility for an incorrect tax return filed using password, given the vulnerability of a password-based system;
- (d) statistics on the use of digital signature in submitting tax returns, and the estimated number of taxpayers who would file tax returns by telephone;
- (e) the costs and benefits for providing a telefiling system for tax returns, e.g. the amounts of capital investment and recurrent costs;
- (f) the plans for public education and publicity to increase public awareness of the proposed new means of submitting tax returns by telephone, and the differences in the level of security between using PIN and digital signature for filing tax returns;
- (g) a comparison between using contract law and the present bill to authenticate the use of passwords; and
- (h) the reasons for suspending the tax e-filing system from May to July 2002 in the UK.

### **III. Date of next meeting**

7. The Bills Committee agreed to hold the next meeting in 12 November 2002 at 8:30 am to continue discussion with the Administration.

8. There being no other business, the meeting ended at 10:45 am.

Council Business Division 2  
Legislative Council Secretariat  
8 November 2002

**Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2001  
Meeting on Wednesday, 23 October 2002 at 8:30 am  
in Conference Room A of the Legislative Council Building**

<b>Time</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action Required</b>
000000-000307	Chairman	Confirmation of minutes of meeting on 22 July 2002	
000308-000637	Hon Margaret NG Chairman	Meeting with deputations	
000638-001920	Mr S C LEUNG Chairman Mr S C LEUNG	Presentation by deputation from of Professional Information Security Association	
001921-002629	Mr William GEE	Presentation by representative of Information Systems Audit and Control Association (Hong Kong Chapter)	
002630-003230	Mr Michael CHAN	Presentation by representative of Hong Kong Society of Accountants	
003231-004809	Hon Howard YOUNG Mr William GEE Ms Susanna CHIU Mr Peter Tisman	Security aspect of Personal Identification Number (PIN)-based system	
004810-010033	Chairman Mr William GEE Mr Michael CHAN Mr S C LEUNG	Interface of the Bill and the Electronic Transactions Ordinance (ETO) and the implications of the use of PIN for authentication in the absence of a legal framework	
010034-011345	Chairman Ms Susanna CHIU Mr S C LEUNG Mr William GEE Mr Peter Tisman	The cost and benefit of the proposed tax return system	

011346-013423	Chairman Mr Michael CHAN Mr William GEE Ms Susanna CHIU Hon HUI Cheung-ching Mr S C LEUNG Mr Peter Tisman	Overseas experience in using PIN for authentication and tax e-filing system	
013424-014853	Administration	Response to concerns raised in submissions	
014854-015841	Chairman Hon Howard YOUNG Administration	Scope of review of the ETO and the legislative timetable for the Electronic Transactions (Amendment) Bill	<b>Admin to provide response</b>
015842-015929	Chairman Hon HUI Cheung-ching Administration	Request for responses from the Administration to a number of issues and concerns raised by deputations and members	<b>Admin to provide response</b>
015930-021410	Chairman	Date of next meeting	

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

Council Business Division 2  
Legislative Council Secretariat  
8 November 2002