

財 經 事 務 及 庫 務 局
(庫 務 科)

香港下亞厘畢道
中區政府合署

FINANCIAL SERVICES AND
THE TREASURY BUREAU
(The Treasury Branch)

Central Government Offices,
Lower Albert Road,
Hong Kong

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20 June 2003

Clerk to the Financial Committee
(Attn: Ms Polly Yeung)
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Fax: 2121 0420)

Dear Ms Yeung,

At the Finance Committee meeting held on 13 June, in connection with a proposal for a new commitment of \$1,000 million for awarding grants to University Grants Committee-funded institutions to match private donations secured by them, the Hon Emily Lau asked for information concerning the amount of tax deduction for donations and the Administration's assessment on whether its proposal to raise the ceiling for tax-exempted donations to 25% of assessable income or profits would be effective in encouraging such donations.

Under the existing sections 16D and 26C of the Inland Revenue Ordinance (IRO), donations of an aggregate amount of not less than \$100 to charitable institutions or trusts of a public character which are exempt from tax under section 88 of the IRO or to the Government, for charitable purposes, shall be tax deductible. The current ceiling of tax deduction for donations is 10% of the taxpayer's net assessable income or profits.

In the 2003-04 Budget, the Financial Secretary has proposed to raise this existing ceiling for tax-exempted donations from 10% to 25% and this proposal is contained in the Revenue (No.2) Bill 2003 which is currently being examined by the Legislative Council. The purpose of the proposal is to encourage private donations to charitable organisations.

In the assessment year 2000/01, the amount of deductions of approved charitable donations was \$2.08 billion under Salaries Tax and \$0.83 billion under Profits Tax. Around 257,000 salaries tax payers and 11,000 profits tax payers have made donations in 2000/01. We do not breakdown such donations by their recipients, and have no information on how much was donated to the UGC-funded institutions.

We believe that increasing the tax-exemption ceiling from 10% of assessable income/profits to 25% will encourage more donations to charitable bodies.

Yours sincerely,

(Miss Erica Ng)
for Secretary for Financial Services and the Treasury

c.c. **Internal**
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