

立法會
Legislative Council

LC Paper No. CB(1) 1704/04-05
(These minutes have been seen
by the Administration)

Ref: CB1/BC/8/04/2

**Bills Committee on
Revenue (Allowances for Tax) Bill 2005**

**Minutes of first meeting
held on Tuesday, 17 May 2005, at 4:30 pm
in Conference Room B of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, JP (Chairman)
Hon LEE Cheuk-yan
Hon CHAN Yuen-han, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon SIN Chung-kai, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
- Members absent** : Hon CHIM Pui-chung
Hon TAM Heung-man
- Public officers attending** : Financial Services and the Treasury Bureau

Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Miss Erica NG
Principal Assistant Secretary for Financial Services and the
Treasury (Treasury)
- Inland Revenue Department

Mrs CHAN WONG Yee-hing
Assistant Commissioner of Inland Revenue

Department of Justice

Mr Gilbert MO
Deputy Law Draftsman

Ms Vicki LEE
Senior Government Counsel

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Ms Connie FUNG
Assistant Legal Adviser 3

Mrs Mary TANG
Senior Council Secretary (1)2

I. Election of Chairman

Mr CHAN Kam-lam, the Member with the highest precedence among those who were present at the meeting, presided over the election of Chairman of the Bills Committee.

2. Mr CHAN Kam-lam invited nominations for the chairmanship of the Bills Committee. Mrs Sophie LEUNG nominated Mr CHAN Kam-lam and the nomination was seconded by Mr WONG Ting-kwong. Mr CHAN Kam-lam accepted the nomination.

3. There being no other nominations, Mr CHAN Kam-lam was elected Chairman of the Bills Committee.

II. Meeting with the Administration

Background information on the Bill

(LC Paper No. CB(3) 522/04-05	-- The Bill
Ref: FIN CR 7/2201/04	-- The Legislative Council Brief
LC Paper No. LS54/04-05	-- Legal Service Division Report
LC Paper No. CB(1) 1534/04-05(01)	-- Marked-up copy of the Bill
LC Paper No. CB(1) 1534/04-05(02)	-- Extracts from relevant provisions of the Inland Revenue Ordinance (Cap. 112))

4. The Bills Committee deliberated (Index of proceedings attached at Annex A).

5. As the Bills Committee had completed scrutiny of the Bill, it was agreed that a report on the deliberations of the Bills Committee would be submitted for consideration by the House Committee at its meeting on 27 May 2005, recommending resumption of Second Reading debate on the Bill on 8 June 2005.

III. Any other business

6. There being no other business, the meeting ended at 5:30 pm.

Council Business Division 1
Legislative Council Secretariat
2 June 2005

**Proceedings of the meeting of the
Bills Committee on Revenue (Allowances for Tax) Bill 2005**

**Meeting on Tuesday, 17 May 2005, at 4:30 pm
in Conference Room B of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 - 000144	Mr CHAN Kam-lam Mrs Sophie LEUNG Mr WONG Ting-kwong	Election of Chairman Mr CHAN Kam-lam was elected Chairman of the Bills Committee	
000145 - 000240	Chairman	Introductory remarks	
000241 - 000536	Administration	Explanation on the Bill	
000537 - 000939	Mr LEE Cheuk-yan Administration Chairman	Discussion on the basis upon which the number of taxpayers who would benefit from the introduction of a new basic allowance and an additional allowance for taxpayers maintaining parents/grandparents aged between 55 and 59 (the new allowances) was arrived at Administration's explanation - (a) it was expected that 100 000 taxpayers would benefit from the new allowances; and (b) the number was worked out taking into account age distribution of the population and profiles of taxpayers	
000940 - 001236	Mr SIN Chung-kai Administration Chairman Mrs Sophie LEUNG	Members' concern about the scope of the new allowances which was wider than what was originally proposed by political parties, i.e., such allowances should only apply to those whose parents/grandparents were unemployed	

Time marker	Speaker	Subject(s)	Action required
001237 - 001400	Hon LEE Cheuk-yan Administration	<p>Discussion on the definition of “maintain”</p> <p>Administration’s response -</p> <p>A parent/grandparent should only be treated as being maintained by a taxpayer or his/her spouse if -</p> <p>(a) the parent/grandparent resided, otherwise than for full valuable consideration, with the taxpayer and his/her spouse for a continuous period of not less than six months in the year of assessment; or</p> <p>(b) the taxpayer or his/her spouse contributed not less than the prescribed amount, which was currently set at \$12,000 per year, towards the maintenance of that parent/grandparent in the year of assessment</p>	
001401 - 001809	Mr SIN Chung-kai Chairman Administration Mrs Sophie LEUNG	<p>Members’ concern about the situation where taxpayers whose parents/grandparents were financially sound would still benefit from the allowances</p> <p>Administration’s explanation -</p> <p>The Inland Revenue Department would select claims for the new allowances for checking to ensure that maintenance of the parent/grandparent as provided in the Inland Revenue Ordinance was satisfied</p>	
001810 - 002210	Chairman Administration Mr LEE Cheuk-yan Mr WONG Ting-kwong	Discussion on the eligibility for the new dependent parent/grandparent allowances	

Time marker	Speaker	Subject(s)	Action required
002211 - 002600	Mr SIN Chung-kai Administration Chairman	<p>Penalty for filing false claims for dependent parent/grandparent allowances</p> <p>Administration's explanation-</p> <p>In addition to prosecution, the Commissioner of Inland Revenue had power to impose additional tax by way of penalty and the maximum amount could be treble the amount of tax which had been undercharged</p>	
002601- 002850	Mr SIN Chung-kai Administration	<p>Member's concern about the wide scope of the new allowances and consideration should be given to confine the allowances only to those whose parents/grandparents were unemployed or had no taxable income</p> <p>Administration's explanation -</p> <p>(a) technical difficulties in defining the term "unemployed", particularly the period within which a person was unemployed and the situation where a person was unemployed and employed again;</p> <p>(b) there might be circumstances where well-off parents/grandparents who were unemployed but lived on income from investment would become eligible for such allowances while those who were employed with a very low salary would not; and</p> <p>(c) the current proposal was simpler and more effective</p>	

Time marker	Speaker	Subject(s)	Action required
002851 - 003123	Mr Ronny TONG ALA3	Definition of “maintain” ALA3’s explanation on the existing section 30(4) of Inland Revenue Ordinance (IRO) on dependent parent allowance which would also apply to the new dependent parent allowance (LC Paper No. CB(1) 1534/04-05(01))	
003124 - 003347	Mrs Sophie LEUNG Chairman Administration	Discussion on the feasibility of adding a new provision under section 30(4)(a) of IRO such that a taxpayer would not be eligible for the new allowances if his/her parent/grandparent’s taxable income exceeded a prescribed amount	
003348 - 004458	Mr SIN Chung-kai Administration Chairman Mr WONG Ting-kwong Mr LEE Cheuk-yan Mrs Sophie LEUNG	Members’ views - (a) original proposal on the new allowances was to lighten the burden of taxpayers to maintain their unemployed parents/grandparents; and (b) taxpayers whose parents/grandparents had taxable income should not be eligible to claim the new allowances Chairman’s view - (a) such conditions were not imposed on taxpayers with dependent parents/grandparents aged 60 or above; and (b) inclusion of such conditions in the new allowances might lead to complications Administration’s response - (a) there were practical difficulties in setting a suitable level of taxable income; and (b) current proposal was simpler and would assist those in need	

Time marker	Speaker	Subject(s)	Action required
004459 - 004548	Mr SIN Chung-kai Administration Chairman Mr LEE Cheuk-yan Mrs Sophie LEUNG	Members' concern about the lack of consultation with political parties on the new allowances Administration's response - (a) the Financial Secretary had taken into account the views of political parties expressed during the Budget consultation exercise; (b) it was not the practice to release the budgetary measures before the Budget day; (c) the new allowances were intended to take effect in the year of assessment 2005-06 and an extended consultation process might delay the implementation; and (d) political parties had in fact called for tax concessions of \$3.3 billion through reversing the second stage of salaries tax increases for 2004-05	
004959 - 005650	Chairman Administration	Clause-by-clause examination of the Bill	

Time marker	Speaker	Subject(s)	Action required
005651 - 010609	Mrs Sophie LEUNG Mr SIN Chung-kai Chairman Administration	Members' request for the Administration to reconsider the proposal of tightening the scope of the new dependent parent/grandparent allowances to reflect the policy intent on tax relief as set out in paragraph 68 of the 2005-06 Budget's speech Administration's response - (a) it was a conscious decision of the Financial Secretary to set the new basic allowance at \$15,000 for parents/grandparents aged between 55 and 59 (as opposed to the existing basic allowance of \$30,000 for parents aged 60 or above) as they had a better chance of finding a job; and (b) the cost of \$450 million for the new allowances was considered acceptable to the Government	
010610 - 010717	Chairman	Legislative timetable	