

立法會
Legislative Council

LC Paper No CB(2)1611/04-05(03)

Ref. : CB2/BC/10/04

**Bills Committee on
Revenue (Abolition of Estate Duty) Bill 2005**

Background brief prepared by the Legislative Council Secretariat

Proposal to abolish estate duty

Purpose

This paper provides a summary of views expressed by Members of the Legislative Council (LegCo) at committee meetings on the Administration's proposal to abolish estate duty.

Background

2. In his 2005-2006 Budget speech delivered on 16 March 2005, the Financial Secretary announced the proposal to abolish estate duty imposed under the Estate Duty Ordinance (Cap. 111) (the Ordinance). On 11 May 2005, the Administration introduced into LegCo the Revenue (Abolition of Estate Duty) Bill 2005. The Bill seeks to amend the Ordinance to give effect to the proposal to abolish estate duty and to make related and consequential amendments.

3. The Administration has estimated that if the estate duty and probate fees are abolished, annual revenue of around HK\$1.5 billion and HK\$50 million respectively would be lost.

4. According to the Administration, interested parties and the public have been consulted as to whether the estate duty regime should be adjusted. The Financial Secretary has consulted LegCo Members, various chambers, groups and associations and the general public while formulating the 2005-2006 Budget, and their views have been taken into account.

Views expressed by Members at committee meetings

5. None of the Panels has been consulted on the legislative proposal relating to the abolition of estate duty. Some Members, nevertheless, have expressed views on the proposal in the course of discussing other related subjects at committee meetings. The views expressed by Members are summarised below.

6. The Administration informed the Panel on Financial Affairs (FA Panel) on 1 November 2004 that it was conducting a review on estate duty and the findings would be presented in the 2005-2006 Budget. A Member considered that the abolition of estate duty would be inconsistent with the Administration's objective of broadening the tax base.

7. On 4 April 2005, the FA Panel discussed the benefits and financial implications of the profits tax exemption proposal put forth by the Administration. A Member referred to the proposal to abolish estate duty and commented that it would only benefit the middle and the wealthy classes. The Administration explained that the proposal sought to enhance Hong Kong's competitiveness as an asset management centre and reinforce its status as an international finance centre.

8. The Administration briefed Members on the initiatives to promote asset management, including the proposal of abolition of estate duty at the special meeting of the Finance Committee on 11 April 2005. A Member urged the Administration to allocate adequate resources to strengthen work in these areas, given the initiatives were vital to reinforce Hong Kong's status as an international finance centre and promote Hong Kong's long term economic development.

Other related information

9. A number of written questions relating to the proposal to abolish estate duty were raised by Members during the examination of estimates of expenditure 2005-2006. These questions and the replies by the Commissioner of Inland Revenue are in the **Appendix**.

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Appendix
Reply Serial No.

FSTB(Tsy)062

Question Serial No.

0494

Head : 76 Inland Revenue Department Subhead (No. & title) :000 Operational Expenses

Programme (No. & title) : (1) Assessing Functions

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question : As the Budget proposes to scrap the Estate Duty, how much Departmental Expenses may be reduced per year?

Asked by : Hon. Jeffrey LAM Kin-fung

Reply : In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

As the Government's proposal is to abolish estate duty in respect of persons who pass away after enactment of the enabling legislation, and as the affidavit for estate duty is normally filed 6 to 12 months after the date of death of a person, we envisage that the EDO will need to operate at full strength in 2005-06. Our plan is to reduce the establishment of the EDO and the supporting departmental posts in line with the actual caseload in future years. The surplus staff will be redeployed to other divisions.

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Name in block letters Mrs LAU MAK YEE MING, ALICE

Post Title Commissioner of Inland Revenue

Date 7 April 2005

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)063

Question Serial No.

0885

Head : 76 Inland Revenue Department

Subhead (No. & title) :

Programme (No. & title) : (1) Assessing Functions

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As a result of the abolition of Estate Duty announced in the Budget, how much manpower resources can be saved? What is the redeployment plan in relation to the resources saved and how would the targets of other services in the Department be boosted in anticipation of the savings?

Asked by : Hon. Patrick LAU Sau-shing

Reply : In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

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INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)065

Question Serial No.

0171

Head : 76 Inland Revenue Department Subhead (No. & title) :

Programme (No. & title) : (1) Assessing Functions

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question : How much resources in the current Estimate have been earmarked for supporting the services in relation of Estate Duty? Please provide the number of post, with details on the rank, and the total staff cost involved.

Asked by : Hon. Abraham SHEK Lai-him

Reply : In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

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Date 7 April 2005

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(Tsy)067

Question Serial No.

Head : 76 Inland Revenue Department Subhead (No. & title) :

0495

Programme (No. & title) : (1) Assessing Functions

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In 2005-06, the Inland Revenue Department will delete 33 non-directorate posts. According to the information it provided there are at least 50 posts for processing estate duty assessing work (15 600 cases finalized and 312 cases processed per post last year). Please advise:

- (1) Whether the above-mentioned 33 non-directorate posts to be deleted include posts for the estate duty assessing work? If not, which grades are involved? What are the reasons for deleting in these grades?
- (2) In 2005-06, how many posts are for the estate duty assessing work? If the Department is required to delete any of these posts, what is the arrangement for the staff members affected? Will the arrangement involve any additional expense?
- (3) After abolition of estate duty, what will be saving by the government per year in processing estate duty?

Asked by : Hon. SIN Chung-kai

Reply :

- (1) The above-mentioned 33 non-directorate posts to be deleted do not include posts for assessing estate duty. In 2005-06, through streamlining procedures and re-engineering the work processes, and wider use of information technology, the Inland Revenue Department (IRD) will delete 33 non-directorate posts in the Assessor grade, Taxation Officer grade, Tax Inspector grade, clerical grade, secretarial grade and Data Processor grade.
- (2) & (3) In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

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ALICE

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Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)068

Question Serial No.

0955

Head : 76 Inland Revenue Department Subhead (No. & title) : 000 Operational Expenses

Programme (No. & title) :

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question : In relation to the abolition of Estate Duty, what is the impact on the establishment and expenditure of the Inland Revenue Department in 2005-06?

Asked by : Hon. James TIN Pei-chun

Reply : In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

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Date 7 April 2005

Examination of Estimates of Expenditure 2005-06
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)070

Question Serial No.

0670

Head : 76 Inland Revenue Department Subhead (No. & title) : 000 Operational Expenses

Programme (No. & title) : (1) Assessing Functions

Controlling Officer : Commissioner of Inland Revenue

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As Financial Secretary proposes to abolish Estate Duty from 2005-06, may the Administration inform the Council whether the proposal would affect the establishment of the Inland Revenue Department upon its implementation? If yes, what will be the expenditure items and their amounts involved? If not, what is the reason?

Asked by : Hon. Ronny Tong Ka-wah

Reply : In the draft Estimates of Expenditure for 2005-06, provisions totalling \$18.5 million relate to the assessment of estate duty. Personal emoluments account for some 90% of total expenditure. The Estate Duty Office (EDO) has an establishment of 36, comprising 9 Assessor grade staff, 13 Taxation Officer grade staff and 14 clerical grade staff. In addition, 6 Tax Inspector grade staff assist with the inventory-taking of the deceased's safe deposit boxes and 3 Typists provide typing services to the EDO. There are a number of other supporting and administrative staff who provide general administrative support and management supervision to the EDO as well as to other divisions.

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