

A BILL

To

Amend the Inland Revenue Ordinance and make provisions to give effect to some of the proposals in the Budget introduced by the Government for the 2007–2008 financial year.

Enacted by the Legislative Council.

1. Short title

This Ordinance may be cited as the Revenue (No. 2) Ordinance 2007.

2. Application

(1) Subject to subsection (2), this Ordinance applies in relation to the year of assessment commencing on 1 April 2007 and to all subsequent years of assessment.

(2) Sections 3 and 5 apply in relation to the year of assessment commencing on 1 April 2006.

Inland Revenue Ordinance

3. Calculation of salaries tax

Section 13 of the Inland Revenue Ordinance (Cap. 112) is amended by adding—

“(3) Notwithstanding subsections (1) and (2), the amount of salaries tax charged under this section for the year of assessment commencing on 1 April 2006 shall be reduced by an amount equivalent to—

(a) 50% of the amount of the tax as computed under subsection (1) read together with subsection (2); or

(b) \$15,000,

whichever is the less.”.

4. Child allowance

Section 31 is amended by adding—

“(1A) A child allowance granted in respect of a child under subsection (1) shall be increased in the year of assessment in which the child is born by the prescribed amount.”.

5. Rates of charge

(1) Section 43 is amended by adding—

“(1B) Notwithstanding subsections (1) and (1A), for the year of assessment commencing on 1 April 2006, the amount of tax charged under subsection (1) read together with subsection (1A) shall be reduced by an amount equivalent to—

(a) 50% of the amount of the tax as computed under subsection (1) read together with subsection (1A); or

(b) \$15,000,
whichever is the less.”.

(2) Section 43(2B) is amended by adding “(as reduced, for the year of assessment commencing on 1 April 2006, under subsection (1B))” after “year of assessment”.

6. Rates

(1) Schedule 2 is amended in the subheading “For the year of assessment 2006/07 and for each year after that year” by repealing “and for each year after that year”.

(2) Schedule 2 is amended by adding at the end—

“For the year of assessment 2007/08
and for each year after that year

SECOND COLUMN	THIRD COLUMN
(a) Upon the first \$35,000	2%
(b) Upon the next \$35,000	7%
(c) Upon the next \$35,000	12%
(d) Upon the remainder	17%”.

7. Deduction for expenses of self-education

Schedule 3A is amended by repealing item 4 and substituting—

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| “4. | For the years of assessment 2001/02 to 2006/07 inclusive | \$40,000 |
| 5. | For the year of assessment 2007/08 and for each year after that year | \$60,000”. |

8. Allowances

(1) Schedule 4 is amended by repealing “For the year of assessment 2005/06 and for each year after that year” and substituting “For the years of assessment 2005/06 and 2006/07”.

(2) Schedule 4 is amended by adding at the end—

“For the year of assessment 2007/08 and
for each year after that year

FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount)
1. Section 28 (basic allowance)	\$100,000
2. Section 29 (married person’s allowance)	\$200,000
3. Section 30 (dependent parent allowance)—	
(a) subsection (3)(a)	\$ 30,000
(b) subsection (3)(b)	\$ 30,000
(c) subsection (3A)(a)	\$ 15,000
(d) subsection (3A)(b)	\$ 15,000
(e) subsection (4)(a)	\$ 12,000
4. Section 30A (dependent grandparent allowance)—	
(a) subsection (3)(a)	\$ 30,000
(b) subsection (3)(b)	\$ 30,000
(c) subsection (3A)(a)	\$ 15,000
(d) subsection (3A)(b)	\$ 15,000
(e) subsection (4)(a)	\$ 12,000
5. Section 30B(1) (dependent brother or dependent sister allowance)	\$ 30,000
6. Section 31 (child allowance)—	
(a) subsection (1)	\$50,000 for each child

FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount)
(b) subsection (1A)	\$50,000 for each child
(c) subsection (5) (in relation to subsection (1))	\$450,000
(d) subsection (5) (in relation to subsection (1A))	\$450,000
7. Section 31A(1) (disabled dependant allowance)	\$ 60,000
8. Section 32(1) (single parent allowance)	\$100,000”.

9. Transitional

(1) For the purposes of section 63C(1) of the Inland Revenue Ordinance (Cap. 112), in calculating the net chargeable income of a person for the preceding year of assessment to ascertain the provisional salaries tax in respect of the year of assessment commencing on 1 April 2007—

- (a) the reference to “such allowances as are under Part V permitted for that person” in section 12B(1)(b) of that Ordinance; and
- (b) the reference to “such allowances as are under Part V permitted in their case” in section 12B(2)(b) of that Ordinance,

shall be construed to mean such allowances that may be granted to that person for the year of assessment commencing on 1 April 2007 under Part V of that Ordinance as amended by this Ordinance.

(2) For the purposes of an application under section 63E(1) of the Inland Revenue Ordinance (Cap. 112) to hold over the payment of provisional salaries tax in respect of the year of assessment commencing on 1 April 2007, the reference to “net chargeable income for the year preceding the year of assessment” in section 63E(2)(a) or (b) of that Ordinance shall be construed to mean the net chargeable income for the preceding year of assessment as calculated in accordance with subsection (1).

Explanatory Memorandum

The purpose of this Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to some of the proposals in the 2007–2008 Budget.

2. Clause 2 provides that the provisions reducing salaries tax and tax under personal assessment apply in relation to the year of assessment 2006–2007, and that the other provisions apply in relation to subsequent years of assessment.
3. Clauses 3 and 5 reduce the salaries tax and tax under personal assessment payable for the year of assessment 2006–2007.
4. Clauses 4 and 8 increase the amount of child allowance and also provide for an increase in the amount of the allowance in the year of assessment in which a child is born.
5. Clause 6 widens marginal tax bands and reduces certain marginal tax rates for salaries tax and tax under personal assessment.
6. Clause 7 increases the amount of deduction for self-education expenses.
7. Clause 9 is a transitional provision.