

# 立法會

## *Legislative Council*

LC Paper No. LS68/06-07

### **Paper for the House Committee Meeting on 4 May 2007**

#### **Legal Service Division Report on Revenue (No. 2) Bill 2007**

#### **I. SUMMARY**

- 1. Object of the Bill** To amend the Inland Revenue Ordinance (Cap. 112) to give effect to some of the proposals in the 2007-08 Budget.
- 2. Comments** To:—
  - (a) provide for one off tax reduction for 2006-07;
  - (b) increase child allowance for salaries tax;
  - (c) widen marginal bands and reduce marginal rates of salaries tax;
  - (d) increase maximum amount of salaries tax deduction for self-education expenses; and
  - (e) make transitional provision in respect of assessment of provisional salaries tax.
- 3. Public Consultation** The Financial Secretary conducted consultations with LegCo Members, various business and professional bodies, as well as the general public during the formulation of the 2007-08 Budget. Their views have been taken into account in formulating these proposals.
- 4. Consultation with LegCo Panel** The policy aspects of the Bill have not been referred to any LegCo Panel for discussion.
- 5. Conclusion** No difficulties in relation to the legal and drafting aspects of the Bill have been identified. Subject to members' views, the Bill is ready for resumption of Second Reading debate.

## **II. REPORT**

### **Object of the Bill**

To amend the Inland Revenue Ordinance (Cap. 112) to give effect to some of the proposals in the 2007-08 Budget.

### **LegCo Brief Reference**

2. FIN CR 7/2201/06 issued by the Financial Services and the Treasury Bureau in April 2007.

### **Date of First Reading**

3. 2 May 2007.

### **Comments**

#### One off tax reduction for 2006-07

4. The Bill proposes to reduce the salaries tax and tax under personal assessment for 2006-07 by 50%, subject to a ceiling of \$15,000 (clauses 2, 3 and 5).

#### Increase child allowance for salaries tax

5. The Bill proposes to increase the child allowance from \$40,000 to \$50,000 for each child and introduce an additional child allowance of \$50,000 in the year of assessment in which the child was born (clauses 2, 4 and 8).

#### Widen marginal bands and reduce marginal rates of salaries tax

6. The Bill proposes to widen each marginal tax band from \$30,000 to \$35,000 and reduce the highest two marginal tax rates from 13% and 19% to 12% and 17% respectively (clauses 2 and 6).

#### Increase maximum amount of salaries tax deduction for self-education expenses

7. The Bill proposes to increase the maximum amount of deduction for self-education expenses from \$40,000 to \$60,000 (clauses 2 and 7).

### Transitional provision

8. The Bill also makes a transitional arrangement for allowing reference to the proposed child allowances applicable to the year of assessment commencing on 1 April 2007 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 and in application for hold over of the year of assessment commencing on 1 April 2007 (clause 9).

### **Public Consultation**

9. According to LegCo Brief, the Financial Secretary conducted consultations with LegCo Members, various business and professional bodies, as well as the general public during the formulation of the 2007-08 Budget. Their views have been taken into account in formulating these proposals.

### **Consultation with LegCo Panel**

10. The policy aspects of the Bill have not been referred to any LegCo Panel for discussion.

### **Conclusion**

11. No difficulties in relation to the legal and drafting aspects of the Bill have been identified. Subject to members' views, the Bill is ready for resumption of Second Reading debate.

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2 May 2007