

**Bills Committee on Revenue Bill 2008**

**2<sup>nd</sup> meeting on 20 May 2008**

**List of follow-up actions**

1. In relation to some members' query about the propriety or otherwise of the proposals to lower the standard rate of salaries tax and tax under personal assessment from 16% to 15%, and that of corporate profits tax from 17.5% to 16.5%, the Administration was requested to take the following actions:
  - (a) To provide the financial implications in terms of the revenue foregone resulting from the two proposals over a longer period of say, the next 10 years.
  - (b) To provide information on the views collected on the two proposals during the Budget consultation exercise, with a breakdown and/or detailed information on the number and types of organizations/individuals/sectors in favour of or against the reduction in standard tax rates for salaries tax and profits tax, and their reasons.
  - (c) To provide a comparison table showing the corporate profits tax rate and/or other tax incentives in Hong Kong and neighbouring jurisdictions (including but not limited to Singapore, Taiwan and South Korea), and to explain how and to what extent the proposal to lower the corporate profits tax rate by one percentage point would have the effect of enhancing the competitiveness of Hong Kong and attracting more foreign investments.
  - (d) To provide information on the number of unincorporated businesses, notably small and medium sized businesses under sole proprietorship, which would benefit from the proposed lowering of the standard rate.
  - (e) To shed light on the need or otherwise to lower the corporate profits tax rate for attracting investments in Hong Kong, members requested the Administration to provide information on:
    - (i) the number of taxpaying corporations in the past five years, with a breakdown by the annual profits made and the number of staff employed;
    - (ii) the number of overseas corporations which had set up offices in Hong Kong in the past five years or so; and
    - (iii) the estimated number of overseas corporations which would be attracted to Hong Kong after implementation of the proposal.

2. In relation to some members' concern about the proposal to raise the deduction ceiling for approved charitable donations under profits tax, salaries tax and tax under personal assessment from 25 % to 35% of assessable profits/income, the Administration was requested to:
  - (a) Provide information on the amount of tax deductible donations under the assessable profits/income in the past few years, an assessment on how and to what extent the proposal would encourage charitable donations by corporations/individuals, as well as and the estimated amount of additional donations that would be made after implementation of the proposal.
  - (b) Provide in writing the Administration's view on strengthening the regulatory oversight of charitable organizations in their use of donations.
3. To facilitate members' consideration of the effect of the proposed 100% profits tax deduction for capital expenditure on environmental-friendly machinery and equipment in the first year of purchase, the Administration was requested to provide information on the number of business corporations claiming the existing 60% profits tax deduction and the estimated increase in the number of deduction claims after implementation of the proposal.
4. To note for consideration a member's suggestion of introducing progressive tax rates for corporate profits tax so that business corporations making more profits would be subject to higher tax rates.