



THE TAXATION INSTITUTE OF HONG KONG

(Incorporated in Hong Kong as a company limited by guarantee)

27 May 2008

Clerk to the Bills Committee
Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Sir,

Revenue Bill 2008

In response to the Committee's invitation for written submission on the proposed Revenue Bill 2008, the Taxation Institute of Hong Kong would like to state its views on the various proposals contained in the Bill as follows.

Proposed reduction in the standard and corporate tax rates

We welcome the Government's proposal to reduce the standard and corporate tax rates to 15% and 16.5% respectively. We are of the view that the proposed tax cuts will enhance the competitiveness of Hong Kong for businesses in the light of the global trend for the reduction in direct tax rates.

Proposed reduction of taxes charged for the year of assessment 2007/08

We support the proposal for a one-off reduction of 75% tax assessed for 2007/08, subject to a ceiling of HK\$25,000. This will effectively enable taxpayers to share some of the benefits of the economic success of Hong Kong for the past year and alleviate the financial burden many middle-income taxpayers face in the current high-inflation environment, without creating a long-term financial burden on the government.

Proposed increase in personal and married person allowances and widening of the tax bands for the progressive tax rates

We support the proposals on the grounds that these measures can relieve the tax burden of taxpayers, particularly those of the low and middle-income groups, without significantly undermining the tax base of Hong Kong.

Proposed increase in the ceiling for tax-deductible charitable donations

In our budget submission to the Financial Secretary dated 15 January 2008, we proposed that the ceiling for tax-deductible charitable donations be increased from 25% to 50% for both profits and salaries taxes so as to encourage businesses to recognise their social responsibilities.

While the proposal now to increase the ceiling to 35% falls short of what we advocated, we nonetheless welcome the proposal.

Proposed tax incentives for environmentally-friendly facilities and plant and equipment

To improve the environmental consciousness of the public, we support the proposed tax incentives for environmentally-friendly facilities and plant and equipment. We consider that the revenue costs for these proposals would not be substantial and are something worth paying.

Yours sincerely,

Peter Kung
President