

立法會
Legislative Council

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Tel : 2869 9205

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From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 13 May 2009

Motion on
“Enhancing the tax system to
keep Hong Kong competitive”

Hon Paul CHAN Mo-po has given notice to move the attached motion on “Enhancing the tax system to keep Hong Kong competitive” at the Council meeting of 13 May 2009. The President has directed that “it be printed in the terms in which it was handed in” on the Agenda of the Council.

(Mrs Justina LAM)
for Clerk to the Legislative Council

Encl.

**Motion on
“Enhancing the tax system to
keep Hong Kong competitive”
to be moved by Hon Paul CHAN Mo-po
at the Legislative Council meeting
of Wednesday, 13 May 2009**

Wording of the Motion

That, whereas the Hong Kong profits tax system has not kept pace with time and does not offer adequate incentives and concessions to help Hong Kong enterprises and manufacturers upgrade their business to improve their competitiveness; whereas improved competitiveness of Hong Kong enterprises and manufacturers will create more jobs and economic opportunities for the people of Hong Kong; whereas appropriate choice of tax incentives and concessions is a key inducement to drive business innovation and to lure business investment which can in turn improve the overall competitiveness of Hong Kong; and whereas tax issues are becoming increasingly complex yet setting the right tax policy is becoming ever more important to the overall competitiveness of Hong Kong; therefore, this Council urges the Administration to:

- (a) amend the Inland Revenue Ordinance or otherwise to provide for appropriate tax incentives or concessions or other features to encourage business upgrading, drive business innovation, stimulate business investment and foster economic growth, such tax incentives or concessions or features shall include but not limited to the following:
 - (i) tax loss carry-back provisions, with appropriate dollar cap for the loss that can be carried back and an appropriate maximum number of years to which tax loss carry-back can be applied;
 - (ii) group tax loss relief, to be available only to wholly-owned and near wholly-owned subsidiaries within the same group of companies;
 - (iii) allowance for capital expenditure incurred on plant or machinery physically located outside Hong Kong (e.g. on the Mainland) and which are used in processing trade arrangements producing profits assessable in Hong Kong; and
 - (iv) profits tax reduction and tax credits on foreign withholding tax, with appropriate anti-avoidance provisions, to make Hong Kong a choice location for regional offices and service centres for group companies;

- (b) identify and evaluate further changes, enhancements, initiatives and priorities, as appropriate, in respect of tax policy principles and tax administration practices, in order to further improve the overall competitiveness of Hong Kong's tax system; and
- (c) establish a specialist 'tax policy unit', to be staffed by sufficiently senior personnel with relevant technical knowledge and practical experience, to conduct research and provide policy formulation support to the Administration, in order to enable a continued and focused effort at identifying and evaluating changes, enhancements, initiatives and priorities to better Hong Kong's tax policy and tax administration practices.