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**Legislative Council Secretariat**

**新聞稿 Press Release**

LegCo to debate enhancing the tax system to keep Hong Kong competitive

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The Legislative Council will hold a meeting this Wednesday (May 13) at 11 am in the Chamber of the Legislative Council Building. During the meeting, Members will debate a motion on enhancing the tax system to keep Hong Kong competitive.

The motion, to be moved by Hon Paul CHAN, states: "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."

Hon Vincent FANG and Hon Albert HO will move separate amendments to Hon Paul CHAN's motion.

Members will debate another motion on proposed establishment of a Tourism Bureau with dedicated responsibility for handling tourism issues. The motion, to be moved by Hon Paul TSE, says: "That, in order to promote the development of Hong Kong's tourism industry in a more effective and systematic manner, this Council urges the Government to:

(a) establish a 'Tourism Bureau' and confer dedicated powers and responsibilities on the 'Secretary for Tourism' to formulate tourism policies and take charge of the business of the Bureau, including coordinating the various organizations which regulate and promote the development of tourism, such as placing the Hong Kong Tourism Board (which is responsible for marketing and promotion), the Travel Industry Council of Hong Kong (which is responsible for regulating travel agents) and the Travel Agents Registry (which is responsible for the licensing of travel agents) within the purview of the Tourism Bureau, and immediately review and abolish over-lapping structures and work procedures, so that the departments can focus on their respective responsibilities and cut down expenditure;

(b) confer on the 'Secretary for Tourism' the authority to represent the Hong Kong Special Administrative Region Government to attend meetings organized by travel organizations worldwide, and directly liaise with the official tourism representatives of various places to handle and promote tourism-related policies and issues;

(c) assign departments with specific responsibilities to take charge of (i) sea and land transport that primarily serves tourism; (ii) hotel business; (iii) the management and development of tourist attractions; and (iv) tourists' protection and complaints, so as to ensure that every

tourism-related issue is efficiently and directly handled by a corresponding department;

(d) authorize the 'Tourism Bureau' to take over the jurisdiction on hotel licensing to formulate a licensing regulation and rating mechanism, so as to safeguard the rights of tourists;

(e) formulate a regulatory and rating mechanism for tourist attractions and coordinate and promote the development of new tourist attractions, so as to safeguard the right to know and consumers' rights of both local and inbound tourists;

(f) confer financial power on the 'Tourism Bureau' to handle applications for huge expenses for promoting tourism, determine the establishment and remuneration arrangement of the organizations within the purview of the Bureau, regularly review the accumulated balance of the Travel Industry Compensation Fund and adjust the level of stamp levy, reduce the licence fees of travel agents, and abolish the 'Council Levy' which was previously used for operating the Travel Industry Council of Hong Kong, so as to reduce the operating costs of the industry;

(g) establish a contingency mechanism under the 'Tourism Bureau' to handle tourism-related crises, review the existing mechanism for issuing 'travel advices' and 'travel warnings' and its efficiency, and arrange Hong Kong tourists stranded overseas to return to Hong Kong;

(h) ensure that the departments under the 'Tourism Bureau' fully seek the views of the representatives of the tourism industry and invite operators of the industry to take part in policy formulation, so that the policies will closely follow the needs of the market; and

(i) strive to encourage and assist community organizations and private enterprises in exploring, conserving and developing

tourist facilities, and organizing and promoting tourist events or projects that have local characteristics or are appealing to tourists."

Hon Fred LI will move an amendment to Hon Paul TSE's motion.

On bills, the Dutiable Commodities (Amendment) Bill 2009 and Inland Revenue (Amendment) Bill 2009 will be introduced into the Council for First and Second Readings respectively; debates on the Bills will be adjourned.

During the meeting, Members will also ask the Administration 20 questions on various policy areas, six of which require oral replies.

The agenda of the above meeting can be obtained via the Legislative Council InfoFax Service (Tel: 2869 9568) or the Legislative Council web site (<http://www.legco.gov.hk>).

Members of the public are welcome to observe the proceedings of the meeting from the public galleries of the Legislative Council Chamber. They may reserve seats by calling 2869 9399 during office hours. Seats will be allocated on a first-come-first-served basis. Members of the public can also listen to the meeting via the audio webcast system on the Legislative Council homepage.

Ends/Monday, May 11, 2009

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