

立法會
Legislative Council

LC Paper No. LS64/09-10

Paper for the House Committee Meeting on 14 May 2010

**Legal Service Division Report on
Inland Revenue (Amendment) Bill 2010**

I. SUMMARY

- 1. Objects of the Bill**

To amend the Inland Revenue Ordinance (Cap. 112) (the Ordinance) to give effect to two proposals concerning tax concessions in the Budget introduced by the Government for the 2010-2011 financial year.
- 2. Comments**

The Bill seeks to -

 - (a) provide for one-off tax reduction to reduce the amount of salaries tax and tax under personal assessment payable for the year of assessment 2009-2010 by 75% or \$6,000, whichever is the lesser; and
 - (b) allow more concessionary profits tax deduction for capital expenditure on environment-friendly vehicles.

The policy reasons for the above tax concessions are to alleviate taxpayers' financial burden at an early stage of economic recovery and encourage the business sector to purchase more electric vehicles, hybrid vehicles and other environment-friendly commercial vehicles.
- 3. Public Consultation**

The Financial Secretary has conducted consultations with LegCo Members, various business and professional bodies, as well as the general public during the formulation of the 2010-2011 Budget.
- 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 relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' view, the Bill is ready for resumption of the Second Reading debate

II. REPORT

Objects of the Bill

To amend the Inland Revenue Ordinance (Cap. 112) (the Ordinance) to give effect to two proposals concerning tax concessions in the Budget introduced by the Government for the 2010-2011 financial year.

LegCo Brief Reference

2. Members may refer to the LegCo Brief (File ref.: FIN CR 1/7/2201/09) issued by the Financial Services and the Treasury Bureau on 28 April 2010.

Date of First Reading

3. 12 May 2010.

Comments

One-off tax reduction for 2009-2010

4. At paragraph 153 of the Budget Speech delivered on 24 February 2010, the Financial Secretary (FS) proposed a one-off tax reduction of salaries tax and tax under personal assessment for 2009-2010 by 75%, subject to a ceiling of \$6,000. The reduction will be reflected in the taxpayer's final tax payable for 2009-2010. The proposal will cost the Government about \$4.5 billion and benefit all 1.4 million taxpayers. According to the LegCo Brief, the proposed one-off tax reduction is to alleviate taxpayers' financial burden at an early stage of economic recovery.

5. To implement the above proposal, the Bill adds to the Ordinance the proposed section 92 and Schedule 20. The effect of those provisions, if enacted, is that for the year of assessment commencing on 1 April 2009, the amount of salaries tax and tax under personal assessment as computed under the Ordinance will be reduced by 75%, subject to a maximum of \$6,000 in each case.

Accelerate profits tax deduction for capital expenditure on environment-friendly vehicles

6. Under section 39B of the Ordinance, depreciation allowance under profits tax is provided for machinery or plant (including motor vehicles). In general, businesses claiming depreciation allowance for motor vehicles will be granted an initial allowance at 60% of the purchase costs in the year of purchase and an annual allowance at 30% of the reducing value. According to the Administration, almost 99% of the purchase cost will be deducted in the first 10 years. To encourage the business sector to purchase more electric vehicles, hybrid vehicles and other environment-friendly

commercial vehicles, FS proposed at paragraph 94 of the Budget Speech a 100% profits tax deduction for capital expenditure on environment-friendly vehicles in the year of purchase.

7. At present, capital expenditure incurred by a person during the basis period for any year of assessment in relation to any environmental protection machinery is eligible for 100% profits tax deduction under sections 16H to 16K of the Ordinance. To give effect to the proposal set out in paragraph 6 above, the Bill proposes to amend those sections to extend the eligibility for 100% profits tax deduction to capital expenditure incurred on environment-friendly vehicles in the year of purchase. The proposed tax deduction will apply to environment-friendly vehicles specified in the new Part 3 of Schedule 17 to the Ordinance. These vehicles are :

- (a) vehicles qualified for remission of first registration tax under the two tax incentives schemes respectively for the environment-friendly commercial vehicles and petrol private cars administered by the Environment Protection Department;
- (b) vehicles that are capable of drawing energy from both consumable fuel and battery (or other electrical energy or power storage device) for mechanical propulsion; and
- (c) vehicles that are solely propelled by electric power and do not emit any exhaust gas.

8. If a person owned and had in use any vehicle that is an environment-friendly vehicle immediately before the commencement of the Bill upon its enactment, section 16K(1) of the Ordinance, as amended by the Bill, provides that such person is deemed to have incurred, on the commencement date, capital expenditure in relation to that vehicle for the purposes of tax deduction under section 16I of the Ordinance.

Commencement

9. There is no commencement provision in the Bill. By virtue of section 20(2) of the Interpretation and General Clauses Ordinance (Cap. 1), the Bill will come into operation on the day it is published in the Gazette as an Ordinance.

Public Consultation

10. According to paragraph 12 of the LegCo Brief, FS has conducted consultations with LegCo Members, various business and professional bodies, as well as the general public during the formulation of the 2010-2011 Budget. Their views have been taken into account in formulating these proposals.

Consultation with LegCo Panel

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

Conclusion

12. No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' view, the Bill is ready for resumption of the Second Reading debate.

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10 May 2010