

Panel on Financial Affairs

List of follow-up actions
(Position as at 3 June 2010)

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
1. Impact of duty-free cigarettes on tax revenue	---	Members of the Bills Committee on Dutiable Commodities (Amendment) Bill 2009 expressed concern that the tobacco duty rate increase might lead to upsurge in the sale of duty-free cigarettes, which would reduce tax revenues. The Administration was requested to provide information on sales figure of duty-free cigarettes and the duty potential of the duty-free cigarettes sold within six months to one year after enactment of the Bill. The matter was referred to the Panel on Financial Affairs for follow-up.	Response awaited.
2. Depreciation allowances in respect of machinery and plants under "import processing" arrangements	14 December 2009	(a) To facilitate the Panel's understanding of the impact of the application of section 39E on Hong Kong enterprises providing machinery or plants for use by Mainland enterprises under "import processing" arrangements, the Administration was requested to provide information on the number of tax assessment cases in the past few years where Hong Kong enterprises had been denied depreciation allowances pursuant to the above-mentioned provision (including but not limited to the number of cases where the enterprises concerned had raised	For (a), response awaited For (b), the Administration's response was circulated to members vide LC Paper No. CB(1)1371/09-10(02) on 11 March 2010.

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		<p>objections to the assessments).</p> <p>(b) The Administration was requested to respond to the following motion passed by the Panel:</p> <p>"本委員會促請政府：</p> <p>(1) 改變以一刀切的方式處理本港各企業在內地使用的機械或工業裝置（包括模具）所應享有的折舊免稅額，以致一些沒有避稅意圖或行為的本港企業未能取得該免稅額而致多付稅款；</p> <p>(2) 停止錯誤引用《稅務條例》第 39E 條向沒有避稅意圖或行為的本港企業追討有關稅款，以及，</p> <p>(3) 立即啟動有關的法例檢討機制，按實際情況檢討及修改第 39E 條，使條文與時並進，避免打擊無辜企業，妨礙他們的升級轉型，影響到本港經濟發展和就業機會。"</p> <p>(Translation)</p> <p>"That this Panel urges the Government to:</p> <p>(1) change the broad-brush approach adopted for granting depreciation allowances to Hong Kong enterprises in respect of their machinery or plants</p>	

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		<p>(including moulds) used in the Mainland, as such approach renders some local enterprises with no tax avoidance intention or acts unable to claim such allowances, and hence paying more taxes;</p> <p>(2) cease invoking section 39E of the Inland Revenue Ordinance incorrectly for recovery of taxes from Hong Kong enterprises with no tax avoidance intention or acts; and</p> <p>(3) activate immediately the relevant mechanism for legislative revision to review and amend section 39E according to actual circumstances, in order to modernize the provision and avoid impacting on the blameless enterprises and hindering their upgrading and restructuring processes, which will in turn affect the economic development and employment opportunities in Hong Kong."</p>	
<p>3. Review of notification and appeal system for disclosure of information under comprehensive avoidance of double taxation agreements</p>	<p>29 December 2009 (date of referral from Bills Committee)</p>	<p>As requested by the Bills Committee on Inland Revenue (Amendment) (No. 3) Bill 2009, the Administration will report to the Panel on Financial Affairs on the effectiveness of the proposed notification and appeal system for disclosure of information under comprehensive avoidance of double taxation agreements 18 months after implementation.</p>	<p>Response awaited</p>

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4. Legislative proposals to enhance the efficiency of the existing tax appeal mechanism	4 January 2010	<p>In relation to a member's concern that the proposal to empower the Board of Review to give pre-hearing directions and to sanction non-compliance may have undue effects on taxpayers in seeking tax appeals, the Administration was requested to substantiate its legislative proposal when that is introduced into the Legislative Council by including the following information:</p> <ul style="list-style-type: none"> (i) the number of hearings of the Board which had been deferred due to late submission of documents; and (ii) the number of wasted days of the Board resulting from the late submission of documents. 	Response awaited
5. Consultation on the proposed statutory codification of certain requirements to disclose price sensitive information by listed corporations	3 May 2010	<p>In relation to a member's concern about setting the maximum fine at \$8 million as one of the civil sanctions that might be imposed on those breaching the disclosure requirements, the Administration was requested to provide information on the fines imposed in the convicted criminal cases instigated under the Securities and Futures Ordinance (SFO) (Cap. 571) since its enactment in 2003.</p>	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)2094/09-10(01) on 31 May 2010.</p>
6. Legislative proposals to transfer the authorization of offering documentation in relation to structured	3 May 2010	<p>(a) To address a member's concern about the protection for investors of structured financial products, the Administration was requested to provide information, in tabular form, on how the proposed transfer of the authorization of offering</p>	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)2094/09-10(02) on 31 May 2010.</p>

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products from the Companies Ordinance (Cap. 32) to the Securities and Futures Ordinance (Cap. 571)		<p>documentation in relation to structured products from the Companies Ordinance (CO) (Cap. 32) to the SFO would strengthen protection for investors.</p> <p>(b) In connection with a member's concern about the safe harbour arrangements, the Administration was requested to explain in detail the changes to the safe harbour arrangements upon the transfer of the authorization regime from CO to SFO, and under what circumstances the exemptions under SFO would be applicable after the transfer.</p>	
7. Islamic finance – proposed amendments to the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117)	3 May 2010	In relation to a member's concern about the interim arrangements pending the implementation of the proposed legislative amendments, the Administration was requested to provide information on the number of past applications seeking exemption of payment of profits tax, property tax and stamp duty for Sukuk issuance and transactions under the administrative mechanisms available under section 87 of the Inland Revenue Ordinance (Cap. 112) and section 52 of the Stamp Duty Ordinance (Cap. 117), and the results of those applications.	The Administration's response was circulated to members vide LC Paper No. CB(1)1902/09-10(01) on 14 May 2010.
8. Eight Finance Investment Company	20 May 2010	In relation to a member's concern about the EFIC's investment, the Hong Kong Monetary Authority (HKMA)	Response awaited

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Limited (EFIC)		was requested to provide information about the investment strategy, investment portfolio and investment returns of the EFIC.	
9. Exchange Fund	20 May 2010	In relation to a member's concern about the investment income of the Exchange Fund, the HKMA was requested to provide information about the investment income of the Exchange Fund for the first quarter of the years from 2007 to 2010. The information should be itemized as per pages 59 and 60 of the HKMA's briefing paper for the meeting. HKMA was also requested to include, in its future briefings to the Panel, such itemized information about the investment income of the Exchange Fund for the same quarter of the previous three years.	Response awaited
10. Financial affairs matters under the Framework Agreement on Hong Kong/Guangdong Co-operation	20 May 2010	<p>(a) In relation to a member's concern about the very high asset requirement for Hong Kong insurance companies to enter the Mainland market, the Administration was requested to report the progress of the discussion with the Chinese Insurance Regulatory Commission on lowering the threshold as soon as possible, and on a half-yearly basis.</p> <p>(b) To address a member's concern about enforcement against insider trading activities committed outside Hong Kong, the Administration was requested to provide information regarding the arrangements between the Hong Kong regulatory bodies and</p>	Response awaited

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		relevant Mainland/overseas authorities in investigation of insider trading activities undertaken outside Hong Kong in relation to securities listed in the Stock Exchange of Hong Kong.	

Council Business Division 1
Legislative Council Secretariat
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