

立法會
Legislative Council

LC Paper No. CB(1)2353/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/BC/5/11

Bills Committee on Inland Revenue (Amendment) Bill 2012

**Minutes of second meeting held on
Monday, 18 June 2012, at 4:00 pm
in Conference Room 3 of the Legislative Council Complex**

Members present : Hon James TO Kun-sun (Chairman)
Hon WONG Sing-chi
Hon Alan LEONG Kah-kit, SC

Public Officers attending : Agenda item I

Miss Cathy CHU
Deputy Secretary for Financial Services and the
Treasury (Treasury)

Ms Shirley KWAN
Principal Assistant Secretary for Financial Services
and the Treasury (Treasury) (Revenue)

Miss Fiona CHAU
Assistant Secretary for Financial Services and the
Treasury (Treasury) (Revenue)

Mr CHIU Kwok-kit
Deputy Commissioner of Inland Revenue
(Technical)

Ms Judy YIP
Senior Assessor (Special Duty)
Inland Revenue Department

Ms Leonora IP
Senior Assistant Law Draftsman
Department of Justice

Clerk in attendance : Mr Derek LO
Chief Council Secretary (1)6

Staff in attendance : Mr YICK Wing-kin
Assistant Legal Adviser 8

Mr Ken WOO
Council Secretary (1)6

Action

I Meeting with the Administration

(LC Paper No. CB(1)2181/11-12(01) —List of follow-up actions arising from the discussion at the meeting on 4 June 2012

LC Paper No. CB(1)2181/11-12(02) —Administration's response to CB(1)2181/11-12(01))

Other relevant papers

(LC Paper No CB(3)696/11-12 —The Bill
File Ref: TsyB R 183/535-1/5/0 —Legislative Council Brief issued by the Financial Services and the Treasury Bureau
(12-13) (C)

LC Paper No. CB(1)1961/11-12(01) —Marked-up copy of the Bill prepared by the Legal Service Division)

The Bills Committee deliberated (Index of proceedings attached at **Appendix**).

2. The Chairman concluded that the Bills Committee had completed examination of the Bill and would report its deliberations to the House Committee on 22 June 2012. The Bills Committee noted that the Administration would resume the Second Reading debate on the Bill at the Council meeting on 11 July 2012, and that the deadline for giving notice for moving Committee Stage amendments, if any, to the Bill would be 30 June 2012.

II Any other business

3. There being no other business, the meeting ended at 4:28 pm.

Council Business Division 1
Legislative Council Secretariat
11 July 2012

**Proceedings of second meeting of
Bills Committee on Inland Revenue (Amendment) Bill 2012
on Monday, 18 June 2012, at 4:00 pm
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
Agenda Item I – Meeting with the Administration			
000325 – 000954	Chairman Administration	Briefing by the Administration on its response to the follow-up actions arising from the discussion at the meeting on 4 June 2012 (LC Paper No. CB(1)2181/11-12(02)).	
000955 – 002129	Chairman Administration	<p data-bbox="531 689 1241 752"><i>Extending the entitlement years for home loan interest deduction</i></p> <p data-bbox="531 790 1241 1189">Members noted that according to the Administration, giving retrospective effect to the proposal of extending the entitlement years for home loan interest deduction would lead to a reduction of government revenue in 2012-2013 by about \$980 million. The Chairman asked whether the amount was based on the assumptions that the some 91 100 salaries tax payers who had used up their ten-year entitlement for home loan interest deduction by the year of assessment 2007-2008 had continued to incur home loan interest for additional four years or more, and that the amount of interest deduction of all the above cases reached the deduction ceiling of \$100,000 per year.</p> <p data-bbox="531 1227 1241 2089">The Administration explained that home loan interest deduction was introduced in the year of assessment 1998-1999. The maximum period of entitlement was extended from seven years to ten years since the year of assessment 2005-2006. As such, some home owners should have used up their ten-year entitlement by the year of assessment 2007-2008 if they had applied for deduction for ten years consecutively starting from 1998-1999. According to the estimation of the Inland Revenue Department ("IRD"), some 91 100 salaries tax payers would have used up their ten-year entitlement for home loan interest deduction between the years of assessment 2007-2008 and 2010-2011. Assuming that all these taxpayers would claim home loan interest deduction for all the previous years in one go if the Administration were to give retrospective effect to the proposal of extending the entitlement years for home loan interest deduction, this would lead to a reduction of government revenue in 2012-2013 by about \$980 million. The amount was calculated on the basis of the retrospective entitlement year(s) of these taxpayers (ranging from one to four years starting from the year of assessment 2008-2009), and the amount of home loan interest deduction they claimed in their tenth entitlement year. In other words, it was not based on the deduction ceiling of \$100,000 per year for these cases.</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>The Chairman said that, as the Administration did not accept his proposal of giving retrospective effect to the additional entitlement years for home loan interest deduction, he might consider moving Committee Stage amendments to the Bill to that effect at the resumption of the Second Reading debate on the Bill and would seek the views of the Democratic Party to which he belonged before doing so.</p>	
002130 – 002248	Chairman	<p>The Chairman informed members of the legislative timetable.</p>	
002249 – 002310	Chairman Assistant Legal Adviser (ALA8)	<p><i>Section 26E(4)(d)</i></p> <p>ALA8 said that since the Administration would explain the purpose and effect of the proposed section 26E(4)(d) in the speech of the public officer in charge during the resumption of the Second Reading debate on the Bill, and IRD would issue guidelines to explain the relevant requirements, the concern he raised at the first meeting of the Bills Committee on the drafting of the section was addressed and he had no further question on the section.</p>	
002311 – 002631	Chairman	<p>The Chairman recapitulated his views expressed at the first meeting of the Bill Committee on giving the proposed extension in the total entitlement years for home loan interest deduction retrospective effect. He opined that if retrospective effect was given to the proposed extension, the reduction of government revenue by \$980 million would round up to less than \$250 million in each of the four previous years of assessment and taxpayers could genuinely benefit from the proposed extension given the relatively higher home loan interest they had paid in the past few years than they would pay in the future for the same mortgage loan.</p>	
002632 – 002822	Chairman Administration	<p>The Administration advised that it would resume the Second Reading debate on the Bill at the Council meeting on 11 July 2012 with a view to passing the Bill at the current legislative session.</p> <p>The Chairman concluded that the Bills Committee had completed the scrutiny of the Bill and members supported the resumption of the Second Reading debate on the Bill at the Council meeting on 11 July 2012.</p>	