

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1063/12-13(02)

Ref: CB1/BC/8/12

**Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2013**

**Background brief**

**Purpose**

This paper provides background information on the Inland Revenue (Amendment) (No. 2) Bill 2013 ("the Bill") and summarizes the views and concerns expressed by Members on the relevant concessionary revenue measures.

**Background**

2. To alleviate the burden of taxpayers and to encourage self-education and lifelong learning, the Financial Secretary announced the various proposals concerning tax concessions in the 2013-2014 Budget. The Bill, gazetted on 26 April 2013 and introduced into the Legislative Council ("LegCo") on 8 May 2013, aims to amend the Inland Revenue Ordinance (Cap. 112) ("IRO") in order to implement the following concessionary revenue measures:

- (a) to increase both the child allowance and the additional one-off child allowance in the year of birth for each eligible child from \$63,000 to \$70,000 under salaries tax and tax under personal assessment with effect from the year of assessment 2013/14;
- (b) to enhance the deduction ceiling for expenses of self-education from \$60,000 to \$80,000 under salaries tax with effect from the year of assessment 2013/14; and
- (c) to reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2012/13 by 75%, subject to a ceiling of \$10,000 per case.

3. According to the Administration, it is estimated that proposals (a) and (b), which will both be effective from the year of assessment 2013/14, will cost the Government about \$410 million and \$10 million per year respectively while proposal (c) will cost the Government about \$9.4 billion.

## **The Bill**

4. The object of the Bill is to amend IRO to give effect to the proposals concerning tax concessions set out in paragraph 2 above, and to provide for transitional matters.

5. The main provisions of the Bill are as follows-

### Increase in child allowance

(a) Clause 6 of the Bill seeks to amend Schedule 4 to IRO to give effect to the proposals for the year of assessment 2013/14 and subsequent years of assessment of (i) increasing the child allowance under salaries tax and tax under personal assessment from \$63,000 to \$70,000 for each child per annum; and (ii) increasing the additional one-off child allowance in the year of birth from \$63,000 to \$70,000 for each child;

### Increase in maximum amount of deduction for expenses of self-education

(b) Clause 5 of the Bill seeks to amend Schedule 3A to IRO to increase the maximum amount deductible from assessable income for expenses of self-education from \$60,000 to \$80,000 for the year of assessment 2013/14 and subsequent years of assessment;

### One-off tax reduction for 2012/13

(c) Clauses 4 and 7 of the Bill seek to add a new section 95 and a new Schedule 29 to IRO to implement the one-off tax reduction proposal of reducing salaries tax, tax under personal assessment and profits tax for the year of assessment 2012/13 by 75%, subject to a ceiling of \$10,000; and

### Transitional arrangement

(d) Clause 3 and the proposed new Schedule 28 as added by clause 7, provide for the transitional arrangements relating to the assessment of, and holding over of payment of, provisional salaries tax for the year of assessment 2013/14.

6. Upon enactment, the Inland Revenue (Amendment) (No. 2) Ordinance 2013 will come into operation on the day on which it is published in the Gazette.

## **LegCo Members' discussion on the concessionary revenue measures**

### Council meetings

7. At the Council meeting on 23 January 2013, Members passed a motion on "Assisting the middle class" moved by Dr Hon Elizabeth QUAT and as amended by Hon SIN Chung-kai and Hon Charles Peter MOK. The motion urged the Government to put forward proactive measures on areas, inter alia, taxation, so that public policies could better cater for the interests and aspirations of the middle-class people. The proposed measures in respect of taxation included the followings:

- (a) increasing the child allowance from the existing \$63,000 per child to \$100,000, and raising the basic allowance under salaries tax and personal assessment;
- (b) introducing "tax deduction for residential rentals" for a duration of 15 years of assessment, subject to a deduction ceiling of \$100,000 per year;
- (c) offering \$40,000 "tax deduction for children's tertiary education" to the parents of students enrolled in local and non-local full-time post-secondary programmes; and
- (d) reviewing the cap on the amount of reimbursable course fees and the number of reimbursement claims under the Continuing Education Fund ("CEF"), and the criteria for approving reimbursable courses under CEF.

### Meetings of the Finance Committee

8. At the special meetings of the Finance Committee to examine the Estimates of Expenditure 2013-14, Members raised a number of written questions relating to the tax concession proposals set out in current and past Budgets and details of the beneficiaries. The details are shown in **Appendix I**.

## **Recent development**

9. At the House Committee meeting held on 10 May 2013, Members agreed to form a Bills Committee to study the Bill.

## **References**

10. A list of relevant papers is in **Appendix II**.

Council Business Division 1  
Legislative Council Secretariat  
20 May 2013

Examination of Estimates of Expenditure 2013-14

## CONTROLLING OFFICER'S REPLY TO INITIAL WRITTEN QUESTION

Reply Serial No.

FSTB(Tsy)033

Question Serial No.

1783

Head: 147 Government Secretariat: Financial Services and the Treasury Bureau  
(The Treasury Branch)      Subhead (No. & title):

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 126 of the Budget Speech that the Government had introduced several one-off relief measures in recent years. Please tabulate the details of the one-off relief measures over the past 5 years (i.e. from 2008-09 to 2012-13) as follows:

Year	One-off relief measures/projects	Number of beneficiaries/beneficiary households	Amount of public fund involved

Asked by: Hon. LEUNG Che-cheung

Reply:

One-off relief measures introduced from 2008-09 to 2012-13 are as follows:

Year	One-off relief measures	Beneficiaries <sup>Note 1</sup>	Estimated amount <sup>Note 1</sup>
2008-2009	Reduce 2007-08 salaries tax and tax under personal assessment by 75%, subject to a ceiling of \$25,000	Around 1.4 million taxpayers	\$12,400 million
	Reduce 2007-08 profits tax by 75%, subject to a ceiling of \$25,000	All 100 000 companies liable to profits tax	\$1,730 million
	Waive business registration fees for 2008-09	All business operators	\$1,600 million
	Reduce 2007-08 property tax by 75%, subject to a ceiling of \$25,000	Around 100 000 taxpayers	\$680 million
	Waive rates for 2008-09, subject to a ceiling of \$5,000 per quarter for	Around 99% of domestic properties and 85% of non-domestic properties	\$11,200 million

Year	One-off relief measures	Beneficiaries <sup>Note 1</sup>	Estimated amount <sup>Note 1</sup>
	each rateable property	subject to no rates in the year	
	Make a one-off injection of \$6,000 into the Mandatory Provident Fund accounts of persons who each earns not more than \$10,000 a month	Around 1.4 million people	\$8,500 million
	Provide subsidy of \$3,600 to each residential electricity account	Around 2.5 million households	\$8,800 million
	Provide an extra allowance to recipients of the Comprehensive Social Security Allowance (CSSA) and Disability Allowance (DA), equivalent to two months of the DA and standard CSSA rate	Around 620 000 people	\$2,400 million
	Give \$3,000 plus extra two months of allowance for Old Age Allowance (OAA) recipients	Around 500 000 elderly people	\$2,170 million
	Suspend Employees Retraining Levy for five years	Families employing foreign domestic workers	\$5,500 million
	Provide short-term food assistance	Families in need	\$100 million
	Subsidise the elderly people for maintenance and safety improvement works	Around 30 000 elderly people	\$1,000 million
	Pay three months' rent for lower income public housing tenants	Around 700 000 public housing tenants	\$2,520 million
	Provide an allowance of \$1,000 to students receiving CSSA or student financial assistance <sup>Note 2</sup>	Around 550 000 students	\$550 million
	Introduce Special Loan Guarantee Scheme for Small and Medium Enterprises (SME) to provide support to facilitate SME in obtaining immediate cashflow relief from the commercial lending market (period of application was subsequently extended to 31.12.2010)	Small and Medium Enterprises having liquidity problems	Guaranteed amount: \$100,000 million (estimated loan default expenditure: \$12,000 million)
	Provide the elderly with minor home maintenance and improvement services as well as the necessary fittings, subject to a cap of \$5,000	Around 40 000 elderly households	\$200 million
	Inject funds into the Samaritan Fund	Patients with financial difficulties	\$1,000 million
	Freeze government fees and charges related to people's livelihood (period of freezing was subsequently	Users of Government services	Difficult to estimate the

<b>Year</b>	<b>One-off relief measures</b>	<b>Beneficiaries</b> <sup>Note 1</sup>	<b>Estimated amount</b> <sup>Note 1</sup>
	extended to 31.3.2010)		amount
2009-2010	Reduce 2008-09 salaries tax and tax under personal assessment by 100%, subject to a ceiling of \$8,000	All 1.4 million taxpayers	\$6,110 million
	Waive rates for 2009-10, subject to a ceiling of \$1,500 per quarter for each rateable property	Around 90% domestic properties and 60% non-domestic properties subject to no rates in the year	\$8,400 million
	Waive business registration fees for 2009-10	All business operators	\$1,700 million
	Pay two months' rent for public housing tenants	Around 700 000 public housing tenants	\$2,000 million
	Provide an extra one month of OAA, DA and standard CSSA	Around 1 million eligible persons	\$1,800 million
	Carry out a special operation to remove abandoned advertising signboards	The public and around 170 jobseekers	\$18 million
	Expand internship programme and projects under the Innovation and Technology Fund	600 internship places	\$390 million
	Enhance community building activities	Whole society	\$180 million
	Launch Operation Building Bright	Eligible property owners and workers in the construction industry	\$1,700 million
	Promote volunteerism	Youth interested in volunteering	\$10 million
	Provide internship programme for university graduates	Around 4 000 university graduates	\$140 million
	Promote and organise community involvement under the theme of 'Green, Cultural, Dynamic Games'	Around 260 jobseekers	\$78 million
	Conduct an education programme to teach Internet users on how to use Internet appropriately and safely	Around 500 jobseekers	\$63 million
	Enhance and integrate various employment programmes under the Labour Department	Around 44 000 jobseekers	\$413 million
	Enhance energy efficiency of government buildings and public facilities	Around 200 jobseekers	\$130 million
	Fight against pandemic	Whole society	\$300 million
	Exempt licence fees of the businesses directly hit by the	Around 200 000 licensees	\$670 million

Year	One-off relief measures	Beneficiaries <sup>Note 1</sup>	Estimated amount <sup>Note 1</sup>
	financial crisis and the Human Swine Influenza for one year		
	For the next two years, relax the student loan repayment arrangements	Tertiary graduates and continuing education participants	\$50 million
	Provide a 20% rental reduction for most government properties and short term tenancies of government land for six months	Around 23 000 lessees	\$183 million
	Provide an allowance of \$1,000 to students receiving CSSA or student financial assistance <sup>Note 2</sup>	Around 570 000 students	\$570 million
	Assist organisers to host more attractive events in the areas of arts, culture and sports to further promote Hong Kong as an events capital of Asia and create job opportunities	Around 2 800 jobseekers	\$100 million
	Provide additional funding for Small and Medium Enterprises Export Marketing Fund	Small and Medium Enterprises	\$1,000 million
	Increase the Government's total commitment for the SME loan guarantee scheme	Small and Medium Enterprises	Additional guaranteed amount: \$7,400 million (estimated additional loan default expenditure: \$550 million)
	Increase the Government's guaranteed amount to Hong Kong Export Credit Insurance Corporation by \$15,000 million and introduce measures to provide more protection to the export trade	Export trade	Additional guaranteed amount: \$15,000 million
	Provide additional funding for Continued Education Fund	At least 120 000 individuals pursuing further studies	\$1,200 million
2010-2011	Pay two months' rent for public housing tenants	Around 700 000 public housing tenants	\$1,800 million
	Provide an extra one month of OAA, DA and standard CSSA	Around 1 million eligible persons	\$1,800 million
	Reduce 2009-10 salaries tax and tax under personal assessment by 75%, subject to a ceiling of \$6,000	Around 1.4 million taxpayers	\$4,500 million
	Waive rates for 2010-11, subject to a ceiling of \$1,500 per quarter for	Around 90% domestic properties and 60%	\$8,600 million



Year	One-off relief measures	Beneficiaries <sup>Note 1</sup>	Estimated amount <sup>Note 1</sup>
	each rateable property	non-domestic properties subject to no rates in the year	
	Waive business registration fees for 2010-11	All business operators	\$1,800 million
	Provide additional funding for Operation Building Bright	Eligible property owners and workers in the construction industry	\$500 million
	Launch 'Pilot Employment Navigator Programme'	11 000 jobseekers	\$173 million
	Grant full Internet access charges subsidy of \$1,300 or half subsidy of \$650 and provide economical Internet services and computer hardware to families with children studying in primary or secondary schools and receiving CSSA or eligible for student financial assistance <sup>Note 3</sup>	Around 300 000 low-income families	\$500 million
	Provide an allowance of \$1,000 to students receiving CSSA or student financial assistance <sup>Note 2</sup>	Around 570 000 students	\$570 million
2011-2012	Waive rates for 2011-12, subject to a ceiling of \$1,500 per quarter for each rateable property	Around 82% properties subject to no rates in the year	\$9,855 million
	Provide subsidy of \$1,800 to each residential electricity account	Around 2.6 million households	\$4,700 million
	Provide additional funding for Operation Building Bright	Eligible property owners and workers in the construction industry	\$1,000 million
	Pay two months' rent for public housing tenants	Around 700 000 public housing tenants	\$1,900 million
	Provide an extra one month of OAA, DA and standard CSSA	Around 1 million eligible persons	\$1,900 million
	Give a sum of \$6,000 to all Hong Kong Permanent Identity Card holders aged 18 or above and inject into Community Care Fund to provide a one-off allowance to new arrivals from low-income families	Over 6 million people	\$38,500 million
	Provide short-term food assistance	Families in need	\$100 million
	Reduce 2010-11 salaries tax and tax under personal assessment by 75%, subject to a ceiling of \$6,000	Around 1.5 million taxpayers	\$5,300 million

Year	One-off relief measures	Beneficiaries <sup>Note 1</sup>	Estimated amount <sup>Note 1</sup>
2012-2013	Provide an extra one month of OAA, DA and standard CSSA	Around 1 million eligible persons	\$2,100 million
	Pay two months' rent for public housing tenants	Around 700 000 public housing tenants	\$1,900 million
	Provide subsidy of \$1,800 to each residential electricity account	Around 2.5 million households	\$4,500 million
	Provide short-term food assistance	Families in need	\$100 million
	Waive rates for 2012-13, subject to a ceiling of \$2,500 per quarter for each rateable property	Around 90% properties subject to no rates in the year	\$11,700 million
	Reduce 2011-12 salaries tax and tax under personal assessment by 75%, subject to a ceiling of \$12,000	Around 1.5 million taxpayers	\$8,900 million
	Waive business registration fees for 2012-13	All business operators	\$1,900 million
	Reduce 2011-12 profits tax by 75%, subject to a ceiling of \$12,000	All 120 000 people liable to profits tax	\$1,120 million
	Introduce special concessionary measures under the SME Financing Guarantee Scheme	Small and Medium Enterprises	Guaranteed amount: \$100,000 million (estimated loan default expenditure: \$11,000 million)
	Inject funds into the Samaritan Fund	Patients with financial difficulties	\$10,000 million
Provide option to start repayment of student loans one year after graduation	Student loan borrowers	Depending on applications	

Note 1: Beneficiaries and estimated amount are estimates at the time of announcement of relevant measures.

Note 2: With effect from the 2011-12 academic year, the flat-rate grant for full-grant students under the School Textbook Assistance Scheme was significantly increased to \$1,000 per year while the amount of academic expenses grant per year for post-secondary students was increased by \$1,000.

Note 3: Since 2011-12, subsidy for Internet access charges is provided on a recurrent basis.

Name in block letters: Ms Elizabeth TSE

Post Title: Permanent Secretary for Financial Services and the Treasury (Treasury)

Date: 26.3.2013

Examination of Estimates of Expenditure 2013-14

Reply Serial No.

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

FSTB(Tsy)089

Question Serial No.

0057

Head: 76 Inland Revenue Department

Subhead (No. & title):

Programme:

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget Speech proposes “reducing salaries tax and tax under personal assessment for 2012-13 by 75 per cent, subject to a ceiling of \$10,000. The reduction, benefiting 1.53 million taxpayers in the territory, will be reflected in the taxpayers’ final tax payable for 2012-13. This measure will cost the Government \$8.4 billion.” Could the Administration inform this Committee of the following: what are the actual amounts of reduction of salaries tax and tax under personal assessment for the past three years? what is the anticipated number of taxpayers who will benefit from the tax reduction up to the ceiling of \$10,000 under salaries tax and personal assessment and its percentage out of the total number of taxpayers? what are the operational expenses and manpower involved in the said tax reduction measure?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

In the past three years of assessment, the amounts of one-off tax reduction under salaries tax and personal assessment are as follows -

Year of assessment	Tax reduction measure		Amount of tax reduction		
	% of tax reduced	Ceiling (\$)	Salaries tax (\$million)	Personal Assessment (\$million)	Total (\$million)
2009-10	75%	6,000	4,920	385	5,305
2010-11	75%	6,000	5,380	418	5,798
2011-12 *	75%	12,000	9,690	725	10,415

\* Up to 28 February 2013

The 2013-14 Budget proposes to reduce salaries tax and tax under personal assessment for the year of assessment 2012-13 by 75%, subject to a ceiling of \$10,000. This proposal will cost the Government \$8.4 billion. The Inland Revenue Department (IRD) estimates that 555 000 salaries tax payers and 39 000 taxpayers under personal assessment will each be granted with tax reduction at the ceiling of \$10,000, representing about 39% of the total number of 1.53 million taxpayers to be benefitted. IRD will implement the tax reduction measure with existing staff and through internal redeployment of resources.

Name in block letters: CHU Yam-yuen

Post Title: Commissioner of Inland Revenue

Date: 20.3.2013

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Examination of Estimates of Expenditure 2013-14

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(Tsy)203

Question Serial No.

3529

Head: 76 Inland Revenue Department Subhead (No. & title):

Programme: (2) Collection

Controlling Officer: Commissioner of Inland Revenue

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (a) For the past ten financial years (i.e. 2003-04 to 2012-13), please provide for each year the number of taxpayers benefited from the one-off reduction of salaries tax and the percentage of salaries tax reduced in each salaries tax band.
- (b) Please provide the estimated percentage shares of taxpayers whose salaries tax reduction will be lower than and up to the ceiling respectively under the measure of salaries tax reduction proposed in the 2013-14 Budget.

Asked by: Hon. LEE Wai-king, Starry

Reply:

- (a) The Inland Revenue Department (IRD) does not keep statistical breakdown by salaries tax bands in respect of the number of taxpayers benefited from the one-off reduction of salaries tax and the percentage of tax reduced. Therefore, the relevant information cannot be provided. The statistics on the numbers of taxpayers benefited from the one-off reduction of salaries tax and the percentages of tax reduced in the past ten years of assessment (mainly assessed in the following financial year) are as follows -

Year of assessment	Reduction of salaries tax measures#		( a+b )	( a )		( b )	
	% of tax reduced	Ceiling	Total no. of taxpayers assessed	No. of taxpayers with tax reduction below the ceiling	Average % of tax reduced	No. of taxpayers with tax reduction up to the ceiling	Average % of tax reduced
2006-07	50%	\$15,000	1 325 000	1 025 000	50%	300 000	12%
2007-08	75%	\$25,000	1 415 000	1 125 000	75%	290 000	17%
2008-09	100%	\$8,000	1 378 000	755 000	100%	623 000	11%
2009-10	75%	\$6,000	1 426 000	811 000	75%	615 000	8%
2010-11	75%	\$6,000	1 521 000	843 000	75%	678 000	8%
2011-12*	75%	\$12,000	1 625 000	1 060 000	75%	565 000	12%

# No one-off reduction of salaries tax measures in the years of assessment 2002-03, 2003-04, 2004-05 and 2005-06

\* As at 28 February 2013

- (b) The 2013-14 Budget proposes to reduce salaries tax and tax under personal assessment for the year of assessment 2012-13 by 75%, subject to a ceiling of \$10,000. IRD estimates that 875 000 salaries tax payers will each be granted with tax reduction below the ceiling whereas 555 000 salaries tax payers will each be granted with tax reduction at the ceiling of \$10,000, representing about 61% and 39% of the total number of 1.43 million salaries tax payers to be benefitted. The above figures do not include 100 000 personal assessment taxpayers estimated to be benefitted from the same tax reduction measure.

Name in block letters: CHU Yam-yuen

Post Title: Commissioner of Inland Revenue

Date: 8.4.2013

## Appendix II

### List of relevant papers

<b>Date</b>	<b>Event</b>	<b>Papers/Minutes of meeting</b>
23 January 2013	The Legislative Council passed the motion on "Assisting the middle class"	<u>Wording of the motion passed</u>
8 to 12 April 2013	The Finance Committee held special meetings to examine the Estimates of Expenditure 2013-14	<u>Administration's replies to Members' initial written questions for the session on "Public Finance"</u>
8 May 2013	The Bill was introduced into the Legislative Council	<u>The Bill</u>  <u>Legislative Council Brief</u> (TsyB R 183/535-1/5/0 (13-14) (C))  <u>Legal Service Division report</u> (LC Paper No. LS 49/12-13)