

立法會
Legislative Council

LC Paper No. LS45/15-16

**Paper for the House Committee Meeting
on 18 March 2016**

**Legal Service Division Report on
Inland Revenue (Amendment) (No. 2) Bill 2016**

I. SUMMARY

- 1. The Bill** The Bill seeks to amend the Inland Revenue Ordinance (Cap. 112) to give effect to the following concerning tax concessions in the Budget introduced by the Government for the 2016-2017 financial year, and to provide for transitional matters –
- (a) increasing the basic allowance and the single parent allowance from \$120,000 to \$132,000;
 - (b) increasing the married person's allowance from \$240,000 to \$264,000;
 - (c) increasing the dependent parent or grandparent allowance and the additional dependent parent or grandparent allowance from \$40,000 to \$46,000 for each eligible parent or grandparent aged 60 or above;
 - (d) increasing the dependent parent or grandparent allowance and the additional dependent parent or grandparent allowance from \$20,000 to \$23,000 for each eligible parent or grandparent aged between 55 and 59;
 - (e) raising the deduction ceiling for elderly residential care expenses from \$80,000 to \$92,000 for each eligible parent or grandparent; and
 - (f) reducing salaries tax, tax under personal assessment and profits tax for the year of assessment 2015/16 by 75%, subject to a ceiling of \$20,000 per case.
- 2. Public Consultation** There is no formal consultation on the proposals in the Bill but the Financial Secretary has conducted consultations with Legislative Council Members, various business and professional bodies and the general public when formulating the 2016-17 Budget.
- 3. Consultation with LegCo Panel** The Clerk to the Panel on Financial Affairs has advised that the Panel has not been consulted on the Bill.
- 4. Conclusion** No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' views, the Bill is ready for resumption of Second Reading debate.

II. REPORT

The date of First Reading of the Bill is 16 March 2016. Members may refer to the Legislative Council (LegCo) Brief (File Ref.: TsyB R 183/535-1/5/0 (16-17) (C)) issued by the Financial Services and the Treasury Bureau and dated 2 March 2016 for further details.

Object of the Bill

2. The Bill seeks to amend the Inland Revenue Ordinance (Cap. 112) to give effect to certain proposals concerning tax concessions in the Budget introduced by the Government for the 2016-2017 financial year, and to provide for transitional matters.

Provisions of the Bill

Increase in various allowances

3. Part 5 of Cap. 112 prescribes the allowances which shall be granted to persons chargeable to tax under certain parts of Cap. 112 and the circumstances in which such allowances are grantable. The prescribed amount or percentage of the respective allowances is specified in Schedule 4 to Cap. 112.

4. Clause 6 of the Bill seeks to amend Schedule 4 to Cap. 112 to implement the increase in various allowances proposed in the 2016-17 Budget for the year of assessment 2016/17 and subsequent years of assessment. The proposed amendments are summarized in the following paragraphs.

5. The basic allowance and the single parent allowance are proposed to be increased from \$120,000 to \$132,000. The married person's allowance is proposed to be increased from \$240,000 to \$264,000. The allowance for maintaining each eligible dependent parent or grandparent who is aged 60 or above is also proposed to be increased from \$40,000 to \$46,000. Such allowance may, according to sections 30(1)(b)(ii)(B) and 30A(1)(b)(ii)(B) of Cap. 112, also be claimed in respect of a dependent parent (or grandparent) who is under the age of 60 and is eligible to claim an allowance under the Government's Disability Allowance Scheme (GDAS). For eligible dependent parents or grandparents who are aged between 55 and 59, the Bill also seeks to increase the allowance for maintaining each of them from \$20,000 to \$23,000. Such increases in dependent parent or grandparent allowance also apply to the

additional allowances granted to taxpayers residing with parents or grandparents continuously throughout the year.

Increase in maximum amount of deduction for elderly residential care expenses

6. Clause 5 of the Bill seeks to amend Schedule 3C to Cap. 112 to raise the deduction ceiling for elderly residential care expenses under section 26D of Cap. 112 from \$80,000 to \$92,000 (for the year of assessment 2016/17 and subsequent years of assessment) for each taxpayer's parent or grandparent who is admitted to residential care homes. Such parent or grandparent must be either aged 60 or above, or under the age of 60 and is eligible to claim an allowance under GDAS. According to sections 30(5) and 30A(5) of Cap. 112, if the deduction for elderly residential care expenses is allowed to a person or the spouse concerned, no person is entitled to claim dependent parent or grandparent allowance in respect of the same parent or grandparent for the same year of assessment.

One-off tax reduction for 2015/16

7. Clauses 4 and 7 of the Bill seek to add a new section 98 and a new Schedule 38 to Cap. 112 to reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2015/16 by 75%, subject to a ceiling of \$20,000 per case. The Bill also proposes certain transitional arrangements relating to the assessment of, and holding over of payment of, provisional salaries tax in respect of the year of assessment 2016/17 in the new Schedule 37 to Cap. 112.

Commencement

8. The Bill, if passed, would come into operation on the day on which it is published in the Gazette as an Ordinance.

Public Consultation

9. According to paragraph 10 of the LegCo Brief, no formal consultation was conducted specifically in respect of the proposals in the Bill. The Financial Secretary has conducted consultations with LegCo Members, various business and professional bodies as well as the general public when formulating the 2016-17 Budget. According to the Administration, their views have been taken into account in drawing up the proposals.

Consultation with LegCo Panel

10. According to the Clerk to the Panel on Financial Affairs, the Panel has not been consulted on the Bill.

Conclusion

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

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17 March 2016

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