

**Inland Revenue (Amendment) (No. 7) Bill 2017**  
**Debate and voting arrangements**

**Object of the Bill :** To amend the Inland Revenue Ordinance (Cap. 112) (“IRO”) to implement a two-tiered profits tax rates system for the years of assessment commencing on or after 1 April 2018.

<b>First debate</b>	<b>: Clauses with no amendment</b>	<b>– Clauses 1 to 7, 9 and 10</b>
<b>Voting</b>	<b>: To vote on the above clauses standing part of the Bill together</b>	
<b>Second debate</b>	<b>: Clauses with amendments proposed by the Secretary for Financial Services and the Treasury (“SFST”)</b>	<b>– Clauses 8, 11 and 12</b>
Joint debate on the original clause and the amendments.		
<b>Debate theme: References to “assessable profits” and technical amendments</b>		
<b>Clauses 8, 11 and 12</b>		
As the Inland Revenue (Amendment) (No. 6) Bill 2017 is still under scrutiny, to renumber subsection (21) in the proposed section 89 as subsection (20), and “Schedule 43” as “Schedule 42” in clauses 8, 11 (Schedules 8A and 8B) and 12 (Schedule 43) of the Bill.		
<b>Clause 11</b>		
Assessable profits can be derived from qualifying debt instruments (“QDI”) and other sources. The existing section 14A of IRO provides that the assessable profits from the interests, gains or profits (collectively referred to as “profits”) derived from QDI are chargeable to tax at one-half of the rate specified in the existing Schedule 1 (15%) or Schedule 8 (16.5%) to IRO, as the case may be.		
The Administration has indicated its policy intent that:		
(i) the taxation arrangement under the above section 14A would continue to apply to profits from QDI;		
(ii) profits from businesses not relating to QDI would be chargeable to profits tax at the two-tiered rates under the proposed section 14(2), (3) or (4) in clause 3(2) of the Bill; and		
(iii) profits from QDI would not be counted towards the cap of \$2 million of “assessable profits” under the proposed Schedules 8A or 8B in clause 11 of the Bill.		
To reflect the above policy intent more clearly, the Administration’s amendments to clause 11 of the Bill seek to change the references to “assessable profits” in the proposed Schedules 8A and 8B to “section 14 assessable profits” which means assessable profits to which section 14 of IRO applies.		
<b>Voting</b>	<b>: To vote on the above amendments, and then the original clauses or the clauses as amended standing part of the Bill</b>	

**SFST’s amendments**

(set out in LC Paper No. CB(3) 424/17-18 issued on 15 March 2018)