

LEGISLATIVE COUNCIL BRIEF

**Inland Revenue Ordinance
(Chapter 112)**

Tax Exemption (1997 Tax Year) Order

INTRODUCTION

Annex At the meeting of the Executive Council on 9 March 1999, the Council **ADVISED** and the Chief Executive **ORDERED** that the Tax Exemption (1997 Tax Year) Order, at the Annex, should be made to exempt from payment 10% of the tax chargeable under Part II, III, IV or VII of the Inland Revenue Ordinance (Cap. 112) for 1997-98.

BACKGROUND AND ARGUMENT

2. The Financial Secretary proposed in the 1999-2000 Budget that there would be a rebate of 10% of the 1997-98 final tax, whether chargeable by way of salaries tax, profits tax, property tax or the same year's tax paid under personal assessment if such a way of taxation was elected. These taxes are all charged under the Inland Revenue Ordinance (the Ordinance). The measure is intended to benefit all taxpayers and provide immediate relief to individuals, families and businesses. We also hope that the rebate will stimulate expenditure and speed up economic recovery.

3. Section 87 of the Ordinance provides that the Chief Executive in Council may by order exempt any person, office or institution from payment of the whole or any portion of any tax chargeable under the Ordinance. To effect the refund, we propose to make the Tax Exemption (1997 Tax Year) Order (the Order) under the section to exempt from payment 10% of the tax chargeable for 1997-98 under Part II, III, IV or VII of the Ordinance.

4. The refund should be implemented as soon as possible in order to achieve the desired effects. As such, we intend to effect the refund in the latter part of this month.

THE ORDER

5. The Order provides for the exemption. In particular -

- (a) **Clause 1** provides that the Order shall come into operation on 10 March 1999;
- (b) **Clause 2** contains the interpretation provisions;
- (c) **Clause 3(1)** provides for exemption in respect of property tax, salaries tax and profits tax chargeable under Part II, III or IV of the Ordinance; and
- (d) **Clause 3(2)** provides for exemption in respect of tax chargeable by way of personal assessment under Part VII of the Ordinance.

HUMAN RIGHTS IMPLICATIONS

6. The Department of Justice advises that the order has no human rights implications.

FINANCIAL AND STAFFING IMPLICATIONS

7. The revenue forgone arising from the rebate is estimated to be about \$8.5 billion.

ECONOMIC IMPLICATIONS

8. We believe that the rebate would not only offer immediate relief to taxpayers, but would also provide a modest boost to consumer spending and corporate liquidity which would help the economy to recover.

BINDING EFFECT

9. The Order will not affect the current binding effect of the Ordinance.

LEGISLATIVE TIMETABLE

10. We published the Order in the Gazette today. The Order will be tabled in the Legislative Council on 10 March 1999.

PUBLICITY

11. Since the rebate was announced in the 1999-2000 Budget Speech and has been widely reported by the media, no press release on the order will be issued.

ENQUIRIES

12. In case of enquiries about this Brief, please contact Miss Amy Tse, Principal Assistant Secretary for the Treasury (Revenue), at 2810 2370.

Finance Bureau
Fin CR 7/2201/98

TAX EXEMPTION (1997 TAX YEAR) ORDER

(Made by the Chief Executive in Council under section 87 of the Inland Revenue Ordinance (Cap. 112))

1. Commencement

This Order shall come into operation on 10 March 1999.

2. Interpretation

In this Order -

“appropriate proportion” (適當份額), in relation to a person who has together with his or her spouse elected under section 41(1A) of the Ordinance to be assessed under Part VII of the Ordinance for the 1997 tax year, means the proportion in which the amount of the tax chargeable on the person and his or her spouse under section 43 of the Ordinance for that tax year is chargeable on the person under that section 43;

“1997 tax year” (1997 課稅年度) means the year of assessment commencing on 1 April 1997.

3. Exemption from tax

(1) Subject to subsection (2), any person who is chargeable to tax under Part II, III or IV of the Ordinance for the 1997 tax year shall be exempt from the payment of an amount equivalent to 10% of the amount of the tax to which he is so chargeable.

(2) Any person who is chargeable to tax under Part VII of the Ordinance for the 1997 tax year shall be exempt from

the payment of an amount equivalent to -

- (a) subject to paragraph (b), 10% of the amount of the tax chargeable on the person under section 43 of the Ordinance for that tax year; or
- (b) where the person and his or her spouse have elected under section 41(1A) of the Ordinance to be assessed under Part VII of the Ordinance for that tax year, the appropriate proportion of 10% of the amount of the tax chargeable on the person and his or her spouse under section 43 of the Ordinance for that tax year.

Clerk to the Executive Council

COUNCIL CHAMBER

9 March 1999

Explanatory Note

The purpose of this Order is to provide for exemption in respect of the payment of 10% of the amount of tax chargeable by way of property tax, salaries tax, profits tax or personal assessment under the Inland Revenue Ordinance (Cap. 112) for the year of assessment 1997/98.