

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 1873/02-03

(These minutes has been seen  
by the Administration)

Ref: CB1/BC/8/02

**Bills Committee on Revenue (No. 2) Bill 2003**

**Minutes of the second meeting  
held on Tuesday, 27 May 2003, at 10:45 am  
in the Chamber of the Legislative Council Building**

- Members present** : Hon Eric LI Ka-cheung, JP (Chairman)  
Dr Hon David CHU Yu-lin, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon CHAN Kam-lam, JP  
Hon Howard YOUNG, JP  
Hon Emily LAU Wai-hing, JP  
Hon Henry WU King-cheong, BBS, JP  
Hon LAU Ping-cheung  
Hon Audrey EU Yuet-mee, SC, JP  
Hon MA Fung-kwok, JP
- Non-Bills Committee Member attending** : Hon Abraham SHEK Lai-him, JP
- Members absent** : Hon Albert HO Chun-yan  
Hon CHAN Yuen-han, JP  
Hon SIN Chung-kai  
Hon Frederick FUNG Kin-kee
- Public officers attending** : Mr Martin GLASS, JP  
Deputy Secretary for Financial Services and the Treasury  
(Treasury)
- Miss Erica NG  
Principal Assistant Secretary for Financial Services and  
the Treasury (Treasury)

Mrs Alice LAU MAK Yee-ming, JP  
Commissioner of Inland Revenue

Mr CHU Yam-yuen  
Assistant Commissioner of Inland Revenue (Unit 2)

Mr SO Chau-chuen  
Assistant Commissioner of Inland Revenue (Unit 1)

Miss Monica LAW  
Senior Assistant Law Draftsman

**Attendance by invitation** : Hong Kong Kowloon & New Territories Movie Picture Industry Association

Mr Woody TSUNG  
Chief Executive

Mr Patrick TONG  
Managing Director  
Mei Ah Entertainment Group

International Federation of the Phonographic Industry (Hong Kong Group) Limited

Mr Ricky FUNG  
Chief Executive Officer

Movie Producers and Distributors Association of Hong Kong Limited

Mr Tony SHU  
Executive Secretary

**Clerk in attendance** : Miss Polly YEUNG  
Chief Assistant Secretary (1)3

**Staff in attendance** : Mr Arthur CHEUNG  
Senior Assistant Legal Adviser 2

Ms Debbie YAU  
Senior Assistant Secretary (1)1

## **I Confirmation of minutes**

LC Paper No. CB(1)1758/02-03 - Minutes of 1<sup>st</sup> meeting on 13 May 2003

The minutes of the meeting on 13 May 2003 were confirmed.

## **II Meeting with deputations and the Administration**

### Meeting with deputations

Hong Kong, Kowloon & New Territories Movie Picture Industry Association

International Federation of the Phonographic Industry (Hong Kong Group)  
Limited

Movie Producers and Distributors Association of Hong Kong Limited  
(LC Paper No. CB(1)1757/02-03(01))

### Submissions from parties not attending the meeting

The Chinese General Chamber of Commerce  
(LC Paper No. CB(1)1757/02-03(02))

The Association of Chartered Certified Accountants Hong Kong  
(LC Paper No. CB(1)1757/02-03(03))

### Meeting with the Administration

LC Paper No. CB(1)1757/02-03(04) - Administration's response to the issues of concern raised by members at the first meeting on 13 May 2003

LC Paper No. CB(1)1774/02-03(01) - Draft Committee Stage amendment to amend clause 3 of the Bill proposed by the Administration

LC Paper No. CB(1)1757/02-03(05) - Administration's response to Senior Assistant Legal Adviser's letter dated 12 May 2003

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| LC Paper No. CB(1)1757/02-03(06) | - List of follow-up actions for the first meeting on 13 May 2003 prepared by the Legislative Council Secretariat |
| LC Paper No. CB(1)1674/02-03(01) | - Letter dated 12 May 2003 from Senior Assistant Legal Adviser to Administration                                 |
| LC Paper No. CB(3)540/02-03      | - The Bill   |
| FIN CR 1/7/2201/02               | - The Legislative Council Brief issued by the Financial Services and the Treasury Bureau on 2 April 2003         |
| LC Paper No. CB(1)1643/02-03(02) | - Marked-up copy of the Bill   |

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

Issues which required follow-up actions/consideration by the Administration

3. At the request of the Bills Committee, the Administration undertook:

- (1) To provide information on the impact of the outbreak of the Severe Acute Respiratory Syndrome (including the proposed relief measures) on the revenue estimates on the basis of the updated forecast on GDP and prices available on 30 May 2003 for members' consideration at the next meeting to be held on 6 June 2003;
- (2) To provide information on the assessable profits relating to royalty payment received by film distributors of foreign films and the tax paid by them in the past two tax years. The Administration was also asked to provide separate information in respect of United States film production companies with their own distributors in Hong Kong and local independent film distributors;
- (3) To consider the drafting consistency of clauses 2, 9(b) and 12(b) as referred to by SALA in his letter dated 12 May 2003 (LC Paper No. CB(1)1674/02-03(01)); and
- (4) To consider rephrasing clause 15(6), including replacing "as appropriate" with "as the case may be" as suggested by Ms Audrey EU.

4. The Bills Committee noted that information in relation to the effective date of applying the new deeming rate of assessable profits for payments made under clause 5 was available on the website of the Inland Revenue Department. In gist, the old rate of 10% would apply to any sum accrued before 1 April 2003 but received on or after that date. The Chairman said that he would follow up with the Association of Chartered

Certified Accountants Hong Kong on whether it was necessary to improve the wordings of proposed section 21A(1)(b)(i) and (ii).

Dates of next meetings

5. Further to the third meeting scheduled to be held on 6 June 2003 at 8:30 am, the Bills Committee agreed that a further meeting would be scheduled for 12 June 2003 at 2:30 pm.

**III Any other business**

6. There being no other business, the meeting ended at 12:50 pm.

Council Business Division 1  
Legislative Council Secretariat  
5 June 2003

**Proceedings of the meeting of the  
Bills Committee on Revenue (No. 2) Bill 2003**

**Second meeting on Tuesday, 27 May 2003, at 10:45 am  
in the Chamber of the Legislative Council Building**

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
000000 – 000349	Chairman	Introductory remarks and confirmation of minutes on 13 May 2003.	
000350 - 000826	Hong Kong, Kowloon & New Territories Movie Picture Industry Association (MPIA)	Presentation of views.	
000827 - 001225	International Federation of the Phonographic Industry (Hong Kong Group) Limited (IFPI)	Presentation of views.	
001226 - 001430	Movie Producers and Distributors Association of Hong Kong Limited (MPDA)	Presentation of views.	
001431 - 001713	Chairman Administration	Persons liable to the tax on assessable profits from cinematograph films, patents, trademarks etc.	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
001714 - 004309	Chairman Mr MA Fund-kwok MPIA IFPI Administration MDPA	(a) Impact of the proposed increase in the deeming rate of assessable profits from cinematograph films, patents, trademarks etc on local film and music industries. (b) Tax regimes of Hong Kong and Mainland China. (c) Comparison of the effective tax rate on deeming assessable profits after the proposed increase with that of neighbouring jurisdictions. (d) Computation of assessable profits for payments involved in the use of or right to use certain intellectual properties under a contract covering the markets of both Hong Kong and other places, and double taxation policy.	
004310 - 004813	Chairman MPIA IFPI MDPA Mr MA Fung-kwok	(a) No prior consultation with the industry on the proposed change. (b) Protection of intellectual property rights.	
004814 - 004915	Ms Emily LAU	Stance of Members of the Frontier that they objected to the Bill in view of present economic situation.	
004916 - 005129	Mr CHAN Kam-lam	Stance of Members of the Democratic Alliance for Betterment of Hong Kong that they supported the Bill in the face of current budgetary deficits.	
005130 - 011226	Chairman Administration Mr MA Fung-kwok MPIA	(a) Impact of the proposed increase in the deeming rate of assessable profits from cinematograph films, patents, trademarks etc on local film and music industries. (b) The assessable profits relating to royalty payment received by film distributors of foreign films and the tax paid by them.	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
011227 - 012932	Chairman Administration Mr MA Fung-kwok	The Administration introduced the paper LC Paper No. CB(1) 1757/02-03(04)	The Administration to follow up as set out in paragraphs 3(1) and 3(2) of the minutes.
012933 - 013402	Chairman Administration	Wordings of clause 5.	The Chairman to follow up with ACCA.
013403 - 014250	Chairman Mr LAU Ping-cheung Administration	How the proposed Salaries Tax rebate was to be effected.	
014251 - 015044	Chairman SALA2 Administration	The drafting consistency of clauses 2, 9(b) and 12(b) as referred to by SALA's in his letter dated 12 May 2003 (LC Paper No. CB(1)1674/02-03(01)).	The Administration to consider.
015045 - 015809	Chairman Administration SALA2 Ms Audrey EU	Rephrasing clause 15(6), including replacing "as appropriate" with "as the case may be".	The Administration to consider.
015810 - 020000	Chairman Ms Audrey EU	Scheduling of third and fourth meetings.	