Bills Committee on Revenue (No.2) Bill 2003
Administration's Response to Submissions from Deputations

	Organisations/Views	Administration's Response
A.	**Chinese General Chamber of Commerce**	
1.	Supports the Bill.	Noted.
2.	Considers the proposed increase of corporation profits tax rate acceptable, but hope the Government would revert the rate to the existing level when the economy becomes better.	The Government will review all revenue items in the annual Budget exercise.
B.	**Movie Producers and Distributors Association of Hong Kong Limited (MPDA)**	
3.	Considers the proposals to revert the marginal tax bands and rates, basic and married person's allowances under salaries tax to their levels prior to the 1998-99 concessions and to increase the standard rate to 16% acceptable.	Noted.
4.	Considers the proposal to remove salaries tax exemption for holiday warrant/passage acceptable.	Noted.
5.	Supports the proposal to increase the allowance for the third to ninth child to the level of allowance for the first and second child.	Noted.
6.	Proposal to increase the profits tax rate may impose pressure on the HKSAR's competitiveness in view of reduction of tax rate in other jurisdictions.	The problem of fiscal deficit is serious and needs to be addressed immediately. Economic recovery will be impeded if the budget situation deteriorates. Salaries tax and profits tax are the two largest sources of recurrent revenue for the Government. No other existing recurrent revenue sources may generate similar magnitude of additional revenue needed to tackle the serious budget deficit. Our profits tax system is simple with many concessions and low tax rates, even after the increase. Unlike many other jurisdictions, we do not have capital gains

		tax nor tax on dividends. The increase in profits tax rate will not significantly affect our competitive edge.
7.	Seek clarification on the application of the proposal referred to in paragraphs 13 and 17(c) of the Legislative Council Brief	The two paragraphs refer to the proposal in Clause 5 of the Bill. Clause 5 proposes to increase the deeming rate applied in computing the assessable profits of a person not carrying on a trade, profession or business in Hong Kong (in most cases, a non-resident) but is in receipt of payments in the form of royalties or license fees from Hong Kong. For royalties or licence fees received by a professional body or business carrying on a trade, profession or business in Hong Kong, its royalty income or license fees received will be assessed in the usual manner, i.e. any assessable profits after deduction of allowable expenses is subject to Profits Tax at the normal profits tax rates.
C.	**Association of Chartered Certified Accountants (ACCA)**	
8.	It is not to the benefit of Hong Kong to propose any tax increase measures albeit the restoration of personal allowances and marginal tax bands/rates to the 1997/98 level. Do not agree to the proposed increase of corporate tax rate from 16% to 17.5% and the proposed increase of standard tax rates from 15%to 16%.	See item 6 above.
9.	The wording of the proposed section 21A(1)(b) is not clear and may cause confusion.	The proposed amendment to section 21A(1)(b) is consistent with the wording in the existing section 21B on the same subject, namely "… any sum received by or accrued to …". Nevertheless, we are considering whether we can make the wording clearer.

Financial Services and the Treasury Bureau

May 2003