

LEGISLATIVE COUNCIL BRIEF

Inland Revenue Ordinance (Chapter 112)

REVENUE (NO.2) BILL 2003

INTRODUCTION

At the meeting of the Executive Council on 1 April 2003, the Council **ADVISED** and the Chief Executive **ORDERED** that the Revenue (No.2) Bill, at Annex A, should be introduced into the Legislative Council to implement the revenue proposals related to salaries tax, profits tax and property tax announced in the 2003-04 Budget.

JUSTIFICATIONS

Need to Tackle the Problem of Fiscal Deficit

2. Though the economy has shown signs of improvement in real terms in 2002, the Government's huge fiscal deficit, if not resolved early, will dampen investors' confidence and stifle economic recovery. The consolidated deficit for 2002-03 is forecast to be \$70 billion, \$24.8 billion more than the original estimate. Total government spending will be \$243.3 billion, whereas government revenue will be \$173.3 billion. The level of fiscal reserves is forecast to drop to \$303 billion by 31 March this year. In four of the past five years, the Consolidated Account registered a deficit. The Operating Account, which reflects government day-to-day revenue and expenditure, has been in deficit for five years in a row. The deficit problem is serious and needs to be addressed immediately. If the situation continues to deteriorate, it will

impede the trend of economic recovery.

3. The Financial Secretary has set three medium term targets for public finances, which are to attain a balanced Operating Account; restore balance in Consolidated Account; and reduce public expenditure to 20% of GDP or below. Specific proposals must be made and carried out as soon as possible to achieve the above targets and restore investors' confidence.

4. The Government has stated that we will seek to eliminate the problem of fiscal deficit through a three-pronged approach, namely boost the economy, cut expenditure and raise revenue. We estimate that between now and 2006-07 economic growth will bring the Government about \$30 billion in additional revenue. To attain a balanced Operating Account by 2006-07, we aim to generate \$20 billion through raising revenue and another \$20 billion through cutting down on operating expenditure in the next four years.

5. At the same time, in view of the current economic environment in Hong Kong, we need to avoid aggravating the problem of deflation and dampening consumer sentiment. In order to strike a balance, a step-by-step approach will be adopted to implement the proposed revenue-raising measures.

Salaries Tax

6. To raise revenue, we propose to revert the marginal tax rates, tax bands, basic and married person's allowances under salaries tax to their levels before the concessions made in 1998-99. In 1998-99, the allowance for single parent was increased by 44% to the same level as the basic allowance. We propose to reduce the single parent allowance to the same level as proposed for basic person allowance. The standard rate of tax is proposed to increase from 15% to 16%.

7. We also propose to implement the above proposals in two equal phases in 2003-04 and 2004-05, considering the prevailing economic situation and that the public's burden is still heavy. Following implementation of these proposals, about 90,000 more

employed persons will come into the tax net, thus helping to broaden the tax base.

8. The proposals should have limited impact on lower to middle income taxpayers. The effective tax rates for taxpayers with annual income between \$100,001 and \$200,000, between \$200,001 and \$300,000, and between \$300,001 and \$400,000 would only be 1.2%, 3.4% and 5.0% respectively after the proposed adjustments have taken full effect in 2004-05.

9. We propose that the exemption for holiday warrant and passage be removed. After removal of the exemption, taxpayers would need to include the value of, as well as any allowance for the purchase of, any holiday warrant or passage in their taxable income for tax assessment. At present, all benefits derived from employment which are capable of being converted into money (i.e. having a value) and all allowances, except those relating to holiday warrant or passage, are taxable under salaries tax. We consider it more equitable to remove this only exemption. This is more in line with international practice.

10. We do not propose any changes to the allowances for dependants as we recognise the heavy burden of taxpayers who have to support the living of their dependent relatives. In support of the population policy, we propose to increase the allowance for the third to ninth child to the level of allowance for the first and second child.

Profits Tax

11. To raise revenue, we propose to increase the profits tax rate for corporations from 16% to 17.5% with effect from 2003-04. The tax rate for unincorporated businesses is proposed to be increased from 15% to 16% in two phases over two years, in line with the adjustments in the standard rate of salaries tax.

12. Hong Kong has a simple profits tax system with consistently low tax rates and many concessions. We do not have capital gains tax nor do we impose tax on dividends. The proposed rates are still lower than those in neighbouring economies, and the 18.5% rate we had in the 1980s. Our competitive edge will not be significantly affected by

the revision in profits tax rates.

13. We also propose that the rate of deeming assessable profits for certain payments such as royalties and licence fees should be increased from 10% to 30%. After this proposed adjustment and the proposed increase in tax rate, the effective tax rate on such deeming profits will be increased from 1.6% to 5.25%, but this will still be amongst the lowest comparing with our neighbouring economies.

Property Tax

14. We propose that the property tax rate be increased by one percentage point to 16% and be implemented over two years, in line with the salaries tax standard rate adjustment.

Tax Concessions on Charitable Donations

15. We propose to raise the existing ceiling under salaries tax and profits tax for tax-exempted donations to approved charitable organisations from 10% of assessable income or profits to 25%.

OTHER OPTIONS

16. Salaries tax and profits tax are the two largest sources of recurrent revenue for the Government. There are no other recurrent revenue sources which may generate similar magnitude of additional revenue, which is necessary to tackle the serious budget deficit.

THE BILL

17. The main purpose of this Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to some of the proposals in the Budget introduced by the Government for the 2003-2004 financial year. The major provisions are as follows: -

- (a) **Clause 3** amends the definition of income from employment so that the value of any holiday warrant or passage granted by an employer to an employee will form part of the employee's income from employment.

- (b) **Clause 4** raises the existing ceiling for tax deductible donations from 10% of a person's assessable profits to 25%.
- (c) **Clause 5** increases a certain rate that is applied in computing the assessable profits of a person not carrying on a trade, profession or business in Hong Kong in respect of sums received by him from the use in Hong Kong of cinematograph or television films, patents, trademarks or copyright materials, etc..
- (d) **Clause 6** raises the existing ceiling for tax deductible donations from 10% of a person's assessable income to 25%.
- (e) **Clause 9** increases the standard rate of tax from 15% to 15½% for the year of assessment 2003/04 and from 15½% to 16% for the year of assessment 2004/05.
- (f) **Clause 10** revises the marginal tax structure for the years of assessment 2003/04 and 2004/05.
- (g) **Clause 11** reduces the respective amounts of basic allowance, married person's allowance and single parent allowance to \$104,000, \$208,000 and \$104,000 respectively for the year of assessment 2003/04 and to \$100,000, \$200,000 and \$100,000 respectively for the year of assessment 2004/05. It also revises the structure of child allowance so that a person will be granted an allowance of \$30,000 each for the first to the ninth child.
- (h) **Clause 12** increases the rate of profits tax in respect of a corporation from 16% to 17½%.
- (i) **Clauses 14 and 15** contain transitional provisions.

B 18. The existing provisions being amended are at Annex B.

LEGISLATIVE TIMETABLE

19. The legislative timetable will be -

Publication in the Gazette 4 April 2003

First Reading and commencement
of Second Reading debate 9 April 2003

IMPLICATIONS OF THE PROPOSAL

20. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the Ordinance and its subsidiary legislation. It has no productivity, environmental or civil service implications.

Financial Implications

21. It is estimated that the proposal will raise a total of \$10.37 billion (\$6.8 billion for salaries tax, \$3.5 billion for profits tax and \$70 million for property tax) in a full year, less a cost to revenue of about \$100 million due to the concession on charitable donation deductions.

22. On the expenditure side, with 90,000 new taxpayers falling into the tax net, the proposal will give rise to additional recurrent expenditure of \$5 million per year for printing of tax returns, postage and tax collection, etc.. The Inland Revenue Department will absorb this additional expenditure within its own provision.

Economic Implications

23. The proposed legislative amendments are to facilitate implementation of the various revenue measures related to salaries tax, profits tax and property tax announced in the 2003-04 Budget. These revenue measures are part and parcel of the whole package of budgetary measures, which taken together are expected to have only a small impact on the overall economy. Based on the inhouse econometric model adopted by the Government, the trend growth rate of the economy and rate of change in prices will be trimmed as a result by an annual average of only 0.14% and 0.21% respectively over 2003-07. At the same time, the package of measures will help restore balance in public finances over the medium term, thereby eliminating a

factor that may lead to a financial crisis. Investors' confidence in Hong Kong will also be enhanced.

Sustainability Implications

24. The proposal is expected to contribute positively to fiscal sustainability through alleviation of the problem of fiscal deficit.

PUBLIC CONSULTATION

25. The Financial Secretary conducted consultations with Legislative Council Members during the formulation of the Budget. In addition, proposals of professional bodies and the general public have also been taken into account.

PUBLICITY

26. We will issue a press release. A spokesman will be available to answer media and public enquiries.

BACKGROUND

27. In the 2003-04 Budget, the Financial Secretary made, among others, the following proposals in relation to salaries tax, profits tax and property tax -

Salaries Tax

- (a) to revert the marginal salaries tax rates and bands to levels before the 1998-99 concessions over two years (in 2003/04 and 2004/05 years of assessment), i.e. to increase incremental steps from 5% to 6%, and the marginal tax rates to 2%, 8%, 14% and 20%, reduce the bandwidth from \$35,000 to \$30,000;
- (b) to revert the basic and married person's allowances to their levels before the 1998-99 concessions over two years, i.e. from \$108,000 to \$100,000 and from \$216,000 to \$200,000 respectively;

- (c) to lower the single parent allowance from \$108,000 to \$100,000 over two years;
- (d) to increase the standard salaries tax rate from 15% to 16% in two phases over years of assessment 2003/04 and 2004/05;
- (e) to remove the exemption for holiday warrants and passage;
- (f) to increase the allowance for the third to ninth child from \$15,000 to \$30,000, equivalent to that for the first and second child;
- (g) to raise the ceiling for tax deductible charitable donations from 10% to 25% of assessable income;

Profits Tax

- (h) to increase the tax rate for corporations from 16% to 17.5% effective from 2003-04 year of assessment;
- (i) to increase the tax rate for unincorporated businesses from 15% to 16% in two phases over years of assessment 2003/04 and 2004/05;
- (j) to increase the rate of deeming assessable profits for certain payments, such as royalties and licence fees, from 10% to 30%;
- (k) to raise the ceiling for tax deductible charitable donations from 10% to 25% of assessable profits; and

Property Tax

- (l) to increase the property tax rate from 15% to 16% in two phases over years of assessment 2003/04 and 2004/05.

28. We have to amend the Inland Revenue Ordinance to implement these proposals.

ENQUIRY

29. In case of enquiries about this Brief, please contact Miss Erica NG, Principal Assistant Secretary for Financial Services and the Treasury (Treasury)(Revenue), at 2810 2370.

Financial Services and the Treasury Bureau
2 April 2003

REVENUE (NO. 2) BILL 2003

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A BILL

To

Amend the Inland Revenue Ordinance.

Enacted by the Legislative Council.

PART 1

PRELIMINARY

1. Short title

This Ordinance may be cited as the Revenue (No. 2) Ordinance 2003.

2. Application

This Ordinance applies in relation to the year of assessment commencing on 1 April 2003 and to all subsequent years of assessment.

PART 2

AMENDMENTS TO INLAND REVENUE ORDINANCE

3. Definition of income from employment

Section 9(1)(a)(i), (ii) and (iii) of the Inland Revenue Ordinance (Cap. 112) is repealed.

4. Approved charitable donations

Section 16D(2)(b) is repealed and the following substituted –

- “(b) (i) up to and including the year of assessment commencing on 1 April 2002, a sum in excess of 10% of such balance of that person’s assessable profits after making any adjustment for the allowances and charges provided under Part VI;
- (ii) commencing on or after 1 April 2003, a sum in excess of 25% of such balance of that person’s assessable profits after

making any adjustment for the allowances and charges provided under Part VI.”.

5. Computation of assessable profits from cinematograph films, patents, trademarks, etc.

Section 21A(1)(b) is repealed and the following substituted –

- “(b) the following percentages of the sum in any other case, including any case of the description mentioned in the proviso to paragraph (a) –
- (i) for any sum received by or accrued to the person before 1 April 2003, 10%;
 - (ii) for any sum received by or accrued to the person on or after 1 April 2003, 30%.”.

6. Approved charitable donations

Section 26C is amended –

- (a) in subsection (2)(a)(ii), by repealing “10%” and substituting “the percentage specified in subsection (2A)”;
- (b) in subsection (2)(b)(iii), by repealing “10%” and substituting “the percentage specified in subsection (2A)”;
- (c) by adding –

“(2A) The percentages specified for the purposes of subsection (2)(a)(ii) and (b)(iii) shall be –

- (a) for any year of assessment up to and including the year of assessment commencing on 1 April 2002, 10%;

- (b) for any year of assessment commencing on or after 1 April 2003, 25%.”.

7. Amount of provisional property tax

Section 63M(8) is amended by repealing “subsection (7)” and substituting “subsection (6)”.

8. Objections

Section 64(1) is amended by repealing “, in the case of an assessment other than a provisional assessment,”.

9. Standard Rate

Schedule 1 is amended –

- (a) by repealing “For the year of assessment 1989/90 and until superseded” and substituting “For the years of assessment 1989/90 to 2002/03 inclusive”;
- (b) by adding at the end –
- | | | |
|-------------------------------------|---|--------|
| “For the year of assessment 2003/04 | – | 15½%. |
| For the year of assessment 2004/05 | | |
| and until superseded | – | 16%.”. |

10. Rates

Schedule 2 is amended –

- (a) by repealing “For the year of assessment 1998/99 and for each year after that year” and substituting “For the years of assessment 1998/99 to 2002/03 inclusive”;
- (b) by adding at the end –
- “For the year of assessment 2003/04

SECOND COLUMN THIRD COLUMN

- | | | |
|-----|-------------------------|------|
| (a) | Upon the first \$32,500 | 2% |
| (b) | Upon the next \$32,500 | 7½% |
| (c) | Upon the next \$32,500 | 13% |
| (d) | Upon the remainder | 18½% |

For the year of assessment 2004/05
and for each year after that year

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$30,000	2%
(b)	Upon the next \$30,000	8%
(c)	Upon the next \$30,000	14%
(d)	Upon the remainder	20%”.

11. Allowances

Schedule 4 is amended –

- (a) by repealing “For the year of assessment 1998/99 and for each year after that year” and substituting “For the years of assessment 1998/99 to 2002/03 inclusive”;
- (b) by adding at the end –

“For the year of assessment 2003/04

	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount)
1.	Section 28 (basic allowance)	\$104,000
2.	Section 29 (married person’s allowance)	\$208,000
3.	Section 30 (dependent parent allowance) –	
	(a) subsection (3)(a)	\$ 30,000
	(b) subsection (3)(b)	\$ 30,000
	(c) subsection (4)(a)	\$ 12,000

- | | |
|---|--|
| 4. Section 30A (dependent grandparent allowance) – | |
| (a) subsection (3)(a) | \$ 30,000 |
| (b) subsection (3)(b) | \$ 30,000 |
| (c) subsection (4)(a) | \$ 12,000 |
| 5. Section 30B(1) (dependent brother or dependent sister allowance) | \$ 30,000 |
| 6. Section 31 (child allowance) – | |
| (a) subsection (1) | \$30,000 each for the first to the ninth child |
| (b) subsection (5) | \$270,000 |
| 7. Section 31A(1) (disabled dependant allowance) | \$ 60,000 |
| 8. Section 32(1) (single parent allowance) | \$104,000 |

For the year of assessment 2004/05 and
for each year after that year

- | FIRST COLUMN
(section) | SECOND COLUMN
(the prescribed amount) |
|--|--|
| 1. Section 28 (basic allowance) | \$100,000 |
| 2. Section 29 (married person's allowance) | \$200,000 |
| 3. Section 30 (dependent parent allowance) – | |
| (a) subsection (3)(a) | \$ 30,000 |
| (b) subsection (3)(b) | \$ 30,000 |

	(c) subsection (4)(a)	\$ 12,000
4.	Section 30A (dependent grandparent allowance) –	
	(a) subsection (3)(a)	\$ 30,000
	(b) subsection (3)(b)	\$ 30,000
	(c) subsection (4)(a)	\$ 12,000
5.	Section 30B(1) (dependent brother or dependent sister allowance)	\$ 30,000
6.	Section 31 (child allowance) –	
	(a) subsection (1)	\$30,000 each for the first to the ninth child
	(b) subsection (5)	\$270,000
7.	Section 31A(1) (disabled dependant allowance)	\$ 60,000
8.	Section 32(1) (single parent allowance)	\$100,000”.

12. Rate of profits tax in respect of a corporation

Schedule 8 is amended –

- (a) by repealing “For the year of assessment 1998/99 and until superseded” and substituting “For the years of assessment 1998/99 to 2002/03 inclusive”;
- (b) by adding at the end –

“For the year of assessment 2003/04
and until superseded 17½%”.

PART 3
TRANSITIONAL PROVISIONS

13. Interpretation of Part 3

(1) In this Part –

“current year of assessment” (本課稅年度) means the year of assessment commencing on 1 April 2003;

“preceding year of assessment” (上一課稅年度) means the year of assessment commencing on 1 April 2002;

“principal Ordinance” (主體條例) means the Inland Revenue Ordinance (Cap. 112).

(2) Where an expression used in this Part is also used in the principal Ordinance, it shall have the same meaning as in the principal Ordinance.

14. Construction of net chargeable income

(1) For the purposes of calculating the net chargeable income for the preceding year of assessment under section 63C(1) of the principal Ordinance in order to ascertain provisional salaries tax in respect of the year of assessment commencing on 1 April 2003 or the year of assessment commencing on 1 April 2004, the references in section 12B(1)(b) and (2)(b) of the principal Ordinance to allowances permitted under Part V of the principal Ordinance shall be read as if they were references to the amounts of allowances prescribed for the year of assessment commencing on 1 April 2003 or the year of assessment commencing on 1 April 2004 (as the case may be) under Part V of, and Schedule 4 to, the principal Ordinance as amended by this Ordinance.

(2) In relation to an application to hold over the payment of provisional salaries tax in respect of the year of assessment commencing on 1 April 2003 or the year of assessment commencing on 1 April 2004 that is made under section 63E of the principal Ordinance on the ground specified in

subsection (2)(a) of that section, the reference to “net chargeable income for the year preceding the year of assessment” in that subsection shall be construed to mean the net chargeable income for the year of assessment commencing on 1 April 2002 or the net chargeable income for the year of assessment commencing on 1 April 2003 (as the case may be) as calculated under subsection (1).

(3) In relation to an application to hold over the payment of provisional salaries tax in respect of the year of assessment commencing on 1 April 2003 or the year of assessment commencing on 1 April 2004 that is made under section 63E of the principal Ordinance on the ground specified in subsection (2)(b) of that section, the reference to “net chargeable income for the year preceding the year of assessment” in that subsection shall be construed to mean the net chargeable income for the year of assessment commencing on 1 April 2002 or the net chargeable income for the year of assessment commencing on 1 April 2003 (as the case may be) as calculated under subsection (1).

15. Additional grounds for making hold over applications

(1) Without prejudice to section 63E of the principal Ordinance, where in relation to the current year of assessment a person is liable to pay provisional salaries tax, he may, by notice in writing lodged with the Commissioner not later than –

- (a) 28 days before the day by which the provisional salaries tax is to be paid; or
- (b) 14 days after the date of the notice for payment of provisional salaries tax under section 63C(6) of the principal Ordinance,

whichever is the later, apply to the Commissioner on a ground specified in subsection (2) to have the payment of the whole or part of such tax held over until he is required to pay salaries tax for that year of assessment.

- (2) The following grounds are specified for the purposes of subsection
- (1) –
- (a) subject to paragraph (b), in the case of a person who was charged with tax under Part III of the principal Ordinance in the preceding year of assessment, the ground that the aggregate amount of the approved charitable donations made or to be made by the person or his or her spouse, not being a spouse living apart from the person, during the current year of assessment exceeds, or is likely to exceed, 10% of –
- (i) subject to subparagraph (ii), the person's assessable income for the preceding year of assessment as reduced by the deductions provided for under section 12(1)(a) and (b) of the principal Ordinance for the preceding year of assessment;
- or
- (ii) where the person and his or her spouse made an election under section 10(2) of the principal Ordinance in respect of the preceding year of assessment, the aggregate of their assessable incomes for the preceding year of assessment as reduced in each case by the deductions provided for under section 12(1)(a) and (b) of the principal Ordinance for the preceding year of assessment;
- (b) in the case of a person who made an election under section 41 of the principal Ordinance in respect of the preceding year of assessment, the ground that the aggregate amount of the approved charitable donations made or to be made by the person or his or her spouse, not being a spouse living apart from the person, during the current year of

assessment exceeds, or is likely to exceed, 10% of the total amount of –

- (i) the person's total income for the preceding year of assessment;
- (ii) any sum which was allowed as a deduction under section 16D of the principal Ordinance for the preceding year of assessment; and
- (iii) any sum which was allowed as a deduction under section 12(1)(e) of the principal Ordinance for the preceding year of assessment.

(3) Without prejudice to section 63J of the principal Ordinance, where in relation to the current year of assessment a person is liable to pay provisional profits tax, he may, by notice in writing lodged with the Commissioner not later than –

- (a) 28 days before the day by which the provisional profits tax is to be paid; or
- (b) 14 days after the date of the notice for payment of provisional profits tax under section 63H(7) of the principal Ordinance,

whichever is the later, apply to the Commissioner on the ground specified in subsection (4) to have the payment of the whole or part of such tax held over until he is required to pay profits tax for that year of assessment.

(4) The ground specified for the purposes of subsection (3) is that the aggregate amount of the approved charitable donations made or to be made by the person during the current year of assessment exceeds, or is likely to exceed, 10% of the balance of the person's assessable profits for the preceding year of assessment after making any adjustment for the allowances and charges provided under Part VI of the principal Ordinance for the preceding year of assessment.

(5) Where the Commissioner is satisfied that it is appropriate to do so, he may, either generally or in a particular case, extend the time within which an application may be made under this section.

(6) On receipt of an application made under this section, the Commissioner shall consider the application and may hold over the payment of the whole or part of the provisional salaries tax or provisional profits tax, as appropriate.

(7) The Commissioner shall, by notice in writing, inform the person applying under this section of his decision.

Explanatory Memorandum

The main purpose of this Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to some of the proposals in the Budget introduced by the Government for the 2003-2004 financial year.

2. Clause 3 amends the definition of income from employment so that the value of any holiday warrant or passage granted by an employer to an employee will form part of the employee's income from employment.

3. Clause 4 raises the existing ceiling for tax deductible donations from 10% of a person's assessable profits to 25%.

4. Clause 5 increases a certain rate that is applied in computing the assessable profits of a person not carrying on a trade, profession or business in Hong Kong in respect of sums received by him from the use in Hong Kong of cinematograph or television films, patents, trademarks or copyright materials, etc.

5. Clause 6 raises the existing ceiling for tax deductible donations from 10% of a person's assessable income to 25%.

6. Clause 7 corrects an error in cross-reference.

7. Clause 8 removes an obsolete reference to provisional assessment.

8. Clause 9 increases the standard rate of tax from 15% to 15½% for the year of assessment 2003/04 and from 15½% to 16% for the year of assessment 2004/05.

9. Clause 10 revises the marginal tax structure for the years of assessment 2003/04 and 2004/05.

10. Clause 11 reduces the respective amounts of basic allowance, married person's allowance and single parent allowance to \$104,000, \$208,000 and \$104,000 respectively for the year of assessment 2003/04 and to \$100,000, \$200,000 and \$100,000 respectively for the year of assessment 2004/05. It also revises the structure of child allowance so that a person will be granted an allowance of \$30,000 each for the first to the ninth child.

11. Clause 12 increases the rate of profits tax in respect of a corporation from 16% to 17½%.

12. Clauses 14 and 15 contain transitional provisions.

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	L.N. 120 of 2000
Section:	9	Heading:	Definition of income from employment	Version Date:	01/12/2000

- (1) Income from any office or employment includes-
- (a) any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite, or allowance, whether derived from the employer or others, except-
 - (i) the value of any holiday warrant or passage granted by an employer to an employee in so far as it is used for travel;
 - (ii) any allowance for the purchase of any such holiday warrant or passage in so far as it is expended for that purpose; (Amended 1 of 1991 s. 3)
 - (iii) any allowance paid by an employer to an employee for the transportation of the personal effects of the employee in connection with any journey on which a holiday warrant or passage referred to in subparagraph (i) or (ii) is used in so far as the allowance is expended for the transportation of the personal effects of the employee; and (Amended 3 of 1949 s. 4; 9 of 1950 Schedule; 2 of 1971 s. 6; 40 of 1972 s. 2; 1 of 1991 s. 3)
 - (iv) subject to subsection (2A), any amount paid by the employer to or for the credit of a person other than the employee in discharge of a sole and primary liability of the employer to that other person, not being a liability for which any person was surety; (Added 1 of 1991 s. 3)
 - (aa) so much of any amount (other than a pension falling under section 8(1)(b)) received by an employee before or after his employment ceases, whether by way of commutation or otherwise, from a pension or provident fund, scheme or society, other than a recognized occupational retirement scheme or mandatory provident fund scheme, as is attributable to the employer's contributions to that fund, scheme or society; (Added 2 of 1971 s. 6. Amended 76 of 1993 s. 4; 4 of 1998 s. 6)
 - (ab) so much of any amount (other than a pension falling under section 8(1)(b)) received by an employee, whether by way of commutation or otherwise, under a recognized occupational retirement scheme-
 - (i) otherwise than because of termination of service, death, incapacity or retirement of the employee as is attributable to the employer's contributions under the scheme in respect of the employee; or
 - (ii) by reason of termination of service as is attributable to such part of the employer's contributions under the scheme in respect of the employee that exceeds the proportionate benefit calculated in accordance with section 8(5); (Added 76 of 1993 s. 4. Amended 4 of 1998 s. 6)
 - (ac) any payment received by an employee pursuant to a judgment given under section 57(3)(b) of the Occupational Retirement Schemes Ordinance (Cap 426) that is attributable to his employer's contributions to the occupational retirement scheme in respect of which the judgment was given; (Added 76 of 1993 s. 4)
 - (ad) so much of the accrued benefit that an employee has received, or is taken to have received, from a mandatory provident fund scheme (otherwise than on retirement, death, incapacity or termination of service) as is attributable to contributions paid to the scheme by the employee's employer; (Added 4 of 1998 s. 6)

- (ae) so much of the accrued benefit that an employee has received, or is taken to have received, from a mandatory provident fund scheme as is attributable to voluntary contributions paid to the scheme by the employee's employer that exceeds the proportionate benefit calculated in accordance with section 8(5); (Added 4 of 1998 s. 6)
- (b) the rental value of any place of residence provided rent-free by the employer or an associated corporation; (Amended 38 of 1975 s. 2)
- (c) where a place of residence is provided by an employer or an associated corporation at a rent less than the rental value, the excess of the rental value over such rent; (Amended 38 of 1975 s. 2)
- (d) any gain realized by the exercise of, or by the assignment or release of, a right to acquire shares or stock in a corporation obtained by a person as the holder of an office in or an employee of that or any other corporation. (Added 2 of 1971 s. 6)
- (1A)(a) Notwithstanding subsection (1)(a), where an employer or an associated corporation-
 - (i) pays all or part of the rent payable by the employee; or
 - (ii) refunds all or part of the rent paid by the employee, such payment or refund shall be deemed not to be income;
- (b) a place of residence in respect of which an employer or associated corporation has paid or refunded all the rent therefor shall be deemed for the purposes of subsection (1) to be provided rent free by the employer or associated corporation;
- (c) a place of residence in respect of which an employer or associated corporation has paid or refunded part of the rent therefor shall be deemed for the purposes of subsection (1) to be provided by the employer or associated corporation for a rent equal to the difference between the rent payable or paid by the employee and the part thereof paid or refunded by the employer or associated corporation. (Added 36 of 1954 s. 2. Amended 38 of 1975 s. 2; 1 of 1991 s. 3)

(2) The rental value of any place of residence provided by the employer or an associated corporation shall be deemed to be 10% of the income as described in subsection (1)(a) derived from the employer for the period during which a place of residence is provided after deducting the outgoings, expenses and allowances provided for in section 12(1)(a) and (b) to the extent to which they are incurred during the period for which the place of residence is provided and any lump sum payment or gratuity paid or granted upon the retirement or termination of employment of the employee: (Amended 35 of 1965 s. 6; 26 of 1969 s. 10; 7 of 1975 s. 3; 38 of 1975 s. 2)

Provided that-

- (a) if such place of residence be a hotel, hostel or boarding house the rental value shall be deemed to be 8% of the income aforesaid where the accommodation consists of not more than 2 rooms and 4% where the accommodation consists of not more than one room; (Replaced 10 of 1950 s. 3. Amended 38 of 1975 s. 2)
 - (b) if such place of residence be other than a hotel, hostel or boarding house any person may elect to have, in respect of the years of assessment commencing on or after 1 April 1983, the rateable value included in the valuation list prepared under section 12 of the Rating Ordinance (Cap 116) or, if the place of residence is not so included, the rateable value ascertained in accordance with Part III of that Ordinance, substituted for rental value at 10% as aforesaid. (Replaced 19 of 1996 s. 4)
- (2A) Subsection (1)(a)(iv) shall not operate to exclude-

- (a) any benefit capable of being converted into money by the recipient; or
- (b) any amount paid by an employer in connection with the education of a child of an employee,

from income from any office or employment. (Added 1 of 1991 s. 3)

(3) A pension shall include a pension which is voluntary or is capable of being discontinued. (Replaced 36 of 1955 s. 13)

(4) For the purposes of subsection (1)-

- (a) the gain realized by the exercise at any time of such a right as is referred to in paragraph (d) of that subsection shall be taken to be the difference between the amount which a person might reasonably expect to obtain from a sale in the open market at that time of the shares or stock acquired and the amount or value of the consideration given whether for them or for the grant of the right or for both; and
- (b) the gain realized by the assignment or release of such a right as is referred to in paragraph (d) of that subsection shall be taken to be the difference between the amount or value of the consideration for the assignment or release and the amount or value of the consideration given for the grant of the right,

(a just apportionment being made of any entire consideration given for the grant of the right to acquire the said shares or stock and other shares or stock or otherwise for the grant of the right to acquire those shares or stock and for something beside):

Provided that neither the consideration given for the grant of the right nor any such entire consideration shall be taken to include the performance of any duties in or in connection with the office or employment by reason of which the right was granted, and no part of the amount or value of the consideration given for the grant shall be deducted more than once under this subsection. (Replaced 2 of 1971 s. 6)

(5) Where salaries tax may by virtue of subsection (1)(d) become chargeable in respect of any gain which may be realized by the exercise of a right, salaries tax shall not be chargeable under any other provision of this Ordinance in respect of the receipt of the right. (Added 2 of 1971 s. 6. Amended L.N. 65 of 1986)

(6) For the purposes of this section-

"accrued benefit" (累算權益) has the same meaning as in section 8(6); (Added 4 of 1998 s. 6)

"associated corporation" (相聯法團) means-

- (a) a corporation over which the employer has control;
- (b) if the employer is a corporation-
 - (i) a corporation which has control over the employer; or
 - (ii) a corporation which is under the control of the same person as is the employer;

"child of an employee" (僱員的子女) means any child of an employee or of his or her spouse or former spouse, whether or not born in wedlock, and includes the adopted or step child of either or both of them; (Added 1 of 1991 s. 3)

"control" (控制), in relation to a corporation, means the power of a person to secure-

- (a) by means of the holding of shares or the possession of voting power in or in relation to that or any other corporation; or
- (b) by virtue of any powers conferred by the articles of association or other document regulating that or any other corporation,

that the affairs of the first-mentioned corporation are conducted in accordance with the wishes of that person; (Added 38 of 1975 s. 2)

"employee" (僱員) includes a holder of an office; (Added 1 of 1991 s. 3)

"place of residence" (居住地方) includes a residence provided by an employer or an associated corporation notwithstanding that the employee is required to occupy that place of residence by or under his terms of employment and whether or not by doing so he can better perform his duties; (Added 48 of 1979 s. 2)

"retirement" (退休) and "termination of service" (服務終止) have the same meaning as in section 8(3). (Added 76 of 1993 s. 4)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	31 of 1998 s. 10
Section:	16D	Heading:	Approved charitable donations	Version Date:	17/04/1998

(1) Subject to subsection (2), a person chargeable to tax under this Part may deduct the aggregate of approved charitable donations made by that person in the basis period for a year of assessment, if such aggregate is not less than \$100, from what would otherwise have been the assessable profits of such person for that year of assessment.

(2) A person shall not be entitled under subsection (1) to deduct for any year of assessment-

(a) any sum which is allowable as a deduction under section 16, 16B, or 16C; (Amended 56 of 1993 s. 11; 31 of 1998 s. 10)

(aa) any sum which is allowable as a deduction under Part IVA; (Added 31 of 1998 s. 10)

(b) a sum in excess of 10% of such balance of that person's assessable profits after making any adjustment for the allowances and charges provided under Part VI.

(Added 7 of 1975 s. 10)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	
Section:	21A	Heading:	Computation of assessable profits from cinematograph films, patents, trademarks, etc.	Version Date:	30/06/1997

(1) The assessable profits of a person arising in or derived from Hong Kong in respect of a sum deemed by section 15(1)(a) or (b) to be a receipt arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong shall, for the purposes of this Ordinance and notwithstanding any other provisions of this Part, be taken to be-

(a) 100% of the sum in the case of a sum derived from an associate:

Provided that this paragraph shall not apply in the case where the Commissioner is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly owned the property in respect of which the sum is paid; or

(b) 10% of the sum in any other case, including any case of the description mentioned in the proviso to paragraph (a).

(2) For the purpose of ascertaining whether a sum was derived from an associate in the application of subsection (1), where the sum was derived from or by a trustee of a trust estate or a corporation controlled by such a trustee, that sum shall be deemed to have been derived from or by, as the case may be, each of the trustee, the corporation and the beneficiary under the trust.

(3) In this section-

"associate" (相聯者), in relation to a person, means-

(a) where the person is a natural person-

- (i) a relative of the person;
- (ii) a partner of the person and any relative of that partner;
- (iii) a partnership in which the person is a partner;
- (iv) any corporation controlled by the person, by a partner of the person or by a partnership in which the person is a partner;
- (v) any director or principal officer of any such corporation as is referred to in subparagraph (iv);
- (b) where the person is a corporation-
 - (i) any associated corporation;
 - (ii) any person who controls the corporation and any partner of such person, and, where either such person is a natural person, any relative of such person;
 - (iii) any director or principal officer of that corporation or of any associated corporation and any relative of any such director or officer;
 - (iv) any partner of the corporation and, where such partner is a natural person, any relative of such partner;
- (c) where the person is a partnership-
 - (i) any partner of the partnership and where such partner is a partnership any partner of that partnership, any partner with the partnership in any other partnership and where such partner is a partnership any partner of that partnership and where any partner of, or with, or in any of the partnerships mentioned in this subparagraph is a natural person, any relative of such partner;
 - (ii) any corporation controlled by the partnership or by any partner thereof or, where such a partner is a natural person, any relative of such partner;
 - (iii) any corporation of which any partner is a director or principal officer;
 - (iv) any director or principal officer of a corporation referred to in subparagraph (ii);

"associated corporation" (相聯法團), in relation to a person, means-

- (a) a corporation over which the person has control;
- (b) if the person is a corporation-
 - (i) a corporation which has control over the person; or
 - (ii) a corporation which is under the control of the same person as is the first-mentioned person;

"beneficiary under the trust" (信託的受益人) means any person who benefits or is capable (whether by the exercise of a power of appointment or otherwise) of benefiting under a trust estate, either directly or through any interposed person, or who is able or might reasonably be expected to be able, whether directly or indirectly, to control the activities of the trust estate or the application of its corpus or income;

"control" (控制), in relation to a corporation, means the power of a person to secure-

- (a) by means of the holding of shares or the possession of voting power in or in relation to that or any other corporation; or
- (b) by virtue of any powers conferred by the articles of association or other document regulating that or any other corporation,

that the affairs of the first-mentioned corporation are conducted in accordance with the wishes of that person;

"principal officer" (主要職員) means-

- (a) a person employed by a corporation who, either alone or jointly with one or more other persons, is responsible under the immediate authority of the directors for the conduct of the business of the corporation; or
- (b) a person so employed who, under the immediate authority of a director of the corporation or a person to whom paragraph (a) applies, exercises managerial functions in respect of the corporation;

"relative" (親屬) means the spouse, parent, child, brother or sister of the relevant person, and, in deducing such a relationship, an adopted child shall be deemed to be a child both of the natural parents and the adopting parent and a step child to be the child of both the natural parents and of any step parent.

(Replaced 65 of 1993 s. 3)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	31 of 1998 s. 12
Section:	26C	Heading:	Approved charitable donations	Version Date:	17/04/1998

(1) Subject to the other provisions of this section, where a person or his or her spouse, not being a spouse living apart from the person, makes any approved charitable donations during any year of assessment, a deduction in respect of the aggregate amount of the approved charitable donations shall be allowable to the person for that year of assessment, if in any case such aggregate amount is not less than \$100.

(2) (a) Subject to paragraph (b), where a person is chargeable to tax under Part III, no deduction shall be allowable to the person under subsection (1) for any year of assessment in respect of-

- (i) any sum which is allowable as a deduction under Part IV;
- (ii) any sum by which the aggregate amount of the approved charitable donations within the meaning of subsection (1) is in excess of 10% of-
 - (A) subject to sub-subparagraph (B), the assessable income of the person for that year of assessment as reduced by the deductions provided for under section 12(1)(a) and (b) for that year of assessment; or
 - (B) where the person and his or her spouse have made an election under section 10(2) for that year of assessment, the aggregate of their assessable incomes for that year of assessment as reduced in each case by the deductions provided for under section 12(1)(a) and (b) for that year of assessment.

(b) Where a person has made an election under section 41 in respect of any year of assessment, no deduction shall be allowable to the person under subsection (1) for that year of assessment in respect of-

- (i) any sum which is allowable as a deduction under Part IV;
- (ii) any sum which has been allowed as a deduction to his or her spouse against the total income of that spouse that is required to be aggregated with that of the person under section 42A(1);
- (iii) any sum by which the aggregate amount of the approved charitable donations within the meaning of subsection (1) is, when aggregated with any sum that is allowable as a deduction under section 16D for that year of assessment, in excess of 10% of the total amount of-
 - (A) the total income of the person for that year of assessment;
 - (B) any sum which is allowable as a deduction under section 16D for that year of assessment; and
 - (C) any sum which is allowable as a deduction under section 12(1)(e) for that year of assessment.

- (3) (a) Subject to paragraph (b), the same approved charitable donation shall not be allowable as a deduction under this section in ascertaining the net chargeable income or the total income of more than one person.
- (b) Where a deduction of the same approved charitable donation is claimed or allowed in ascertaining the net chargeable income or the total income of more than one person, section 33(2) to (4) shall apply with the necessary modifications to such a deduction as it does to a dependent parent allowance, a dependent grandparent allowance, a dependent brother or dependent sister allowance, a child allowance or a disabled dependant allowance; and section 33 shall, where this paragraph applies, be construed as if a reference therein to such an allowance included, in the case of an approved charitable donation so claimed, a reference to an allowance to which section 33(2) applies and, in the case of an approved charitable donation so allowed, a reference to an allowance to which section 33(3) applies.

(Added 31 of 1998 s. 12)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	
Section:	63M	Heading:	Amount of provisional property tax	Version Date:	30/06/1997

(1) Provisional property tax in respect of any year of assessment shall be payable at the standard rate on the net assessable value of land or buildings or land and buildings for the year preceding the year of assessment.

(2) Where the amount of assessable value of land or buildings or land and buildings for the year preceding the year of assessment was calculated in respect of a period of less than one year, an assessor may estimate the assessable value in respect of which provisional property tax is payable.

(3) Where a person becomes chargeable to property tax during a year of assessment, an assessor may estimate the assessable value in respect of which provisional property tax is payable in that year and the succeeding year of assessment.

(4) Where a person is liable to pay provisional property tax, an assessor shall, as soon as may be after expiration of the time limited by the notice requiring that person to furnish a return under section 51(1), assess or estimate the amount of provisional property tax which he is liable to pay.

(5) Notwithstanding subsection (4), an assessor may assess or estimate the amount of provisional property tax which any person is liable to pay if he is of the opinion that the person is about to leave Hong Kong or that for any other reason it is expedient to do so.

(6) When an assessor has assessed or estimated the amount of provisional property tax which a person is liable to pay, the Commissioner shall give a notice to that person stating the amount of provisional property tax to be paid, and such due date for payment thereof as may be fixed by the Commissioner.

(7) Where in any year of assessment a notice for payment of provisional property tax has been given under subsection (6) and thereafter the allowance mentioned in section 5(1A) or the rate of provisional property tax for that year of assessment is amended, the amount of provisional property tax stated in the notice shall nevertheless be payable.

(8) For the purposes of Part XII, provisional property tax shall be deemed to be a tax charged

under this Ordinance and a notice under subsection (7) shall be deemed to be a notice of assessment.
(Added 8 of 1983 s. 18)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:
Section:	64	Heading:	Objections	Version 30/06/1997 Date:

PART XI

OBJECTIONS AND APPEALS

(Amended 26 of 1969 s. 33)

(1) Any person aggrieved by an assessment made under this Ordinance may, by notice in writing to the Commissioner, object to the assessment; but no such notice shall be valid unless it states precisely the grounds of objection to the assessment and, in the case of an assessment other than a provisional assessment, is received by the Commissioner within 1 month after the date of the notice of assessment: (Amended 2 of 1971 s. 41; 52 of 1993 s. 10)

Provided that-

- (a) if the Commissioner is satisfied that owing to absence from Hong Kong, sickness or other reasonable cause, the person objecting to the assessment was prevented from giving such notice within such period, the Commissioner shall extend the period as may be reasonable in the circumstances; (Amended 7 of 1986 s. 12)
- (b) where any assessment objected to has been made under section 59(3) in the absence of any return required under section 51, no notice of objection against such assessment shall be valid unless, in addition to such notice being valid in accordance with the foregoing provisions of this subsection, the return required as aforesaid has been made within the period provided by this subsection for objecting to the assessment or within such further period as the Commissioner may approve for the making of such return;
- (c) where the assessment is a reassessment of the tax due from a person having the effect of either increasing or reducing that person's liability to tax, the person so reassessed shall have no further right of objection than he would have had if the reassessment had not been made except to the extent to which, by reason of the reassessment, a fresh liability in respect of any particular is imposed on him or an existing liability in respect of any particular is increased or reduced. (Replaced 2 of 1971 s. 41)

(1A) For the purposes of subsection (1), where a person chargeable to tax is assessed under section 59(2)(b) or 60(1) in circumstances that, if the person had no other income, property or profits chargeable to tax under this Ordinance, the assessment would have been made under section 59(3)-

- (a) the provisions of proviso (b) to subsection (1) shall apply to any objection made against that assessment to the extent to which that person has failed to comply with section 51; and
- (b) no notice of objection against such assessment shall be valid unless and until that person has complied with section 51. (Added 52 of 1993 s. 10)

(2) On receipt of a valid notice of objection under subsection (1) the Commissioner shall consider the same and within a reasonable time may confirm, reduce, increase or annul the assessment objected to, and for the purpose of discharging his functions under this subsection may, by notice in writing, require

the person giving the notice of objection to furnish such particulars as the Commissioner may deem necessary with respect to the matters which are the subject of the assessment and to produce all books or other documents in his custody or under his control relating to such matters, and may summon any person who in his opinion is able to give evidence respecting the assessment to attend before him and may examine such person on oath or otherwise. Where the Commissioner proposes to examine any person on oath under this subsection, he shall, by prior notice in writing, afford a reasonable opportunity to the person giving the notice of objection or his authorized representative to be present at such examination.

(3) In the event of the Commissioner agreeing with any person assessed, who has validly objected to an assessment made upon him, as to the amount at which such person is liable to be assessed, any necessary adjustment of the assessment shall be made.

(4) In the event of the Commissioner failing to agree with any person assessed, who has validly objected to an assessment made upon him, as to the amount at which such person is liable to be assessed, the Commissioner shall, within 1 month after his determination of the objection, transmit in writing to the person objecting to the assessment his determination together with the reasons therefor and a statement of the facts upon which the determination was arrived at, and such person may appeal therefrom to the Board of Review as provided in section 66.

(5) The Commissioner shall for the purpose of this section have the powers granted under section 4(1)(d), (e), (f) and (g) of the Commissions of Inquiry Ordinance (Cap 86), subject to the provisions of section 80 of this Ordinance. (Amended 26 of 1969 s. 34)

(6) Any person, other than the person giving the notice of objection or his authorized representative, may be allowed by the Commissioner any reasonable expenses necessarily incurred by him in attending before the Commissioner under subsection (2).

(7) No objection by a person to a personal assessment on his total income under Part VII shall-

(a) extend the time for making any objection under any other provision of this Ordinance;

(b) make valid any objection which is otherwise invalid; or

(c) authorize the revision of any amount which has been included in the total income of an individual pursuant to the provisions of section 42(1), where such amount has been the subject of, or formed a part of, any assessment made under Part II, III or IV which has become final and conclusive under section 70: (Amended 17 of 1989 s. 17)

Provided that nothing in this paragraph shall operate to prevent an objection by an individual on the grounds that an amount included in the calculation under section 42 of his total income as a share of the assessable profits or losses of a partnership has not been ascertained in accordance with section 22A. (. Replaced 7 of 1975 s. 41)

(Added 40 of 1972 s. 7.)

(8) Where an individual makes an objection in the circumstances described in the proviso to subsection (7)(c), such objection shall be deemed to be an objection by all the partners as to the share of assessable profits or losses ascertained under section 22A and any determination or agreement made under this section as to such ascertainment shall be binding on all the partners. (Added 7 of 1975 s. 41)

(9) For the purposes of subsection (1) where a person is chargeable to salaries tax under section 10(3)(a), the spouse of that person, shall have, subject to this subsection, the same right to object as has the person assessed, but any such objection shall be limited to the manner in which the assessable income or net assessable income of such spouse is to be determined, the entitlement of such spouse to any allowance under Part V or other matters to which that spouse could have objected had that spouse been the person so chargeable. (Added 43 of 1989 s. 24)

(10) Where an objection to which subsection (9) applies is made-

(a) the powers of the Commissioner under subsection (2) shall include the power to annul such assessment and make an assessment against the person objecting;

(b) subsection (3) shall not apply but-

(i) where the Commissioner agrees with both the spouse who has objected and his or her spouse as to the amount at which either of them is liable to be assessed, any necessary adjustment of the assessment shall be made; and

- (ii) where the Commissioner fails to come to any such agreement as is referred to in subparagraph (i), such agreement shall be deemed to be a failure to agree for the purposes of subsection (4), and the reference in that subsection to the person objecting shall be construed as a reference to the person objecting under paragraph (a) and his or her spouse, with the consequence that either or both of them may appeal to the Board of Review. (Added 43 of 1989 s. 24)

(Replaced 35 of 1965 s. 29)

Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	
Schedule:	1	Heading:	STANDARD RATE	Version Date:	30/06/1997

[sections 2 & 5]

For the years of assessment 1947-48 to 1949-50 inclusive	—	10%. (Amended 49 of 1956 s. 67)
For the years of assessment 1950-51 to 1965-66 inclusive	————	12 1/2%. (Amended 15 of 1966 s. 4)
For the years of assessment 1966-67 to 1983-84 inclusive	—	15%. (Added 15 of 1966 s. 4. Amended 36 of 1984 s. 7)
For the years of assessment 1984-85 to 1986-87 inclusive	————	17%. (Added 36 of 1984 s. 7. Amended 28 of 1987 s. 8)
For the year of assessment 1987-88	————	16 1/2%. (Added 28 of 1987 s. 8. Amended 28 of 1988 s. 7)
For the year of assessment 1988-89	————	15 1/2%. (Added 28 of 1988 s. 7. Amended 17 of 1989 s. 20)
For the year of assessment 1989/90 and until superseded	————	15%.

(Added 17 of 1978 s. 20)

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Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	31 of 1998 s. 20
Schedule:	2	Heading:	RATES	Version Date:	17/04/1998

[sections 13 & 43(1)]

For the years of assessment 1947/48 to 1949/50 inclusive

(Amended 49 of 1956 s. 68)

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$5000	1/4 standard rate
(b)	Upon the next \$5000	1/4 " "
(c)	-do-	3/4 " "
(d)	-do-	The full standard rate
(e)	-do-	1 1/4 standard rate
(f)	-do-	1 1/2 " "
(g)	-do-	1 3/4 " "
(h)	Upon the remainder	Twice the standard rate

Note:-Where a person is liable to the appropriate tax for a part only of any year of assessment the amounts in the second column against items (a) to (g) will be reduced in the proportion which the number of days he is so liable bears to the number of days in that year of assessment.

For the years of assessment 1950/51 to 1965/66 inclusive

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$5000	1/5 standard rate
(b)	Upon the next \$5000	2/5 " "
(c)	-do-	3/5 " "
(d)	-do-	4/5 " "
(e)	-do-	The full standard rate
(f)	-do-	1 1/5 " "
(g)	-do-	1 2/5 " "
(h)	-do-	1 3/5 " "
(i)	-do-	1 4/5 " "
(j)	Upon the remainder	Twice the standard rate

(Added 30 of 1950 Schedule. Amended 37 of 1950 Schedule; 15 of 1966 s. 5)

For the years of assessment 1966/67 to 1971/72 inclusive

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$5000	2 3/4%
(b)	Upon the next \$5000	5 1/2%
(c)	-do-	8 1/4%
(d)	-do-	11%
(e)	-do-	14%
(f)	-do-	17%
(g)	-do-	20%
(h)	-do-	23%
(i)	-do-	26%
(j)	Upon the remainder	30%

(Added 15 of 1966 s. 5. Amended 40 of 1972 s. 2)

For the years of assessment 1972/73

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$5000	2 1/2%
(b)	Upon the next \$5000	5%
(c)	-do-	7 1/2%
(d)	-do-	10%
(e)	-do-	12 1/2%
(f)	-do-	15%
(g)	-do-	17 1/2%
(h)	-do-	20%
(i)	-do-	22 1/2%
(j)	-do-	25%
(k)	-do-	27 1/2%
(l)	Upon the remainder	30%

(Added 26 of 1972 s. 2. Amended 33 of 1973 s. 5)

For the years of assessment 1973/74 to 1977/78 inclusive

	SECOND COLUMN	THIRD COLUMN
(a)	Upon the first \$10000	5%
(b)	Upon the next \$10000	10%
(c)	-do-	15%
(d)	-do-	20%
(e)	-do-	25%
(f)	Upon the remainder	30%

(Added 33 of 1973 s. 5. Amended 29 of 1979 s. 3; L.N. 137 of 1981)

For the years of assessment 1978/79 to 1984/85 inclusive

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$10000		5%
(b)	Upon the next \$10000		10%
(c)	-do-		15%
(d)	-do-		20%
(e)	Upon the remainder		25%

(Added 29 of 1979 s. 3. Amended 21 of 1985 s. 3)

For the years of assessment 1985/86 to 1986/87 inclusive

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$10000		5%
(b)	Upon the next \$10000		10%
(c)	-do-		15%
(d)	Upon the next \$20000		20%
(e)	Upon the remainder		25%

(Added 21 of 1985 s. 3. Amended 28 of 1987 s. 9)

For the year of assessment 1987/88

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$10000		5%
(b)	Upon the next \$10000		10%
(c)	Upon the next \$20000		15%
(d)	Upon the next \$20000		20%
(e)	Upon the remainder		25%

(Added 28 of 1987 s. 9. Amended 28 of 1988 s. 8)

For the years of assessment 1988/89 and 1989/90

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$10000		3%
(b)	Upon the next \$10000		6%
(c)	-do-		9%
(d)	-do-		12%
(e)	-do-		15%
(f)	-do-		18%
(g)	-do-		21%
(h)	Upon the remainder		25%

(Added 28 of 1988 s. 8. Amended 30 of 1990 s. 5)

For the year of assessment 1990/91

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$10000		2 per cent
(b)	Upon the next \$10000		4 per cent
(c)	-do-		9 per cent
(d)	-do-		12 per cent
(e)	-do-		15 per cent
(f)	-do-		18 per cent
(g)	-do-		21 per cent
(h)	Upon the remainder		25 per cent

(Added 30 of 1990 s. 5. Amended 42 of 1991 s. 2)

For the years of assessment 1991/92 and 1992/93

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$20000		2%
(b)	Upon the next \$20000		9%
(c)	Upon the next \$20000		17%
(d)	Upon the remainder		25%

(Added 42 of 1991 s. 2. Amended 28 of 1993 s. 2)

For the year of assessment 1993/94

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$20000		2%
(b)	Upon the next \$30000		9%
(c)	Upon the next \$30000		17%
(d)	Upon the remainder		25%

(Added 28 of 1993 s. 2. Amended 37 of 1994 s. 6)

For the years of assessment 1994/95 to 1996/97 inclusive

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$20000		2%
(b)	Upon the next \$30000		9%
(c)	Upon the next \$30000		17%
(d)	Upon the remainder		20%

(Added 37 of 1994 s. 6. Amended 42 of 1997 s. 4)

For the year of assessment 1997/98

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$30000		2%
(b)	Upon the next \$30000		8%
(c)	Upon the next \$30000		14%
(d)	Upon the remainder		20%

(Added 42 of 1997 s. 4. Amended 31 of 1998 s. 20)

For the year of assessment 1998/99 and for each year after that year

	SECOND COLUMN	THIRD COLUMN	
(a)	Upon the first \$35000		2%
(b)	Upon the next \$35000		7%
(c)	Upon the next \$35000		12%
(d)	Upon the remainder		17%

(Added 31 of 1998 s. 20)

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Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	31 of 1998 s. 23
Schedule:	4	Heading:	ALLOWANCES	Version Date:	17/04/1998

[section 27(3)]
(Amended 48 of 1995 s. 13)

For the year of assessment 1989/90

	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)
1.	Section 28 (basic allowance)- (a) subsection (1)(a) (b) subsection (1)(b), being the first reference to the prescribed amount (c) subsection (1)(b), being the references to the prescribed amount in subparagraphs (i) and (ii) (d) subsection (1)(b), being the prescribed percentage	\$32000 \$7000 \$39000 0%
2.	Section 29 (married person's allowance)- (a) subsection (3)(a) (b) subsection (3)(b), being the first reference to the prescribed amount (c) subsection (3)(b), being the references to the prescribed amount in subparagraphs (i), (ii) and (iii) (d) subsection (3)(b), being the prescribed percentage	\$66000 \$14000 \$80000 0%
3.	Section 30 (dependent parent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$12000 \$3000 \$1200
4.	Section 31 (child allowance)- (a) subsection (1) (b) subsection (5)	(i) \$14000 for the first child (ii) \$10000 for the second child (iii) \$3000 for the third child (iv) \$2000 each for the fourth, fifth and sixth child (v) \$1000 for each subsequent child \$36000
5.	Section 32(1) (single parent allowance)	\$20000

(Added 30 of 1990 s. 6. Amended 42 of 1991 s. 3)

For the year of assessment 1991/92

FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)
1. Section 28 (basic allowance)-	
(a) subsection (1)(a)	\$ 65000
(b) subsection (1)(b), being the first reference to the prescribed amount	\$ 7000
(c) subsection (1)(b), being the references to the prescribed amount in subparagraphs (i) and (ii)	\$ 72000
(d) subsection (1)(b), being the prescribed percentage	0%
2. Section 29 (married person's allowance)-	
(a) subsection (3)(a)	\$130000
(b) subsection (3)(b), being the first reference to the prescribed amount	\$ 14000
(c) subsection (3)(b), being the references to the prescribed amount in subparagraphs (i), (ii) and (iii)	\$144000
(d) subsection (3)(b), being the prescribed percentage	0%
3. Section 30 (dependent parent allowance)-	
(a) subsection (3)(a)	\$20000
(b) subsection (3)(b)	\$ 3000
(c) subsection (4)(a)	\$ 1200
4. Section 30A (dependent grandparent allowance)-	\$ 20000
(a) subsection (3)(a)	\$ 3000
(b) subsection (3)(b)	\$ 1200
(c) subsection (4)(a)	
5. Section 31 (child allowance)-	
(a) subsection (1)	(i) \$20000 for the first child (ii) \$20000 for the second child (iii) \$3000 for the third child (iv) \$2000 each for the fourth, fifth and sixth child (v) \$1000 for each subsequent child
(b) subsection (5)	\$ 52000
6. Section 32(1) (single parent allowance)	\$ 32000

(Added 37 of 1994 s. 7. Amended 48 of 1995 s. 13)

For the year of assessment 1995/96

	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)
1.	Section 28 (basic allowance)- (a) subsection (1)(a) (b) subsection (1)(b), being the first reference to the prescribed amount (c) subsection (1)(b), being the references to the prescribed amount in subparagraphs (i) and (ii) (d) subsection (1)(b), being the prescribed percentage	\$ 72000 \$ 7000 \$ 79000 0%
2.	Section 29 (married person's allowance)- (a) subsection (3)(a) (b) subsection (3)(b), being the first reference to the prescribed amount (c) subsection (3)(b), being the references to the prescribed amount in subparagraphs (i), (ii) and (iii) (d) subsection (3)(b), being the prescribed percentage	\$144000 \$ 14000 \$158000 0%
3.	Section 30 (dependent parent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 22000 \$ 6000 \$ 1200
4.	Section 30A (dependent grandparent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 22000 \$ 6000 \$ 1200
5.	Section 31 (child allowance)- (a) subsection (1) (b) subsection (5)	(i) \$22000 for each of the first and the second child (ii) \$11000 for each subsequent child \$121000
6.	Section 31A(1) (disabled dependent allowance)	\$ 11000
7.	Section 32(1) (single parent allowance)	\$ 40000

(Added 48 of 1995 s. 13; Amended 24 of 1996 s. 11)

For the year of assessment 1996/97

1.	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)
1.	Section 28 (basic allowance)- (a) subsection (1)(a) (b) subsection (1)(b), being the first reference to the prescribed amount (c) subsection (1)(b), being the references to the prescribed amount in subparagraphs (i) and (ii) (d) subsection (1)(b), being the prescribed percentage	\$ 83000 \$ 7000 \$ 90000 0%
2.	Section 29 (married person's allowance)- (a) subsection (3)(a) (b) subsection (3)(b), being the first reference to the prescribed amount (c) subsection (3)(b), being the references to the prescribed amount in subparagraphs (i), (ii) and (iii) (d) subsection (3)(b), being the prescribed percentage	\$166000 \$ 14000 \$180000 0%
3.	Section 30 (dependent parent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 24500 \$ 7000 \$ 1200
4.	Section 30A (dependent grandparent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 24500 \$ 7000 \$ 1200
5.	Section 30B(1) (dependent brother or dependent sister allowance)	\$ 24500
6.	Section 31 (child allowance)- (a) subsection (1) (b) subsection (5)	(i) \$24500 for the first and second child (ii) \$12500 for each subsequent child \$136500
7.	Section 31A(1) (disabled dependent allowance)	\$ 15000
8.	Section 32(1) (single parent allowance)	\$ 45000

(Added 24 of 1996 s. 11. Amended 42 of 1997 s. 6)

For the year of assessment 1997/98

	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)	
1.	Section 28 (basic allowance)- (a) subsection (1)(a) (b) subsection (1)(b), being the first reference to the prescribed amount (c) subsection (1)(b), being the references to the prescribed amount in subparagraphs (i) and (ii) (d) subsection (1)(b), being the prescribed percentage	\$100000 \$100000 0%	\$ 0
2.	Section 29 (married person's allowance)- (a) subsection (3)(a) (b) subsection (3)(b), being the first reference to the prescribed amount (c) subsection (3)(b), being the references to the prescribed amount in subparagraphs (i), (ii) and (iii) (d) subsection (3)(b), being the prescribed percentage	\$200000 \$200000 0%	\$ 0
3.	Section 30 (dependent parent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 27000 \$ 8000 \$ 1200	
4.	Section 30A (dependent grandparent allowance)- (a) subsection (3)(a) (b) subsection (3)(b) (c) subsection (4)(a)	\$ 27000 \$ 8000 \$ 1200	
5.	Section 30B(1) (dependent brother or dependent sister allowance)	\$ 27000	
6.	Section 31 (child allowance)- (a) subsection (1) (b) subsection (5)	(i) \$27000 for the first and second child (ii) \$14000 for each subsequent child \$152000	
7.	Section 31A(1) (disabled dependant allowance)	\$ 25000	
8.	Section 32(1) (single parent allowance)	\$ 75000	

(Added 42 of 1997 s. 6. Amended 31 of 1998 s. 23)

For the year of assessment 1998/99 and for
each year after that year

	FIRST COLUMN (section)	SECOND COLUMN (the prescribed amount or percentage)
1.	Section 28 (basic allowance)	\$108000
2.	Section 29 (married person's allowance)	\$216000
3.	Section 30 (dependent parent allowance)-	
	(a) subsection (3)(a)	\$ 30000
	(b) subsection (3)(b)	\$ 30000
	(c) subsection (4)(a)	\$ 12000
4.	Section 30A (dependent grandparent allowance)-	
	(a) subsection (3)(a)	\$ 30000
	(b) subsection (3)(b)	\$ 30000
	(c) subsection (4)(a)	\$ 12000
5.	Section 30B(1) (dependent brother or dependent sister allowance)	\$ 30000
6.	Section 31 (child allowance)-	
	(a) subsection (1)	(i) \$30000 for each of the first and second children (ii) \$15000 for each subsequent child
	(b) subsection (5)	\$165000
7.	Section 31A(1) (disabled dependant allowance)	\$ 60000
8.	Section 32(1) (single parent allowance)	\$108000

(Added 31 of 1998 s. 23)

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Chapter:	112	Title:	INLAND REVENUE ORDINANCE	Gazette Number:	32 of 1998 s. 31
Schedule:	8	Heading:	RATE OF PROFITS TAX IN RESPECT OF A CORPORATION	Version Date:	17/04/1998

[sections 14(2) & 63H(1A)]

For the year of assessment 1992/93 and 1993/94 (Added 56 of 1993 s. 32. 17 1/2%
Amended 37 of 1994 s. 8)

For the years of assessment 1994/95 to 1997/98 inclusive (Added 37 of 1994 s. 8. Amended 32 of 1998 s. 31) 16 1/2%

For the year of assessment 1998/99 and until superseded (Added 32 of 1998 s. 31) 16%