

立法會
Legislative Council

LC Paper No. LS91/02-03

**Paper for the House Committee Meeting
on 11 April 2003**

**Legal Service Division Report on
Revenue (No. 2) Bill 2003**

I. SUMMARY

1. **Objects of the Bill** To implement the budgetary proposals related to salaries, profits and property taxes.
2. **Comments**
 - (a) Except for the proposal to raise the ceiling for tax-exempted donations to approved charitable organisations in relation to salaries and profits taxes, all other proposals are for raising revenue.
 - (b) The marginal tax rates, tax bands and basic and married person's allowances will revert to their levels before 1998-99;
 - (c) The standard tax rate for salaries tax, property tax and profits tax for unincorporated businesses will be increased from 15% to 16%, whilst the profits tax rate for corporations will be increased from 16% to 17.5%;
 - (d) Some of the proposals, particularly in relation to salaries tax, will be implemented in 2 equal phases in 2003-04 and 2004-05.
3. **Public Consultation** The Financial Secretary has conducted consultation with LegCo Members during the formulation of the Budget. Proposals of professional bodies and the general public have also been taken into account.
4. **Consultation with LegCo Panel** The policy aspects of the Bill have not been referred to any Panel for discussion.
5. **Conclusion**
 - (a) Members may wish to form a Bills Committee to study the revenue proposals in detail.
 - (b) Scrutiny of the Bill has not yet been completed.

II. REPORT

Objects of the Bill

To implement the budgetary proposals related to salaries, profits and property taxes.

LegCo Brief Reference

2. FIN CR 1/7/2201/02 dated 2 April 2003 issued by the Financial Services and the Treasury Bureau.

Date of First Reading

3. 9 April 2003.

Comments

4. The Bill amends the relevant provisions in the Inland Revenue Ordinance (Cap. 112) to implement the budgetary proposals related to salaries, profits and property taxes announced by the Financial Secretary in his Budget Speech 2003-04.

5. Except for the proposed tax concession for charitable donations in relation to salaries and profits taxes, all the proposals are revenue raising measures, which are summarised as follows -

Salaries Tax

- (a) the marginal tax rates (to revise from 2%, 7%, 12% and 17% to 2%, 8%, 14% and 20% respectively), tax bands (bandwidth to reduce from \$35,000 to \$30,000), basic and married person's allowances (to reduce from \$108,000 to \$100,000 and from \$216,000 to \$200,000 respectively) to revert in two equal phases in 2003-04 and 2004-05 to their levels before the tax concessions in 1998-99 (paras. 77 & 78 of Budget Speech);
- (b) the single parent allowance to be reduced in the same equal phases to the same level as the basic allowance, i.e. \$100,000 (para. 78 of Budget Speech);
- (c) the standard rate to be increased in the same equal phases from 15% to 16% (para.79 of Budget Speech);
- (d) the exemption for holiday warrant and passage to be removed (para. 81 of Budget Speech);

Profits Tax

- (e) the profits tax rate for corporations to be increased from 16% to 17.5% with effect from 2003-04 (para. 85 of Budget Speech);

- (f) the profits tax rate for unincorporated businesses to be increased from 15% to 16% in two phases, in line with the adjustment in the standard rate of salaries tax (para. 86 of Budget Speech);
- (g) the rate of deeming assessable profits for certain payments such as royalties to be increased from 10% to 30% (para. 85 of Budget Speech); and

Property Tax

- (h) the property tax rate to be increased from 15% to 16% over two years, in line with the adjustment in the standard rate of salaries tax (para. 88 of Budget Speech).

6. As regards the only tax concession, the existing ceiling for tax-exempted donations to approved charitable organisations will be raised from 10% of assessable income or profits to 25% (para. 96 of Budget Speech).

Public Consultation

7. According to the LegCo Brief, the Financial Secretary has conducted consultation with LegCo Members during the formulation of the Budget. Proposals of professional bodies and the general public have also been taken into account.

Consultation with LegCo Panel

8. The policy aspects of the Bill have not been referred by the Administration to any LegCo Panel for discussion.

Conclusion

9. In view of the wide-ranging revenue measures proposed in the Bill, Members may wish to form a Bills Committee to study the proposals in detail.

10. Scrutiny of the legal and drafting aspects of the Bill has not yet been completed.

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