

**Panel on Financial Affairs**

**List of follow-up actions**  
(Position as at 31 March 2010)

| <b>Subject</b>   | <b>Date(s) of relevant meeting(s)</b> | <b>Follow-up actions</b>  | <b>Outcome</b>  |
|--|---------------------------------------|---|---|
| 1. Impact of duty-free cigarettes on tax revenue   | ---                                   | Members of the Bills Committee on Dutiable Commodities (Amendment) Bill 2009 expressed concern that the tobacco duty rate increase might lead to upsurge in the sale of duty-free cigarettes, which would reduce tax revenues. The Administration was requested to provide information on sales figure of duty-free cigarettes and the duty potential of the duty-free cigarettes sold within six months to one year after enactment of the Bill. The matter was referred to the Panel on Financial Affairs for follow-up.  | Response awaited.   |
| 2. Depreciation allowances in respect of machinery and plants under "import processing" arrangements | 14 December 2009                      | (a) To facilitate the Panel's understanding of the impact of the application of section 39E on Hong Kong enterprises providing machinery or plants for use by Mainland enterprises under "import processing" arrangements, the Administration was requested to provide information on the number of tax assessment cases in the past few years where Hong Kong enterprises had been denied depreciation allowances pursuant to the above-mentioned provision (including but not limited to the number of cases where the enterprises concerned had raised objections to the assessments). | For (a), response awaited<br><br>For (b), the Administration's response was circulated to members vide LC Paper No. CB(1)1371/09-10(02) on 11 March 2010. |

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|                |                                       | <p>(b) The Administration was requested to respond to the following motion passed by the Panel:</p> <p>"本委員會促請政府：</p> <p>(1) 改變以一刀切的方式處理本港各企業在內地使用的機械或工業裝置（包括模具）所應享有的折舊免稅額，以致一些沒有避稅意圖或行為的本港企業未能取得該免稅額而致多付稅款；</p> <p>(2) 停止錯誤引用《稅務條例》第 39E 條向沒有避稅意圖或行為的本港企業追討有關稅款，以及，</p> <p>(3) 立即啟動有關的法例檢討機制，按實際情況檢討及修改第 39E 條，使條文與時並進，避免打擊無辜企業，妨礙他們的升級轉型，影響到本港經濟發展和就業機會。"</p> <p>(Translation)</p> <p>"That this Panel urges the Government to:</p> <p>(1) change the broad-brush approach adopted for granting depreciation allowances to Hong Kong enterprises in respect of their machinery or plants (including moulds) used in the Mainland, as such approach renders some local enterprises with no tax avoidance intention or acts unable to claim such</p> |                |

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|  |   | <p>allowances, and hence paying more taxes;</p> <p>(2) cease invoking section 39E of the Inland Revenue Ordinance incorrectly for recovery of taxes from Hong Kong enterprises with no tax avoidance intention or acts; and</p> <p>(3) activate immediately the relevant mechanism for legislative revision to review and amend section 39E according to actual circumstances, in order to modernize the provision and avoid impacting on the blameless enterprises and hindering their upgrading and restructuring processes, which will in turn affect the economic development and employment opportunities in Hong Kong."</p> |                         |
| <p>3. Review of notification and appeal system for disclosure of information under comprehensive avoidance of double taxation agreements</p> | <p>29 December 2009 (date of referral from Bills Committee)</p> | <p>As requested by the Bills Committee on Inland Revenue (Amendment) (No. 3) Bill 2009, the Administration will report to the Panel on Financial Affairs on the effectiveness of the proposed notification and appeal system for disclosure of information under comprehensive avoidance of double taxation agreements 18 months after implementation.</p>  | <p>Response awaited</p> |
| <p>4. Legislative proposals to enhance the efficiency of the existing tax appeal mechanism</p>   | <p>4 January 2010</p>   | <p>In relation to a member's concern that the proposal to empower the Board of Review to give pre-hearing directions and to sanction non-compliance may have undue effects on taxpayers in seeking tax appeals, the Administration was requested to substantiate its legislative</p>  | <p>Response awaited</p> |

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|   |                                | <p>proposal when that is introduced into the Legislative Council by including the following information:</p> <p>(i) the number of hearings of the Board which had been deferred due to late submission of documents; and</p> <p>(ii) the number of wasted days of the Board resulting from the late submission of documents.</p> |  |
| <p>5. Budget of the Securities and Futures Commission (SFC) for the financial year of 2010-2011</p> | <p>1 March 2010</p>            | <p>In relation to a member's enquiry, SFC is requested to advise (a) whether SFC has the power to initiate a derivative action on behalf of a company, and (b) if so, whether there are such cases, the amount of relevant expenditure incurred in the past and the provision for SFC's derivative actions in 2010-2011.</p>     | <p>The Administration's response was circulated to members vide LC Paper No. CB(1)1462/09-10(01) on 25 March 2010.</p> |
| <p>6. The Suspension of dissemination of Hang Seng family of indexes on 22 January 2010</p>         | <p>1 March 2010</p>            | <p>To address a member's concern about the root cause of the incident, the Administration and the Hang Seng Indexes Company Limited are requested to investigate and confirm whether there is the possibility that the incident could be attributable to malicious human acts.</p>   | <p>Administration's response was circulated to members vide LC Paper No. CB(1)1462/09-10(01) on 25 March 2010.</p>     |
| <p>7. Hong Kong Mortgage Corporation</p>  | <p>1 March 2010</p>            | <p>In relation to a member's concern about the operation of the Hong Kong Mortgage Corporation Limited (HKMC), the HKMC is requested to provide information on -</p> <p>(i) the business projections for HKMC conducted by the Hong Kong Monetary Authority prior to</p>   | <p>Administration's response was circulated to members vide LC Paper No. CB(1)1462/09-10(02) on 25 March 2010.</p>     |

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|                |                                       | the establishment of HKMC, and how the actual business situation of HKMC compares with those projections; and<br><br>(ii) whether HKMC would consider providing reverse mortgage service, and if so, details of the relevant work plan. |                |

Council Business Division 1  
Legislative Council Secretariat  
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