

**立法會**  
*Legislative Council*

LC Paper No. CB(1)1443/12-13  
(These minutes have been seen  
by the Administration)

Ref : CB1/BC/8/12

**Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2013**

**First meeting on  
Tuesday, 21 May 2013, at 8:30 am  
in Conference Room 2A of the Legislative Council Complex**

**Members present** : Hon Kenneth LEUNG (Chairman)  
Hon Alan LEONG Kah-kit, SC  
Dr Hon Elizabeth QUAT, JP

**Member absent** : Hon CHUNG Kwok-pan

**Public officers attending** : Ms Mable CHAN, JP  
Deputy Secretary for Financial Services and the  
Treasury (Treasury) 2

Miss Fiona CHAU  
Principal Assistant Secretary for Financial Services and  
the Treasury (Treasury) (Special Duties)

Mr CHIU Kwok-kit, JP  
Deputy Commissioner of Inland Revenue (Technical)

Ms Judy YIP  
Senior Assessor (Special Duty)  
Inland Revenue Department

Ms Françoise LAM  
Senior Assistant Law Draftsman  
Department of Justice

**Clerk in attendance** : Ms Connie SZETO  
Chief Council Secretary (1)4

**Staff in attendance** : Mr Timothy TSO  
Assistant Legal Adviser 2

Ms Angel SHEK  
Senior Council Secretary (1)4

Ms Sharon CHAN  
Legislative Assistant (1)4

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## **I Election of Chairman**

Mr Alan LEONG, the member with the highest precedence among those present at the meeting, presided over the election of the Chairman of the Bills Committee. He invited nominations for the chairmanship of the Bills Committee.

2. Mr Alan LEONG was nominated by Dr Elizabeth QUAT. Mr Alan LEONG declined the nomination. Mr Kenneth LEUNG was nominated by Mr Alan LEONG and the nomination was seconded by Dr Elizabeth QUAT. Mr Kenneth LEUNG accepted the nomination. There being no other nomination, Mr Kenneth LEUNG was elected Chairman of the Bills Committee.

3. Members agreed that there was no need to elect a Deputy Chairman.

## **II Meeting with the Administration**

(LC Paper No. CB(3)522/12-13 -- The Bill

LC Paper No. CB(1)1063/12-13(01) -- Marked-up copy of the Bill prepared by the Legal Service Division (Restricted to Members)

File Ref: TsyB R  
183/535-1/5/0(13-14) (C) -- Legislative Council Brief

LC Paper No. LS49/12-13 -- Legal Service Division Report

LC Paper No. CB(1)1063/12-13(02) -- Background brief on the Inland Revenue (Amendment) (No. 2) Bill 2013 prepared by the Legislative Council Secretariat)

4. The Bills Committee deliberated (Index of proceedings attached at **Appendix**).

*(Post-meeting note: The speaking note of the Deputy Secretary for Financial Services and the Treasury (Treasury)<sup>2</sup> tabled at the meeting was circulated to members on 21 May 2013 vide LC Paper No. CB(1)1082/12-13(01).)*

### **III Any other business**

#### Invitation of written submissions from the public

5. Members agreed to post a notice on the Legislative Council ("LegCo") website and write to the 18 District Councils ("DCs") to invite written submissions from the public and DCs on the Bill.

*(Post-meeting note: The notice was posted on LegCo website and letters were sent to DCs on 21 May 2013 to invite written submissions.)*

#### Legislative timetable and report to the House Committee

6. The Chairman concluded that the Bills Committee had completed scrutiny of the Bill. Members noted the Administration's tentative plan to resume the Second Reading debate on the Bill at the Council meeting of 26 June 2013, and the Chairman would report the Bills Committee's deliberations to the House Committee on 14 June 2013. The Bills Committee further agreed that written submissions, if any, from the public and DCs would be circulated to members. Subject to views members might have on the written submissions, no further meeting would be held.

*(Post-meeting note: A letter from Tuen Mun District Council ("TMDC") was received by the deadline for submissions. No submissions from the public were received. The letter from TMDC was circulated to members vide LC Paper No. CB(1)1234/12-13(01) on 5 June 2013. Members were informed by the same circular that the Chairman had directed that no further meeting of the Bills Committee would be held.)*

7. There being no other business, the meeting ended at 9:14 am.

**Proceedings of the  
Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2013  
First meeting on Tuesday, 21 May 2013, at 8:30 am  
in Conference Room 2A of the Legislative Council Complex**

Time Marker	Speaker	Subject(s)	Action Required
000734 – 000840	Mr Alan LEONG Mr Kenneth LEUNG Dr Elizabeth QUAT	Election of Chairman	
000841 – 000955	Chairman	Introductory remarks	
000956 – 001408	Administration	Briefing by the Administration on the Inland Revenue (Amendment) (No. 2) Bill 2013 ("the Bill").  (Speaking note of the Administration tabled at the meeting and issued on 21 May 2013 vide LC Paper No. CB(1)1082/12-13(01))	
001409 – 001755	Chairman Administration	The Chairman enquired about the Administration's considerations in determining the amount of increase for the child allowance and the additional one-off child allowance, and the deduction ceiling for expenses of self-education.  The Administration advised that –  (a) the Financial Secretary ("FS") engaged the public, and met with LegCo Members and professional bodies to gauge their views on the Budget each year, including possible taxation measures to be introduced. Taking into account the views expressed by the public and various stakeholders during the consultation, the Administration would review the revenue (e.g. examined tax allowances and deduction ceilings for specified expenses) and expenditure situations in drawing up the Budget;  (b) the proposed increase in both the child allowance and the additional one-off child allowance had taken into account the amount of increase in the previous years, i.e. an increase by 20% to \$60,000 in the year of assessment 2011/12, and an increase of 5% to \$63,000 in the year of	

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		<p>assessment 2012/13. An increase by 11.1% from \$63,000 to \$70,000 was proposed for the year of assessment 2013/14 and after with a view to alleviating taxpayers' burden in raising their children; and</p> <p>(c) as regards the deduction ceiling for expenses of self-education, it had not been adjusted since the year of assessment 2007/08 when the deduction ceiling was adjusted from \$40,000 to \$60,000. To encourage self-education and lifelong learning, it was proposed to increase the maximum deductible amount by 33.3% from \$60,000 to \$80,000 from the year of assessment 2013/14 and after.</p>	
001756 – 001912	Dr Elizabeth QUAT Chairman Administration	<p>Dr QUAT enquired about the definition of eligible children, including requirement, if any, on their place of residence, for claiming child allowance and the additional one-off child allowance under salaries tax and tax under personal assessment.</p> <p>The Administration advised that in the context of child allowance, "child" meant the taxpayer's natural child proven by birth certificate, adopted child based on legal documentary proof of the adoption order, as well as step child. There was no requirement under the Inland Revenue Ordinance (Cap.112) ("IRO") that the taxpayer's children must ordinarily reside in Hong Kong in order to be eligible for the child allowance.</p> <p>The Chairman enquired why it was a condition that the dependent parents must ordinarily reside in Hong Kong for a taxpayer to claim the allowance for maintaining parents.</p> <p>The Administration advised that it was the Government's policy to encourage the younger generation to take care of their parents by providing dependent parent allowance under salaries tax and tax under personal assessment, and the additional dependent parent allowance provided to a taxpayer if he/she resided with the parent throughout the year of assessment could further encourage the younger generation to live with their parents. Thus, the Hong Kong</p>	

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		<p>residence requirement was imposed on parents if a taxpayer wished to claim the above allowances.</p>	
001913 – 002158	Dr Elizabeth QUAT Chairman Administration	<p>Dr QUAT noted that if a taxpayer's claim for the dependent parent allowance in respect of his/her own parents or parents of his/her spouse in a year of assessment was allowed, no other person would be granted the allowance in respect of the same parent for that year of assessment. In other words, taxpayers or their spouses eligible for claiming the dependent parent allowance in respect of the same parent must agree amongst themselves on who should make the claim. To minimize disputes in this regard and enhance family harmony, Dr QUAT enquired if the Administration would consider apportioning the dependent parent allowance among the eligible taxpayers.</p> <p>The Chairman observed that under the existing arrangement, taxpayers or their spouses eligible for claiming dependent parent allowance for the same parent would apportion the allowance amongst themselves after the claim was allowed by the Inland Revenue Department to a taxpayer or his/her spouse.</p> <p>The Administration said that permitting apportionment of the dependent parent allowance might not minimize disputes among the eligible taxpayers since they still had to reach an agreement as to the share of the allowance among themselves. The situation would be further complicated if there were subsequent changes to the agreement or disputes among the concerned parties on the share apportionment after filing of tax return and tax assessment. The Administration considered the existing arrangement simple and there had been no operational problems. It would also allow flexibility for taxpayers and their spouses to work out their own arrangements to suit their respective needs.</p>	
002159 – 002240	Dr Elizabeth QUAT Chairman Administration	<p>In reply to Dr QUAT's enquiry, the Administration clarified that in respect of the expenses of self-education, while the duration of a relevant course might span across several years, the deduction ceiling was applied to the</p>	

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		total expenses (covering both tuition and examination fees where applicable) actually incurred by a taxpayer in a year of tax assessment.	
002241 – 002957	Mr Alan LEONG Chairman Administration	<p>Mr LEONG pointed out that it was unclear as to how the Administration had determined the priorities and beneficiaries of tax concessions introduced in the Budget for a year as views/suggestions from different sectors of the community were often diverse. For instance, he observed that there had been requests from some political parties for reviewing the tax bands during the consultation for the 2013-2014 Budget but relevant measures did not materialize. Given the widening wealth gap in Hong Kong, it was the aspiration of the general public that the Government should use taxation measures and tax concessions to help achieve a better and fairer allocation of wealth and resources in the community, and to address social conflicts.</p> <p>The Administration advised that –</p> <p>(a) in considering taxation measures and tax concessions, FS would give regard to a host of factors, including the prevailing local and external economic environment, the economic outlook, existing tax bands and rates of various taxes, and the impacts on the taxation regime and tax revenue;</p> <p>(b) there had long been comments about the narrow tax base of Hong Kong. Due to the narrow tax base, the Administration should critically assess the long-term financial implication of any tax concessionary measures on tax revenue which was highly susceptible to economic fluctuation. There should be wide public consensus for any major reform of the taxation regime, including whether or not tax measures should be used to achieve a re-distribution of wealth; and</p> <p>(c) the Administration undertook regular reviews of the taxation regime, including the tax bands and rates of various taxes. For instance, profits tax rate, tax bands and</p>	

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		<p>the standard tax rate were adjusted in the year of assessment 2008/09 after a comprehensive review. A number of tax concessions were also implemented in the years of assessment 2011/12 and 2012/13. The present priorities of the Administration would be to complete the legislative exercises relating to the amendments to IRO on tax information exchange and to the Stamp Duty Ordinance (Cap. 117) in relation to the demand-side management measures to address the overheated property market.</p> <p>Mr LEONG remarked that real universal suffrage would be a key to obtain wide public consensus on Government policies, including taxation measures.</p>	
<p><b><u>Clause by Clause Examination of the Bill</u></b></p>			
<p>002958 – 003324</p>	<p>Administration ALA2</p>	<p><u>Clause 1 - Short title</u></p> <p><u>Clause 2 - Inland Revenue Ordinance amended</u></p> <p>Members raised no question.</p> <p><u>Clause 3 - Section 89 amended (transitional provisions)</u></p> <p>ALA2 informed members that the new provision proposed to be added under clause 3 of the Bill was numbered as section 89(11) of IRO (instead of section 89(10) in a consecutive manner) after the existing section 89(9) because of the prospective addition of a new section 89(10) in relation to and upon passage of the Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 ("IR&amp;SDL(ABS)(A) Bill 2012") which was currently under scrutiny by another Bills Committee in LegCo. Similarly, the two new schedules proposed to be added under clause 7 of the Bill were numbered as Schedules 28 and 29 to IRO having regard that a new schedule (i.e. Schedule 27) would be added upon passage of IR&amp;SDL(ABS)(A) Bill 2012. Technical Committee Stage amendments might need to be moved to re-number the above-mentioned section and schedules if the Bill was to be passed before IR&amp;SDL(ABS)(A) Bill 2012.</p>	

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		<p><u>Clause 4 - Section 95 added</u></p> <p>Members raised no question.</p>	
003325 – 003604	Administration Chairman	<p><u>Clause 5 - Schedule 3A amended (deduction for expenses of self-education)</u></p> <p><u>Clause 6 - Schedule 4 amended (allowances)</u></p> <p><u>Clause 7 - Schedules 28 and 29 added</u></p> <p><i>Schedule 28 – Transitional Provisions Relating to Provisional Salaries Tax in respect of Year of Assessment 2013/14</i></p> <p>Section 1 – Interpretation</p> <p>Section 2 – Allowances granted for current year</p> <p>Section 3 – Applications for holding over of payment of provisional salaries tax on additional ground</p> <p>In response to the Chairman's enquiry, the Administration advised that the provision relating to the holding over of payment of provisional salaries tax on additional ground was same as those contained in previous bills for effecting amendments to the IRO that sought to implement the tax concessions given in relation to budget measures.</p>	
003605 – 003801	Administration	<p><u>Clause 7 - Schedules 28 and 29 added</u></p> <p><i>Schedule 29 – Reduction of Taxes for Year of Assessment 2012/13</i></p> <p>Section 1 – Salaries tax</p> <p>Section 2 – Profits tax</p> <p>Section 3 – Tax under personal assessment</p> <p>Members raised no question.</p>	
003802 – 003943	Chairman Administration	<p>In response to the Chairman's enquiry, the Administration advised that the Bill was to implement the relevant tax measures announced in the 2013-2014 Budget and concerned Government's revenue. The Appropriation Bill concerned Government's expenditures.</p>	

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003944 – 004431	Chairman Administration Clerk Dr Elizabeth QUAT	<u>Legislative timetable</u>  Members noted that:  (a) the Administration would have to move Committee Stage amendments to introduce technical amendments on clauses 3, 4 and 7 regarding the numbering of section 89(11) and Schedules 28 and 29 as explained above if resumption of the Second Reading debate on the Bill was to take place before that of IR&SDL(ABS)(A) Bill 2012; and  (b) it was the Administration's tentative plan to resume the Second Reading debate on the Bill at the Council meeting of 26 June 2013.  <u>Invitation of written submissions from the public and 18 District Councils</u>  <u>Next meeting</u>	

Council Business Division 1  
Legislative Council Secretariat  
4 July 2013