

立法會
Legislative Council

LC Paper No. LS49/12-13

**Paper for the House Committee Meeting
on 10 May 2013**

**Legal Service Division Report on
Inland Revenue (Amendment) (No. 2) Bill 2013**

I. SUMMARY

1. The Bill

The object of the Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to the proposals concerning tax concessions in the Budget introduced by the Government for the 2013-2014 financial year, and to provide for transitional matters. The Bill mainly seeks to:-

- (a) increase both the child allowance and the additional one-off child allowance in the year of birth for each eligible child from \$63,000 to \$70,000 under salaries tax and tax under personal assessment with effect from the year of assessment 2013/14;
- (b) increase the maximum amount deductible from assessable income for expenses of self-education from \$60,000 to \$80,000 with effect from the year of assessment 2013/14; and
- (c) reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2012/13 by 75%, subject to a ceiling of \$10,000 per case.

2. Public Consultation

The Financial Secretary has conducted consultations with LegCo Members, various business and professional bodies, as well as the general public when formulating the 2013-14 Budget.

3. Consultation with LegCo Panel

The Clerk to the Panel on Financial Affairs has advised that the Panel has not been consulted on the Bill.

4. Conclusion

No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' views, the Bill is ready for resumption of Second Reading debate.

II. REPORT

The date of First Reading of the Bill is 8 May 2013. Members may refer to the LegCo Brief (File Ref.: TsyB R 183/535-1/5/0 (13-14) (C)) issued by the Financial Services and the Treasury Bureau on 23 April 2013 for further details.

Object of the Bill

2. The object of the Bill is to amend the Inland Revenue Ordinance (Cap. 112) (the Ordinance) to give effect to the proposals concerning tax concessions in the Budget introduced by the Government for the 2013-2014 financial year, and to provide for transitional matters.

Provisions of the Bill

Increase in child allowance

3. To alleviate taxpayers' burden in raising their children, the 2013-14 Budget proposes to increase the child allowance under salaries tax and tax under personal assessment from \$63,000 to \$70,000 for each child per annum. The additional one-off child allowance in the year of birth will also be increased from \$63,000 to \$70,000 for each child. Clause 6 of the Bill seeks to amend Schedule 4 to the Ordinance to give effect to the above proposals for the year of assessment 2013/14 and subsequent years of assessment.

Increase in maximum amount of deduction for expenses of self-education

4. Clause 5 of the Bill seeks to amend Schedule 3A to the Ordinance to increase the maximum amount deductible from assessable income for expenses of self-education from \$60,000 to \$80,000 for the year of assessment 2013/14 and subsequent years of assessment.

One-off tax reduction for 2012-13

5. The Financial Secretary (FS) has also proposed in the Budget a one-off tax reduction of salaries tax, tax under personal assessment and profits tax for the year of assessment 2012/13 by 75%, subject to a ceiling of \$10,000. To implement this proposal, clauses 4 and 7 of the Bill seek to add a new section 95 and a new Schedule 29 to the Ordinance. The effect of the new provisions is that for the year of assessment commencing on 1 April 2012, the amount of salaries tax, tax under personal assessment and profits tax as computed under the Ordinance will be reduced by 75%, subject to a maximum of \$10,000 in each case.

Transitional provisions

6. Other provisions of the Bill, namely clause 3 and the proposed new Schedule 28 as added by clause 7, provide for the transitional arrangements relating to the assessment of, and holding over of payment of, provisional salaries tax for the year of assessment 2013/14.

Commencement

7. Upon enactment, the Inland Revenue (Amendment) (No. 2) Ordinance 2013 will come into operation on the day on which it is published in the Gazette.

Public Consultation

8. According to paragraph 10 of the LegCo Brief, FS has conducted consultations with LegCo Members, various business and professional bodies as well as the general public when formulating the 2013-14 Budget. Their views have been taken into account in drawing up these proposals.

Consultation with LegCo Panel

9. The Clerk to the Panel on Financial Affairs has advised that the Panel has not been consulted on the Bill.

Conclusion

10. No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' views, the Bill is ready for resumption of Second Reading debate.

Prepared by

TSO Chi-yuen, Timothy
Assistant Legal Adviser
Legislative Council Secretariat
2 May 2013