

**立法會**  
**Legislative Council**

LC Paper No. LS52/13-14

**Paper for the House Committee Meeting  
on 9 May 2014**

**Legal Service Division Report on  
Inland Revenue (Amendment) Bill 2014**

**I. SUMMARY**

**1. The Bill**

The Bill seeks to amend the Inland Revenue Ordinance (Cap. 112) to give effect to the following proposals on tax concessions in the Budget introduced by the Government for the 2014-2015 financial year –

- (a) to increase the dependent parent or grandparent allowance and the additional dependent parent or grandparent allowance from \$38,000 to \$40,000 for each eligible parent or grandparent aged 60 or above;
- (b) to increase the dependent parent or grandparent allowance and the additional dependent parent or grandparent allowance from \$19,000 to \$20,000 for each eligible parent or grandparent aged between 55 and 59;
- (c) to raise the deduction ceiling for elderly residential care expenses from \$76,000 to \$80,000 for each eligible parent or grandparent;
- (d) to reduce salaries tax, tax under personal assessment and profits tax for the 2013-2014 year of assessment by 75%, subject to a ceiling of \$10,000 per case; and
- (e) to provide for relevant transitional matters.

**2. Public Consultation**

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

**3. Consultation with  
LegCo Panel**

The Clerk to 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 7 May 2014. Members may refer to the LegCo Brief (File Ref.: TsyB R 183/535-1/5/0 (14-15) (C)) issued by the Financial Services and the Treasury Bureau and dated 23 April 2014 for further details.

### **Object of the Bill**

2. The Bill seeks to amend the Inland Revenue Ordinance (Cap. 112) to give effect to certain proposals on tax concessions in the Budget introduced by the Government for the 2014-2015 financial year, which include increase in allowances concerning dependent parents and grandparents and a one-off tax reduction for the 2013-2014 year of assessment.

### **Background**

3. According to the LegCo Brief, the said increase in allowances is intended to alleviate taxpayer's burden in maintaining dependent parents or grandparents. The revenue forgone is estimated to be about \$300 million a year in relation to the said increase. As for the proposed one-off reduction, the revenue forgone is approximately \$10.2 billion for the year of 2014-2015.

### **Provisions of the Bill**

4. The Bill proposes to increase the allowance for maintaining each eligible dependent parent or grandparent who is aged 60 or above<sup>1</sup> from \$38,000 to \$40,000 per year. For eligible dependent parents or grandparents who are aged between 55 and 59, the Bill proposes to increase the allowance for maintaining each of them from \$19,000 to \$20,000 per year. The respective increases also apply to the additional allowances granted to taxpayers residing with these parents or grandparents continuously throughout the year. Further, the Bill proposes to raise the deduction ceiling for elderly residential care expenses<sup>2</sup> from \$76,000 to \$80,000 per year for each taxpayer's parent or grandparent<sup>3</sup> who is admitted to residential care homes.

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<sup>1</sup> The allowance may also be claimed in respect of a dependent parent or grandparent who is under the age of 60 and is eligible to claim under the Government's Disability Allowance Scheme (GDAS).

<sup>2</sup> If the deduction for elderly residential care expenses is allowed to a person or the spouse concerned, no person is entitled to claim dependent parent or grandparent allowances for the same parent or grandparent for the same year of assessment.

<sup>3</sup> Such parent or grandparent must be either aged 60 or above or under the age of 60 and is eligible to claim an allowance under the GDAS.

5. Moreover, a one-off tax reduction of salaries tax, tax under personal assessment and profits tax for the year of assessment 2013-2014 by 75%, subject to a ceiling of \$10,000 per case, is also proposed.

6. In addition, transitional arrangements relating to the assessment of, and holding over of payment of, provisional salaries tax for the year of assessment 2014-2015 are also proposed under the Bill.

### **Commencement**

7. The Bill, if passed, would come into operation on the day it is published in the Gazette as an Ordinance.

### **Public Consultation**

8. According to the LegCo Brief, the Financial Secretary has conducted consultations with LegCo Members, various business and professional bodies as well as the general public when formulating the Budget. Their views have been taken into account in drawing up the proposals.

### **Consultation with LegCo Panel**

9. According to the Clerk to the Panel on Financial Affairs, 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.

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