

立法會
Legislative Council

LC Paper No. CB(1)1028/14-15

Ref. : CB1/BC/6/14

**Report of the
Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2015**

Purpose

This paper reports on the deliberations of the Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2015 ("the Bills Committee").

The Bill

2. The Inland Revenue (Amendment) (No. 2) Bill 2015 ("the Bill"), which was gazetted on 17 April 2015 and first read at the Legislative Council meeting of 29 April 2015, seeks to amend the Inland Revenue Ordinance (Cap. 112) ("IRO") to give effect to the proposals concerning tax concessions in the 2015-16 Budget, and to provide for relevant transitional matters. The tax concession proposals are to –

- (a) increase both the child allowance and the additional one-off child allowance in the year of birth for each eligible child from \$70,000 to \$100,000 under salaries tax and tax under personal assessment with effect from the year of assessment 2015-16; and
- (b) reduce salaries tax, tax under personal assessment and profits tax for the year of assessment 2014-15 by 75%, subject to a ceiling of \$20,000 per case.

3. The main provisions of the Bill are as follows –

- (a) Clause 3 amends section 89 of IRO to provide that the transitional provisions set out in the new Schedule 33 (added by clause 6) have effect in relation to a person liable to pay provisional salaries tax in respect of the year of assessment 2015-16;
- (b) Clause 4 adds a new section 97 to IRO. The new section and the new Schedule 34 (added by clause 6) provide for the

reduction of salaries tax, tax under personal assessment and profits tax payable for the year of assessment 2014-15 by 75%, subject to a maximum of \$20,000 in each case;

- (c) Clause 5 amends Schedule 4 to IRO to stipulate the increases set out in paragraph 2(a) above and to provide for the maximum amount of those allowances granted to a person from \$630,000 to \$900,000. The increases will take effect for the year of assessment 2015-16 and subsequent years of assessment; and
- (d) Clause 6 adds new Schedules 33 and 34 to IRO. The new Schedule 33 provides for the transitional arrangements relating to the assessment of, and holding over of payment of, provisional salaries tax for the year of assessment 2015-16.

The Bills Committee

4. At the House Committee meeting on 8 May 2015, Members agreed to form a Bills Committee to study the Bill. The membership list of the Bills Committee is at the **Appendix**. Under the chairmanship of Hon Andrew LEUNG Kwan-yuen, the Bills Committee held one meeting with the Administration on 19 May 2015.

Deliberations of the Bills Committee

5. The Bills Committee supports the Bill. The major deliberations of the Bills Committee are set out in the ensuing paragraphs.

Justifications for and financial implications of the proposed tax concessions

6. The Bills Committee notes that the proposed increase in the child allowance and the additional one-off child allowance aim at alleviating taxpayers' burden in raising their children, while the proposed one-off reduction for salaries tax, tax under personal assessment and profits tax for the year of assessment 2014-15 is part of the package of measures in the 2015-16 Budget to ease the tax burden of the general public.

7. According to the Administration, the proposed increases in child allowance and additional one-off child allowance under salaries tax and tax under personal assessment will benefit about 370 000 taxpayers. The revenue forgone is estimated to be about \$2 billion a year.

8. The Administration has also advised that the proposed one-off reduction of salaries tax and tax under personal assessment for the year of assessment 2014-15 will benefit about 1.82 million taxpayers, whereas the proposed one-off reduction of profits tax will benefit about 130 000 tax-paying corporations and unincorporated businesses. The revenue foregone for 2015-16 is about \$17.7 billion.

Eligibility for claiming the child allowance

9. The Bills Committee has enquired about the age of children eligible for the child allowance under salaries tax and tax under personal assessment. The Administration has advised that according to section 31(1) of IRO, child allowance shall be granted in the prescribed amount in any year of assessment if the taxpayer has living and is maintaining at any time during the year of assessment an unmarried child who is: (a) under the age of 18; (b) of or over the age of 18 years but under the age of 25 years and is receiving full time education at a university, college, school or other similar educational establishment; or (c) of or over the age of 18 years and is, by reason of physical or mental disability, incapacitated for work.

Legal and drafting aspects

10. The Bills Committee has examined the Bill clause by clause, and has not identified any difficulties relating to the legal and drafting aspects of the Bill.

Committee Stage amendments

11. No Committee Stage amendments to the Bill have been proposed by the Administration or the Bills Committee.

Resumption of the Second Reading debate

12. The Bills Committee supports the resumption of the Second Reading debate on the Bill at the Council meeting of 8 July 2015.

Consultation with the House Committee

13. At its meeting on 5 June 2015, the House Committee noted the deliberations of the Bills Committee.

Bills Committee on Inland Revenue (Amendment) (No. 2) Bill 2015

Membership list

Chairman Hon Andrew LEUNG Kwan-yuen, GBS, JP

Members Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, JP
Hon Alan LEONG Kah-kit, SC
Hon Charles Peter MOK, JP
Hon Kenneth LEUNG
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Hon TANG Ka-piu, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP

(Total : 11 Members)

Clerk Ms Anita SIT

Legal Adviser Mr Kelvin LEE