

立法會
Legislative Council

LC Paper No. CB(1)1021/17-18
(These minutes have been seen
by the Administration)

Ref : CB1/BC/5/17/2

Bills Committee on Inland Revenue (Amendment) Bill 2018

Minutes of the meeting
held on Tuesday, 17 April 2018, at 10:45 am
in Conference Room 2 of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, GBS, JP (Chairman)
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon KWOK Wai-keung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Elizabeth QUAT, BBS, JP
Hon Alvin YEUNG
Hon Holden CHOW Ho-ding
Hon YUNG Hoi-yan
Hon Vincent CHENG Wing-shun, MH

Member attending : Hon CHU Hoi-dick

Members absent : Hon James TO Kun-sun
Hon CHUNG Kwok-pan

**Public Officers
attending : For item II**

Financial Services and the Treasury Bureau

Mr Andrew LAI, JP
Deputy Secretary (Treasury)2

Ms Pecvin YONG
Principal Assistant Secretary (Treasury) (Revenue 1)

Inland Revenue Department

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

Ms CHAN Shun-mei
Senior Assessor (Special Duty)

Department of Justice

Ms Rayne CHAI
Senior Assistant Law Draftsman

Miss Queenie WU
Government Counsel

Clerk in Attendance : Ms Angel SHEK
Chief Council Secretary (1)1

Staff in attendance : Miss Joyce CHAN
Assistant Legal Adviser 1

Miss Judy YEE
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

Action

I. Election of Chairman

Election of Chairman

Mr WONG Ting-kwong, the member who had the highest precedence among members of the Bills Committee present at the meeting, presided at the election of Chairman of the Bills Committee.

2. Mr WONG Ting-kwong invited nominations for the chairmanship of the Bills Committee. Mr Holden CHOW nominated Mr WONG Ting-kwong, and the nomination was seconded by Dr Elizabeth QUAT. Mr WONG accepted the nomination.

3. There being no other nominations, Mr WONG Ting-kwong was declared Chairman of the Bills Committee. Mr WONG then took the chair.

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

II. Meeting with the Administration

(LC Paper No. CB(3)404/17-18	—	The Bill
File Ref: TsyBR 183/535-1/5/0(18-19)(C)	—	Legislative Council Brief
LC Paper No. LS46/17-18	—	Legal Service Division Report
LC Paper No. CB(1)799/17-18(01)	—	Assistant Legal Adviser's letter dated 16 March 2018 to the Administration
LC Paper No. CB(1)799/17-18(02)	—	Administration's reply to Assistant Legal Adviser's letter dated 16 March 2018
LC Paper No. CB(1)799/17-18(03)	—	Marked-up copy of the Bill prepared by the Legal Service Division (Restricted to Members)

Action

LC Paper No. CB(1)799/17-18(04) — Background brief prepared by the Legislative Council Secretariat)

Discussion

5. The Bills Committee deliberated and completed clause-by-clause examination of the Inland Revenue (Amendment) Bill 2018 ("the Bill") (index of proceedings attached at the **Annex**).

Follow-up actions to be taken by the Administration

6. The Administration was requested to provide the following information:
- (a) the estimated number of taxpayers who had to pay salaries tax or tax under personal assessment at the standard rate in the year of assessment ("YA") 2018-19, with breakdown by (i) the levels of their assessable incomes and (ii) their payable taxes in terms of both the estimated amounts and percentages out of the projected total revenue from these types of taxes in the year; and the impact on tax revenue if the progressive rates were adopted instead; and
 - (b) the impact, if any, on the Gini coefficient arising from (i) the adjustments to tax bands and marginal rates from YA 2018-19, and (ii) the one-off reduction of profits tax for YA 2017-18, as proposed under the Bill.

(Post-meeting note: The Administration's written response was circulated to members vide LC Paper No. CB(1)864/17-18(02) on 24 April 2018.)

Invitation of views

7. Members considered it not necessary for the Bills Committee to meet with deputations to receive views on the Bill.

III. Any other business

Legislative timetable

8. The Chairman concluded that the Bills Committee had completed clause-by-clause examination of the Bill and the Administration's written response on outstanding issues would subsequently be circulated to members

Action

for their consideration and thereafter the scrutiny of the Bill would be completed. The Chairman proposed and members supported that the Second Reading debate on the Bill be resumed at the Council meeting of 16 May 2018. On this basis, the Bills Committee would report its deliberations to the House Committee on 4 May 2018, and the deadline for giving notice of amendments to the Bill would be 7 May 2018.

9. There being no other business, the meeting ended at 11:42 am.

Council Business Division 1
Legislative Council Secretariat
25 May 2018

Bills Committee on Inland Revenue (Amendment) Bill 2018

**Proceedings of the meeting
on Tuesday, 17 April 2018, at 10:45 am
in Conference Room 2 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
<i>Agenda Item I - Election of Chairman</i>			
000415 - 000552	Mr WONG Ting-kwong Mr Holden CHOW Dr Elizabeth QUAT	Election of Chairman	
<i>Agenda Item II - Meeting with the Administration</i>			
000553 - 000643	Chairman	Opening remarks	
000644 - 001240	Chairman Administration	Briefing by the Administration on the Inland Revenue (Amendment) Bill 2018 ("the Bill").	
001241 - 002120	Chairman Mr WU Chi-wai Administration	<p>Mr WU expressed the support of the Democratic Party for the proposed adjustments to tax bands and marginal rates. He enquired about:</p> <p>(a) the estimated number of taxpayers who had to pay salaries tax or tax under personal assessment at the standard rate of 15% for the year of assessment ("YA") 2018-19; the levels of their assessable incomes; their payable taxes in terms of both the estimated amounts and percentages out of the projected total revenue from these types of taxes; and the impact on tax revenue if the progressive rates were adopted instead; and</p> <p>(b) the reasons for not abolishing the standard tax rate while keeping the progressive rates.</p> <p>The Administration advised that:</p> <p>(a) salaries tax payable was calculated at progressive rates (with the highest rate at 17%) on a person's net chargeable income or at standard rate of 15% on the net total income under the existing Inland Revenue Ordinance (Cap. 112). If the tax payable on the basis of a person's net chargeable</p>	Admin (paragraph 6(a) of the minutes refers)

Time marker	Speaker	Subject(s)	Action required
		<p>income exceeded the tax charged at standard rate on the person's net income, the person was only required to pay the lower amount of tax (i.e. at the standard rate);</p> <p>(b) factors such as the person's family conditions and unique circumstances would affect the amount of claimable allowances or deductible expenses for calculation of the net income/net chargeable income of the person in relation to the standard rate or progressive rates; and</p> <p>(c) the aforesaid salaries tax regime and related tax rates aligned with the policy intent to maintain the simple and low tax system of Hong Kong, and were commensurate with the existing two-tiered profits tax rates regime. While there was no plan at this stage to abolish the standard rate for salaries tax and tax under personal assessment, the Administration would continue to regularly review the taxation system of Hong Kong, including the tax bands and rates of various taxes.</p>	
002122 - 002454	Chairman Mr KWOK Wai-keung Administration	<p>Mr KWOK conveyed the support from Members belonging to The Hong Kong Federation of Trade Unions for the proposed widening of tax bands.</p> <p>Discussion on other tax measures to be introduced by separate legislative exercises.</p>	
002455 - 002736	Chairman Mr Kenneth LEUNG Administration	<p>Discussion on the new drafting approach under Clauses 5 to 9 of the Bill (LC Paper Nos. CB(1)799/17-18(01) and (02)).</p> <p>The Administration pointed out that the new drafting approach would obviate the need to introduce transitional provisions in the form of new schedules each time for the purpose of implementing any adjustment in respect of an allowance or a deduction item, or providing one-off tax reduction.</p> <p>Mr LEUNG welcomed the Administration's adoption of the new drafting approach.</p>	

Time marker	Speaker	Subject(s)	Action required
002737 - 003114	Chairman Mr YIU Si-wing Administration	<p>Mr YIU opined that the Administration should substantially increase the dependent parent/grandparent allowances in the future to encourage the younger generation to reside with and/or take care of their parents/grandparents.</p> <p>The Administration advised that the dependent parent/grandparent allowances had been adjusted frequently in previous years, with the last upward adjustment made since YA 2016-17. The Administration would continue to regularly review and propose adjustments as appropriate to the levels of the various allowances and deduction ceilings.</p>	
003115 - 003744	Chairman Dr Fernando CHEUNG Administration	<p>Dr CHEUNG welcomed the introduction of a new personal disability allowance for eligible taxpayers with disability since the existing disabled dependant allowance could not benefit such taxpayers.</p> <p>Dr CHEUNG considered it unnecessary to include profits tax in the proposed one-off tax reduction as it might have the unintended effect of widening the wealth gap in Hong Kong and increasing the Gini coefficient by returning wealth to some already well-off members of the public. Likewise, the proposed adjustments to the tax bands might potentially worsen the wealth disparity in the same way. Dr CHEUNG opined that the Administration should give regard to the potential impacts when considering tax concession measures in future.</p> <p>Discussion of the potential impact on the Gini coefficient arising from the adjustments to tax bands and marginal rates and the one-off reduction of profits tax, as proposed under the Bill.</p>	Admin (paragraph 6(b) of the minutes refers)
<p>Clause-by-clause examination of the Bill [The Bill (LC Paper No. CB(3)404/17-18)] [Marked-up copy of the Bill prepared by the Legal Service Division (LC Paper No. CB(1)799/17-18(03))]</p>			
003745 - 004356	Chairman Assistant Legal Adviser ("ALA") Administration	<p>ALA's enquiry and the Administration's response on the new drafting approach under Clauses 5 to 9 of the Bill. (LC Paper Nos. CB(1)799/17-18(01) and (02)).</p>	

Time marker	Speaker	Subject(s)	Action required
		<p><u>Clause 1 — Short title</u></p> <p><u>Clause 2 — Inland Revenue Ordinance amended</u></p> <p><u>Clause 3 — Section 28A added</u></p> <p><u>Clause 4 — Section 63C amended (amount of provisional salaries tax)</u></p> <p>Members raised no queries.</p>	
004357 - 005021	Chairman Mr Kenneth LEUNG Administration	<p><u>Clause 5 — Section 63CA added</u></p> <p>Discussion on the drafting of the heading of the new section 63CA.</p> <p>Mr LEUNG requested the Administration to consider making improvements on drafting generally to enhance the comprehensibility of legislation.</p> <p>The Administration took note of the suggestion.</p>	
005022 - 005909	Chairman Administration	<p><u>Clause 6 — Section 63E amended (holding over of payment of provisional salaries tax)</u></p> <p><u>Clause 7 — Section 63H amended (amount of provisional profits tax)</u></p> <p><u>Clause 8 — Section 63J amended (holding over of payment of provisional profits tax)</u></p> <p><u>Clause 9 — Section 100 added</u></p> <p><u>Clause 10 — Schedule 2 amended (rates)</u></p> <p><u>Clause 11 — Schedule 3A amended (deduction for expenses of self-education)</u></p> <p><u>Clause 12 — Schedule 3B amended (deduction for the purposes of section 16AA or 26G)</u></p> <p><u>Clause 13 — Schedule 3C amended (elderly residential care expenses deduction)</u></p> <p><u>Clause 14 — Schedule 3D amended (home loan interest deduction)</u></p>	

Time marker	Speaker	Subject(s)	Action required
		<p><u>Clause 15 — Schedule 4 amended (allowances)</u></p> <p><u>Clause 16 — Schedule 44 added</u></p> <p>Members raised no queries.</p>	
<i>Agenda Item III — Any other business</i>			
005910 - 010202	Chairman Mr Kenneth LEUNG Administration	<p>Members agreed that it was not necessary to invite public views on the Bill.</p> <p>The Bills Committee completed the clause-by-clause examination of the Bill, the Administration's written response to outstanding issues to be circulated later.</p> <p>Legislative timetable.</p>	