

財經事務及庫務局



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來函檔號 Your Ref. :

FINANCIAL SERVICES AND THE
TREASURY BUREAU

24/F, Central Government Offices,
2 Tim Mei Avenue, Tamar
Hong Kong

By email (aykshek@legco.gov.hk)

24 April 2018

Ms Angel SHEK
Chief Council Secretary
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Shek,

Bills Committee on Inland Revenue (Amendment) Bill 2018

I refer to your email of 18 April 2018 enclosing the list of follow-up actions arising from the Bills Committee meeting on 17 April 2018. Please find the Government's response at **Annex A**.

Separately, as the Government expects that the Inland Revenue (Amendment) Bill 2018 ("Revenue Bill 2018") will be enacted before the Inland Revenue (Amendment) (No. 6) Bill 2017, we would like to renumber a proposed new Schedule in the Revenue Bill 2018 to reflect the actual order of the Schedule after enactment of this Bill. To this end, we will propose through Committee Stage Amendments ("CSAs") to renumber the proposed "Schedule 44" as "Schedule 43". The proposed CSAs, which are enclosed at **Annex B**, do not alter the meaning of the Revenue Bill 2018 in any manner.

Yours sincerely,



(Ms Pecvin Yong)

for Secretary for Financial Services and the Treasury

c.c.

Commissioner of Inland Revenue
Department of Justice

(Attn: Mr KK CHIU)

(Attn: Ms Rayne CHAI)

Bills Committee on Inland Revenue (Amendment) Bill 2018 (“Bill”)

**Government’s Response to Follow-up Actions Arising from
Meeting on 17 April 2018**

At the meeting of the Bills Committee on 17 April 2018, the Government was requested to provide the following information –

- (a) the estimated number of taxpayers who have 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) estimated amounts and percentages of their payable taxes out of the projected total revenue from these types of taxes in the year; and the impact on tax revenue if the progressive rates are 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 proposed under the Bill for YA 2017/18.

Standard Rate

2. The number of standard rate taxpayers under salaries tax and personal assessment, their income range, final tax assessed and the percentage out of the total salaries tax and personal assessment tax revenue for YA 2016/17 are set out in the tables below. The figures for YA 2017/18 and 2018/19 are not yet available and we are unable to make any estimate.

3. There were 29 200 taxpayers who paid salaries tax and tax under personal assessment at the standard rate in YA 2016/17, constituting about 1.5% of the total taxpayers involved. Their tax payment amounted to \$22.8 billion, or 36% of the total tax payment involved.

Salaries Tax for YA 2016/17

	Income Range (\$)	No. of Taxpayers	Final Tax Assessed	
			(\$ million)	Percentage of Total Salaries Tax Revenue
Standard Rate Salaries Taxpayers	1,500,001 - 2,000,000	3 100	783	1.3%
	2,000,001 - 3,000,000	8 000	2,737	4.7%
	3,000,001 - 5,000,000	8 300	4,565	7.8%
	5,000,001 - 7,500,000	4 000	3,529	6.0%
	7,500,001 - 10,000,000	1 600	2,056	3.5%
	Over 10,000,000	2 400	7,372	12.5%
	Total	27 400	21,042	35.8%
All Salaries Taxpayers		1 764 500	58,774	

Personal Assessments for YA 2016/17

	Income Range (\$)	No. of Assessments*	Final Tax Assessed	
			(\$ million)	Percentage of Total Personal Assessment Revenue
Standard Rate Personal Assessments	1,500,001 - 2,000,000	100	18	0.4%
	2,000,001 - 3,000,000	300	109	2.2%
	3,000,001 - 5,000,000	500	304	6.3%
	5,000,001 - 7,500,000	400	336	6.9%
	7,500,001 - 10,000,000	200	276	5.7%
	Over 10,000,000	300	729	15.0%
	Total	1 800	1,772	36.5%
All Personal Assessments		127 500	4,851	

* One assessment is counted for each married couple who have elected for personal assessment.

4. If the cap of standard rate is removed, we estimate that the salaries tax and personal assessment tax revenue would be increased by about \$1,630 million in total.

Gini Coefficient

5. To facilitate a more comprehensive analysis at different angles and for delineating the underlying income disparity situation, the Census and Statistics Department compiles a number of Gini coefficients (“GCs”) based on different household income concepts, including –

- (a) GC based on original household income; and
- (b) Three types of post-tax GC, namely –
 - (i) GC based on post-tax household income;
 - (ii) GC based on post-tax post-social transfer household income; and
 - (iii) GC based on post-tax post-social transfer household income (including Government’s one-off relief measures).

6. While the proposed adjustments to tax bands and marginal rates from YA 2018/19 would have no impact on the GC based on original household income (which is pre-tax in nature), it is technically not feasible to assess the impact on the post-tax GCs. This is because compilation of the GCs is based on the income data collected in population censuses / by-censuses, which are only conducted every five years. The recent population by-census was conducted in 2016 while the next population census will be conducted in 2021. Results of the ongoing General Household Survey (“GHS”), which are of a much smaller scale, cannot support reliable assessment of income disparity since GHS cannot capture sufficiently large number of households belonging to very high income groups due to the sample size constraint. Thus, the concerned impact analysis cannot be conducted for the reference period of 2018/19.

7. For the purpose of studying household income distribution, profits tax is not relevant. Hence, the proposed one-off reduction of profits tax for YA 2017/18 would have no impact on any of the GCs mentioned in paragraph 5 above.

Financial Services and the Treasury Bureau
April 2018

Inland Revenue (Amendment) Bill 2018

Committee Stage

Amendments to be moved by the Secretary for Financial Services and the
Treasury

<u>Clause</u>	<u>Amendment Proposed</u>
9	In the proposed section 100(6), by deleting “44” (wherever appearing) and substituting “43”.
16	By deleting “ Schedule 44 ” (wherever appearing) and substituting “ Schedule 43 ”.