

立法會
Legislative Council

LC Paper No. CB(1)216/18-19
(These minutes have been seen
by the Administration)

Ref : CB1/BC/9/17

Bills Committee on Inland Revenue (Amendment) (No. 5) Bill 2018

**Minutes of second meeting
on Friday, 5 October 2018, at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Hon Kenneth LEUNG (Chairman)
Hon James TO Kun-sun
Hon WONG Ting-kwong, GBS, JP
Hon WU Chi-wai, MH
Hon KWOK Wai-keung, JP
Hon IP Kin-yuen

Member absent : Hon Dennis KWOK Wing-hang

**Public officers
attending** : Agenda item II

Financial Services and the Treasury Bureau

Mr Andrew LAI, JP
Deputy Secretary for Financial Services and the Treasury
(Treasury)2

Ms Pecvin YONG
Principal Assistant Secretary for Financial Services and
the Treasury (Treasury) (Revenue 1)

Ms Eureka CHEUNG
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)5

Environment Bureau

Mr Paul WONG
Principal Assistant Secretary for the Environment
(Energy)

Electrical and Mechanical Services Department

Mr CHAN Pak-cheung
Chief Engineer (Energy Efficiency)B

Inland Revenue Department

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

Ms HUI Chiu-po
Senior Assessor (Research)

Department of Justice

Ms Queenie WU
Government Counsel

**Attendance by
invitation**

: Agenda Item II

Hong Kong Monetary Authority

Mr Enoch FUNG
Head (Market Development)

Clerk in attendance:

Mr Desmond LAM
Chief Council Secretary (1)3

Staff in attendance:

Ms Evelyn LEE
Assistant Legal Adviser 10

Ms Connie HO
Senior Council Secretary (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1404/17-18 -- Minutes of meeting held on 26 June 2018)

The minutes of the meeting held on 26 June 2018 were confirmed.

II. Meeting with the Administration

Follow-up to issues arising from previous meeting

(LC Paper No. CB(1)1303/17-18(01) -- List of follow-up actions arising from the discussion at the meeting on 26 June 2018

LC Paper No. CB(1)1303/17-18(02) -- Administration's response to issues raised at the meeting on 26 June 2018

Submissions received from organizations and the Administration's response

LC Paper No. CB(1)1303/17-18(03) -- Submission dated 17 July 2018 from an anonymous organization
(*English version only*) (***confidential and restricted to members of the Bills Committee only***)

LC Paper No. CB(1)1303/17-18(04) -- Submission dated 18 July 2018 from Democratic Alliance for the Betterment and Progress of Hong Kong
(*Chinese version only*)

LC Paper No. CB(1)1303/17-18(05) -- Submission dated 20 July 2018 from Hong Kong Institute of Certified Public Accountants
(*English version only*)

LC Paper No. CB(1)1303/17-18(06) -- Submission dated 20 July 2018 from PricewaterhouseCoopers Limited
(*English version only*)

- LC Paper No. CB(1)1303/17-18(07) -- Submission dated 25 July 2018
(*English version only*) from Hong Kong Green Building Council Limited
- LC Paper No. CB(1)1303/17-18(08) -- Administration's response to
written submissions received from
organizations
- LC Paper No. CB(1)1368/17-18(01) -- Hon James TO Kun-sun's letter
(*Chinese version only*) dated 3 September 2018

Relevant papers

- LC Paper No. CB(3)683/17-18 -- The Bill
- LC Paper No. CB(1)1167/17-18(01) -- Marked-up copy of the Bill
prepared by the Legal Service
Division (Restricted to members
only)
- File Ref: TsyB R 83/535-1/6/0 -- Legislative Council Brief issued
(18-19) (C) by the Financial Services and the
Treasury Bureau
- LC Paper No. LS70/17-18 -- Legal Service Division Report
- LC Paper No. CB(1)1183/17-18(01) -- Assistant Legal Adviser's letter
dated 25 June 2018 to the
Administration
- LC Paper No. CB(1)1183/17-18(02) -- Administration's reply to Assistant
Legal Adviser's letter dated
25 June 2018)

Discussion

2. The Bills Committee deliberated (Index of proceedings attached at **Annex**).

Declaration of interest

3. Mr James TO declared that he held stocks in the organization which had provided a written submission under LC Paper No. CB(1)1303/17-18(03) to the Bills Committee.

Administration's response to written submissions

4. The Chairman said that members agreed at the first meeting of the Bills Committee on 26 June 2018 to invite written submissions on the Bill from the relevant organizations and the public. Accordingly, the Bills Committee had received five written submissions (LC Paper Nos. CB(1)1303/17-18(03) to (07)) and the Administration provided written response to such submissions (LC Paper No. CB(1)1303/17-18(08)).

5. The Chairman also drew members' attention to the written submission under LC Paper No. CB(1)1303/17-18(03) which was handled in confidence at the request of the relevant organization. Members noted that the submission, which was restricted to members of the Bills Committee only, would be kept confidential and not be uploaded onto the Legislative Council's website. Nevertheless, the organization agreed to forward its submission to the Administration for written response, on the condition that the name of the organization would not be mentioned in the Administration's response. The organization also noted that the relevant Administration's response was an open document and would be considered further by the Bills Committee. In this connection, the Chairman reminded members not to mention the name of the organization when they referred to the views expressed in its submission in their questions during the discussion.

III. Any other business

Legislative timetable

6. The Chairman said that the Bills Committee completed clause-by-clause examination of the Bill at the meeting on 26 June 2018. Members noted that the Administration would not propose amendments to the Bill and the Secretariat had not received notifications from members in respect of their intention to propose amendments to the Bill.

7. The Chairman concluded that the Bills Committee had completed scrutiny of the Bill and raised no objection to the Administration's proposal to resume the debate on the Second Reading of the Bill at the Council meeting of 14 November 2018. The Chairman informed members that the Bills Committee would submit a written report to the House Committee for consideration at the meeting on 2 November 2018. He also reminded members that the deadline for giving notice to move amendments to the Bill was 5 November 2018.

8. There being no other business, the meeting ended at 11:15 am.

Council Business Division 1
Legislative Council Secretariat
26 November 2018

**Proceedings of the second meeting of
the Bills Committee on Inland Revenue (Amendment) (No. 5) Bill 2018
on Friday, 5 October 2018, at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
000000 – 000956	Chairman	Opening remarks	
000957 – 001428	Chairman Administration	Briefing by the Administration on its responses to the issues raised at the meeting on 26 June 2018 (LC Paper No. CB(1)1303/17-18(02)) and to the five written submissions received by the Bills Committee (LC Paper No. CB(1)1303/17-18(08)).	
001429 – 001830	Chairman Mr James TO Administration	<p>Declaration of interest by Mr James TO.</p> <p>Mr James TO's view on the practice for a Bills Committee to handle an organization's request for keeping its written submission confidential and restricted to members of the Bills Committee only.</p> <p>Mr James TO enquired whether the Administration would consider a deputation's suggestion of extending the tax incentives under the Qualifying Debt Instrument ("QDI") Scheme to cover debt instruments of private issuances (LC Paper No. CB(1)1303/17-18(03)).</p> <p>The Administration explained that the issue of extending the tax incentives under the QDI Scheme to cover private issuances had already been dealt with during a legislative amendment exercise in 2011.</p>	
001831 – 002202	Chairman Mr James TO Administration	<p>Mr James TO enquired whether the Administration would consider relaxing the restriction on issuance to "associates" to allow one associate of the issuer as maximum instead of none under the QDI Scheme as suggested by one of the deputations (LC Paper No. CB(1)1303/17-18(03)).</p> <p>The Administration explained that the "public" (i.e. 10 or more investors) and the "associate" requirements were introduced to safeguard against potential intra-group tax avoidance arrangement. The Administration considered that relaxing such restrictions would undermine the necessary safeguards, and no similar views from other major market stakeholders had been received.</p>	

Time marker	Speaker	Subject(s)	Action required
002203 – 003014	Chairman Mr James TO Administration	<p>Mr James TO enquired if the Administration would take on board a deputation's suggestion of changing the discretionary filing of QDI form as part of the Central Moneymarkets Unit ("CMU") logging form to mandatory filing, noting that the suggestion might increase investors' incentive to trade debt instruments and as a result potentially a more competitive price for issuers to issue debts (LC Paper No. CB(1)1303/17-18(03)).</p> <p>The Administration explained that –</p> <p>(a) one of the purposes of the proposed enhancements to the QDI Scheme was to create flexibility for issuers by allowing debt instruments listed on Stock Exchange of Hong Kong Limited, in addition to those lodged with CMU, to be qualified for tax concession. Mandating the filing of QDI form at CMU might run counter to this objective and create an unnecessary burden for issuers; and</p> <p>(b) the current mechanism already allowed issuers to declare their QDI eligibility to HKMA and the Inland Revenue Department ("IRD") for tax exemption purpose and investors to access the QDI list for investment purpose through IRD's website.</p>	
003015 – 003259	Chairman Administration	<p>The Chairman's advice that the Bills Committee had completed scrutiny of the Bill and no further meeting would be held.</p> <p>Legislative timetable.</p>	