

財經事務及庫務局



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**By email (mleung@legco.gov.hk  
and ckpho@legco.gov.hk)**

10 August 2018

Legislative Council Secretariat  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Mr Desmond LAM)

Dear Mr Lam,

**Bills Committee on Inland Revenue (Amendment) (No. 5) Bill 2018  
Follow-up meeting on 26 June 2018  
Government's response to written submissions**

I refer to your letters dated 24 and 26 July 2018 enclosing five submissions received by the Bills Committee. Please find the Government's response at **Annex**.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Pecvin YONG'.

( Ms Pecvin YONG )  
for Secretary for Financial Services and the Treasury

c.c.

Secretary for the Environment (Attn: Mr Paul WONG)  
Commission of Inland Revenue (Attn: Mr KK CHIU)

**Inland Revenue (Amendment) (No. 5) Bill 2018 (“Bill”)**

**The Government’s Response to Written Submissions from Deputations**

<b>Comments / Issues Raised</b>	<b>Deputations</b>	<b>The Government’s Response</b>
<b><i>A. Overall comments</i></b>		
1. Welcome/support the proposed legislative amendments in the Bill.	<ul style="list-style-type: none"><li>• Hong Kong Institute of Certified Public Accountants</li><li>• PricewaterhouseCoopers Limited (“PwC”)</li></ul>	We are pleased to note the support.
<b><i>B. Personal Assessment (“PA”)</i></b>		
1. Support the Government’s move of allowing husband and wife the option of electing for PA separately.	<ul style="list-style-type: none"><li>• Democratic Alliance for the Betterment and Progress of Hong Kong (“DAB”)</li><li>• PwC</li></ul>	We are pleased to note the support.

Comments / Issues Raised	Deputations	The Government's Response
<b><i>C. Environmental Protection Installations</i></b>		
1. Support the Government's proposal to allow enterprises to claim tax deduction for capital expenditure incurred for procuring environmental protection installations in full in one year instead of five years.	<ul style="list-style-type: none"> <li>• DAB</li> <li>• PwC</li> </ul>	We are pleased to note the support.
2. Consider introducing other measures to attract non-business sectors, such as non-government organisations ("NGOs"), schools, education institutions as well as owners' corporations / residents' organisations of multi-ownership properties, to pursue the adoption of environmental protection installations.	Hong Kong Green Building Council Limited	<ul style="list-style-type: none"> <li>• Promoting green buildings and enhancing energy saving of buildings has always been one of the Government's priority tasks.</li> <li>• Retro-commissioning ("RCx") is a cost-effective and systematic process to periodically check the energy performance of a building, hence a key measure to achieve energy saving in buildings. The Government has been working with professional bodies and other stakeholders to promote RCx in the private sector for attaining energy efficiency and conservation in private buildings.</li> <li>• The power companies also play an important role in promoting energy efficiency and conservation in</li> </ul>

Comments / Issues Raised	Deputations	The Government's Response
		<p>buildings. Under the post-2018 Scheme of Control Agreements, more funds will be made available under the existing energy efficiency funds (“EEFs”) of the power companies to support, on a matching grant basis, the carrying out of retrofitting and RCx of non-government buildings, as well as the implementation of building-based smart / IT technologies, to enhance the energy efficiency of these buildings. The new EEFs will cover both commercial/industrial and non-commercial buildings, including NGOs as well as non-government schools and education institutions.</p> <ul style="list-style-type: none"> <li>• At the same time, Feed-in Tariff will be introduced by the two power companies to encourage the private sector, including NGOs, as well as non-government schools and education institutions, to consider investing in renewable energy (“RE”) systems<sup>1</sup>. Besides, in order to encourage the development of RE systems in the community, the power companies will facilitate grid connection and improve the relevant arrangements, while the Electrical and Mechanical Services Department has already revamped its website “HK RE Net” (<a href="http://re.emsd.gov.hk">re.emsd.gov.hk</a>) to</li> </ul>

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<sup>1</sup> Under the Feed-in Tariff Scheme, power generated by RE systems may be sold to the power companies.

Comments / Issues Raised	Deputations	The Government's Response
		<p>provide relevant information on RE and has set up a hotline to handle related enquiries.</p> <ul style="list-style-type: none"> <li>The Government will keep on exploring suitable measures to encourage and promote the adoption of energy efficient and RE installations.</li> </ul>
<b><i>D. Qualifying Debt Instrument (“QDI”) Scheme</i></b>		
1. Support the Government's proposed enhancements to the QDI Scheme.	<ul style="list-style-type: none"> <li>DAB</li> <li>PwC</li> <li>An anonymous party</li> </ul>	We are pleased to note the support.
2. Consider changes/clarifications to the offshore fund tax exemption regime to bring bond/credit funds on an equal footing with their equity hedge fund and private equity fund counterparts.	PwC	The tax regime for offshore funds is outside the scope of the Bill. We take note of the suggestion and will take it into account when the Government formulates policies to promote the asset management industry in the future.

Comments / Issues Raised	Deputations	The Government's Response
<p>3. Extend tax incentives to private issuances (i.e. private placements), or alternatively, to extend the definition scope of “associates” and “public”.</p>	<p>An anonymous party</p>	<p>The “public” (i.e. 10 or more investors) and the “associate” requirements are introduced to safeguard against potential intra-group tax avoidance arrangement. Relaxing the restrictions will undermine the necessary safeguards.</p>
<p>4. Change the discretionary filing of QDI form as part of the Central Moneymarkets Unit (“CMU”) logging form to mandatory which should increase incentive for investors to buy and as a result potentially driving a more competitive price for issuers to issue debt.</p>	<p>An anonymous party</p>	<p>One of the purposes of the proposed enhancements to the QDI Scheme is to create flexibility for issuers by allowing debt instruments listed on the Stock Exchange of Hong Kong Limited, in addition to those lodged with the CMU, to be qualified for tax concession. Mandating the filing of QDI form at CMU may run counter to this objective and create an unnecessary burden for issuers.</p>

**Environment Bureau**  
**Financial Services and the Treasury Bureau**  
**August 2018**