

Bills Committee on Inland Revenue (Amendment) (No. 4) Bill 2018

**Government's response to the follow-up issues raised at
the Bills Committee meeting on 9 July 2018**

Purpose

This paper sets out the Government's response to the follow-up issues raised at the meeting of the Bills Committee on Inland Revenue (Amendment) (No. 4) Bill 2018 (the Bill) held on 9 July 2018.

Adoption

2. A Member mentioned about a scenario where a taxpayer was adopted by a same-sex couple in any place outside Hong Kong according to the law of that place, and enquired whether certain individuals in relation to that taxpayer would qualify as the taxpayer's "specified relative" under the proposed section 26J(1) of the Bill.

3. As we have mentioned in the Legislative Council Brief (File Ref: FH CR 1/3822/13), it is the policy intent that the types of familial relationships covered by the Bill should be the same as the relationships covered by the existing dependant allowances in the Inland Revenue Ordinance (Cap. 112) ("IRO"). The definition of "adopted" in the proposed section 26I of the Bill is modelled on existing section 27(3) of the IRO concerning dependant allowance. In case of adoption of children by a couple in any place outside

Hong Kong, sections 17¹ or 20F² of the Adoption Ordinance (Cap. 290) (“AO”) would apply. Any cases in relation to foreign adoption would be considered in accordance with the above provisions having regard to individual circumstances.

Regulation of Administration Cost

4. Members suggested that the Government regulate the administration cost of insurance products under the Voluntary Health Insurance Scheme (VHIS). In accordance with the free market principle, the Government has no plan to regulate the level of insurance premium (including administration cost). That said, VHIS covers a series of features that promote market competition and enhance cost-effectiveness, including the extension of coverage to ambulatory procedures and enhancement of premium

¹ Section 17 (2) of Cap. 290 is extracted as follows – (emphasis added)

“Subsection (1) shall apply to an adoption in any place outside Hong Kong (other than a Convention adoption), if-

- (a) the adoption is legally valid according to the law of that place; and
 - (b) in consequence of the adoption, the **adoptive parents** or any **adoptive parent** had, or, if the adopted person had been a young child, would have had, immediately following the adoption, according to the law of that place, a right superior to that of any birth parent of the adopted person in respect of the custody of the person; and
 - (c) either-
 - (i) the adoption order was made by an order of any Court whatsoever of a Commonwealth country or of the United States of America or of any State or territory of the United States of America; or
 - (ii) in consequence of the adoption, the **adoptive parents** or any **adoptive parent** had immediately following the adoption, according to the law of that place, a right superior to or equal with that of any birth parent in respect of any property of the adopted person which was capable of passing to the parents or any parent of the person in the event of the person dying intestate without other next of kin and domiciled in the place where the adoption was made and a national of the State which had jurisdiction in respect of that place.
- but not otherwise.”

² Section 20F of Cap. 290 is extracted as follows –

- “(1) This section applies to and in relation to a Convention adoption made in accordance with the provisions of the Convention—
- (a) in a Contracting State; or
 - (b) in any other part of the People’s Republic of China where the Convention is in force.
- (2) Subject to sections 20G and 20H, a Convention adoption to which this section applies shall, for the purposes of this Ordinance and all other Ordinances, have the same effect as an adoption order validly made in accordance with this Ordinance in respect of a full adoption (as defined in section 20G(2)), and shall have no other effect.
- (3) A Convention adoption certificate in respect of an adoption issued by the competent authority authorized in that behalf in the place where the adoption was made is for all purposes prima facie evidence of the facts stated on it.”

transparency, etc. These arrangements can help contain medical inflation and promote healthy market competition among insurers.

Benefit Limit for Psychiatric Treatment

5. The Standard Plan under VHIS covers psychiatric treatment with an annual benefit limit of \$30,000. A member enquired on relevant figures, including the number of patients using private inpatient psychiatric service in the past two years and the average treatment expenses incurred.

6. Private inpatient psychiatric service is still at its developmental stage. We do not have the figures of the number of relevant patients and treatment expenses incurred in the past two years. It is not common for existing market products to cover psychiatric treatment. After balancing the implications on premium, we consider that it is prudent to set the annual benefit limit for the Standard Plan products at \$30,000 as a starting point. In addition, insurance companies can freely design Flexi Plan products with higher benefit limits.

Food and Health Bureau
18 July 2018