

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

**Government's Response to Draft Amendments  
Proposed by Dr Hon KWOK Ka-ki**

**Purpose**

This paper sets out the Government's response to the draft amendments proposed by Dr Hon KWOK Ka-ki (LC Paper No. CB(2) 1828/17-18(02)) concerning Inland Revenue (Amendment) (No. 4) Bill 2018 (the Bill).

**Draft Amendments**

2. On 18 July 2018, Dr Hon KWOK Ka-ki proposed two amendments to the Bill by adding – (a) “includes not more than 5 specialist out-patient visits per year”; and (b) “to use no less than 80% of the qualifying premiums for direct funding of healthcare cost” to the definition of “VHIS policy” in the proposed section 26I(1) respectively.

**Response to the Draft Amendments**

3. We do not agree with the two proposed amendments. As a matter of policy, the Voluntary Health Insurance Scheme (VHIS) is implemented under a voluntary, non-legislative framework<sup>1</sup>. We do not agree to setting out any features of the VHIS in the Bill, which is contrary to the policy intent of VHIS, and would create restriction to the flexibility of this voluntary scheme.

4. In addition, from the perspective of the scope rule under Rule 57(4)(a) of the Rules of Procedure of the Legislative Council (“RoP”)<sup>2</sup>, we consider that the two proposed amendments are not relevant to the subject matter of the Bill and hence are not admissible under RoP 57(4)(a) for falling

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<sup>1</sup> It is stated in paragraph 3 of the LegCo Brief (File Ref: FH CR 1/3822/13) that the Food and Health Bureau (FHB) has set out the requirements of VHIS in a set of Standard Plan Policy Template and Code of Practice for insurance companies under the ambit of VHIS respectively. The two draft documents were published on 1 March 2018. FHB will establish a VHIS Office to certify individual indemnity hospital insurance products that are VHIS-compliant.

<sup>2</sup> RoP Rule 57(4)(a) provides that “an amendment must be relevant to the subject matter of the bill and to the subject matter of the clause to which it relates.”

outside scope of the Bill. As shown in the long title, explanatory memorandum and the relevant LegCo Brief, it is clear that the subject matter of the Bill is to amend the Inland Revenue Ordinance (Cap. 112) to introduce a new concessionary deduction concerning salaries tax and tax under personal assessment that may be allowed for premiums paid in respect of insurance plans certified to be in compliance with the Government's VHIS. The ascertained subject matter of the Bill is consistent with our policy explained in paragraph 3 above. Since the two proposed amendments would have the effect of altering the subject matter of the Bill, i.e. by changing the nature of implementation of the VHIS from a non-legislative approach to legislative approach by amending the proposed definition of "VHIS policy" in the new section 26I(1) to specify that the coverage of the VHIS policy is to include not more than 5 specialist out-patient visits per year or to provide for a requirement as to how to use the "qualifying premiums for direct funding of healthcare cost"<sup>3</sup>, the two proposed amendments are, in our view, inadmissible under RoP 57(4)(a).

5. We also consider that Cap. 112 is not the appropriate forum for the two proposed amendments. The long title of Cap. 112 provides that the Ordinance is "[T]o impose a tax on property, earnings and profits." The scope of Cap. 112 is not related to regulating the coverage or administration cost of health insurance plans. Furthermore, there is no mention in the long title, explanatory memorandum and the LegCo Brief that the Bill intends to change the regulatory regime of the insurance sector under the Insurance Ordinance (Cap. 41). We note that the Insurance Authority, which is established under Cap. 41, does not have power in matters relating to the administration cost of insurance products. It would be inappropriate and disproportional to specify the administration cost of insurance products in the Bill.

6. Our additional response in respect of the two proposed amendments are set out in ensuing paragraphs.

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<sup>3</sup> As explained by Dr Hon KWOK at the Bills Committee meeting on 19 July 2018, the effect of the proposed amendment is to limit the miscellaneous costs, including the administration cost, to not more than 20% of the qualifying premiums.

(a) Coverage of out-patient services

7. The Standard Plan under VHIS has already covered one pre-confinement/day case procedure out-patient visit, and three follow-up out-patient visits after the patient is discharged from the hospital or completion of day case procedure. Extending the coverage of out-patient services would inevitably lead to increase in premium. We consider that the current coverage is an appropriate balance between the affordability and protection of the Standard Plan products. Consumers who would like to have wider coverage could opt for additional outpatient insurance coverage.

(b) Regulation of premium and administration cost

8. In accordance with the free market principle, the Government has no plan to regulate the level of insurance premium (including administration cost). That said, one of the objectives of VHIS is to promote market competition through measures including the extension of coverage to ambulatory procedures and enhancement of premium transparency, etc. These arrangements can help promote healthy market competition among insurers and thus help contain premium inflation.

**Food and Health Bureau**  
**23 August 2018**