File Ref.: TsyB R 183/535-1/5/0 (18-19) (C)

LEGISLATIVE COUNCIL BRIEF

Inland Revenue Ordinance
(Chapter 112)

INLAND REVENUE (AMENDMENT) BILL 2018

INTRODUCTION

At the meeting of the Executive Council on 28 February 2018, the Council ADVISED and the Chief Executive ORDERED that the Inland Revenue (Amendment) Bill 2018 (Bill), at **Annex A**, should be introduced into the Legislative Council (LegCo).

A

JUSTIFICATIONS

Proposed Adjustments for Salaries Tax and Tax under Personal Assessment

2. The Government has proposed in the 2018-19 Budget the following adjustments for salaries tax and tax under personal assessment (PA), with effect from the year of assessment (YA) 2018/19 –

(a) increasing the number of tax bands from four to five with marginal rates at 2%/6%/10%/14%/17% respectively and widening the tax bands from $45,000 to $50,000 each. These adjustments will benefit 1.34 million taxpayers and reduce tax revenue by $4.09 billion a year;

(b) increasing both the child allowance for each eligible child and the additional child allowance in respect of each child born in the year of assessment from $100,000 to $120,000. This measure will benefit 335 000 taxpayers and reduce tax revenue by $1.31 billion a year;

(c) increasing both the dependent parent/grandparent allowance and the additional dependent parent/grandparent allowance for each eligible parent/grandparent from $46,000 to $50,000 (for aged 60 or above, or disabled) and from $23,000 to $25,000 (for aged 55 or above but below 60);

(d) raising the deduction ceiling for elderly residential care expenses for each eligible parent/grandparent from $92,000 to $100,000;

The measures in (c) and (d) will benefit 607 000 taxpayers and reduce tax revenue by $580 million a year; and

(e) introducing a new personal disability allowance of $75,000 for eligible taxpayers with disability. This measure will reduce tax revenue by $450 million a year.

The above adjustments, with the number of estimated beneficiaries, will together reduce tax revenue by $6.43 billion each year.

Proposed One-off Tax Reduction for YA 2017/18

3. The 2018-19 Budget also proposes a one-off reduction of salaries tax, tax under PA and profits tax for YA 2017/18 by 75%, subject to a ceiling of $30,000 per case. The reduction will be reflected in taxpayers' final tax payable for YA 2017/18. The proposed one-off reduction will benefit 1.88 million taxpayers of salaries tax and tax under PA, and 142 000 tax-paying corporations and unincorporated businesses. The revenue forgone amounts to $25.5 billion in total ($22.6 billion for salaries tax and tax under PA; and $2.9 billion for profits tax).

Other Budget measures to be pursued separately

4. The 2018-19 Budget has also announced the following measures which will be implemented by separate legislative exercises –

(a) introducing a new tax deduction for salaries tax and tax under PA for Voluntary Health Insurance Scheme expenses with a ceiling of $8,000 per insured person a year. This measure will be implemented starting from the YA following the passage of the relevant legislative amendments by LegCo; and

(b) removing the restriction that a married person may only elect for PA jointly with his/her spouse.

OTHER OPTIONS

5. Amending the Inland Revenue Ordinance (Cap. 112) (IRO) is the only way to give effect to the relevant proposals in paragraphs 2 and 3. There is no other option.

THE BILL

6. The major provisions of the Bill are set out below –

(a) **Clause 3** adds a new section 28A to the IRO. The new section provides for a new type of allowance, that is, personal disability allowance, to be granted in any YA to a person who is eligible to claim an allowance under the Government's Disability Allowance Scheme in the YA.

(b) **Clause 5** adds a new section 63CA to the IRO. The new section provides for the meaning of certain references in section 63C(1) and other provisions in the IRO for the purposes of calculating the net chargeable income of a person for the year preceding a YA to ascertain the provisional salaries tax of the person for the YA.

(c) **Clause 6** brings in additional grounds on which a person may rely in an application under section 63E(1) of the IRO for the holding over of payment of the provisional salaries tax for a YA. It will serve as standing provisions to facilitate the introduction of concessionary measures for the salaries tax and tax under PA in future. The newly added grounds permit a person to hold over the payment if the person or the person's spouse has paid or is likely to pay expenses of self-education, contributions to recognized retirement schemes, residential care expenses or home loan interest that exceed the amount allowable for deduction for the year preceding the YA. The clause also allows for extension of the time limit for an application on those new grounds. Besides, the clause requires a person's net chargeable income for the year preceding a year of assessment to be calculated with reference to the new section 63CA.

(d) **Clause 8** brings in an additional ground on which a person may rely in an application under section 63J(1) of the IRO, for the holding over of payment of the provisional profits tax for a YA. It will serve as a standing provision to facilitate the introduction of concessionary measures for profits tax in future. The newly added ground permits a person to hold over the payment if the person has paid or is likely to pay mandatory contributions under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) that exceed the amount allowable for deduction for the year preceding the YA. The clause also allows for extension of the time limit for an application on the new ground. Besides, the clause requires a person's assessable profits for the year preceding a year of assessment to be calculated with reference to the new section 63H(2A).

(e) **Clause 9** adds a new section 100 to the IRO. The new section and the new Schedule 44 (added by clause 16) provide for a framework, by reference to the prescribed amount and prescribed percentage, for the reduction of salaries tax, profits tax and tax under PA payable by a person for a YA specified in that Schedule. For the YA 2017/18, the salaries tax, profits tax and tax under PA payable are to be reduced by 75%, subject to a maximum of $30,000 in each case.

(f) **Clause 10** amends Schedule 2 to the IRO to widen the tax bands for the YA 2018/19 and for each subsequent YA.

(g) **Clause 13** amends Schedule 3C to the IRO to update a reference and increase the maximum amount of elderly residential care expenses deductible from assessable income from $92,000 to $100,000 for the YA 2018/19 and for each subsequent YA.

(h) **Clause 15** amends Schedule 4 to the IRO—

(i) to add the amount of $75,000 as a personal disability allowance granted under the new section 28A;

(ii) to increase the amounts of dependent parent allowance and additional dependent parent allowance granted in respect of a parent under section 30(1) of the IRO, both from $46,000 to $50,000;

(iii) to increase the amounts of dependent parent allowance and additional dependent parent allowance granted in respect of a parent under section 30(1A) of the IRO, both from $23,000 to $25,000;

(iv) to increase the amounts of dependent grandparent allowance and additional dependent grandparent allowance granted in respect of a grandparent under section 30A(1) of the IRO, both from $46,000 to $50,000;

(v) to increase the amounts of dependent grandparent allowance and additional dependent grandparent allowance granted in respect of a grandparent under section 30A(1A) of the IRO, both from $23,000 to $25,000; and

(vi) to increase the amounts of child allowance granted under section 31(1) and (1A) of the IRO for each child, both from $100,000 to $120,000, and the maximum amount of those allowances granted to a person both from $900,000 to $1,080,000.

The new personal disability allowance and the increased amounts for the other allowances take effect for the YA 2018/19 and each subsequent YA.

LEGISLATIVE TIMETABLE

7. The legislative timetable is as follows –

Publication in the Gazette	9 March 2018
First Reading and commencement of Second Reading debate	21 March 2018
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

IMPLICATIONS OF THE PROPOSAL

8. We estimate that the proposed adjustments to the salaries tax and tax under PA in paragraph 2 above will reduce tax revenue by $6.43 billion each year. As for the proposed one-off reduction of salaries tax, tax under PA and profits tax for YA 2017/18 in paragraph 3 above, the estimated one-off revenue forgone is $25.5 billion.

9. In 2018-19, revenues from salaries tax, tax under PA and profits tax are estimated to be $214.8 billion after taking into account the adjustments to the salaries tax regime and one-off reduction for salaries tax, tax under PA and profits tax for YA 2017/18.

10. The proposals are in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the IRO and its subsidiary legislation. The economic,
B sustainability and family implications of the proposals are at **Annex B**. The proposals have no productivity, environmental, gender or civil service implications.

PUBLIC CONSULTATION

11. We have formulated the proposals after taking into account views received from LegCo Members and other stakeholders during the Budget consultation process.

Owing to the confidentiality of the Budget, we have not carried out prior consultation for the proposed measures.

PUBLICITY

12. We will issue a press release on 7 March 2018. A spokesperson will be available to answer media and public enquiries.

ENQUIRIES

13. Enquiries on this Brief can be addressed to Ms Pecvin YONG, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
7 March 2018

Annex A

Inland Revenue (Amendment) Bill 2018

Contents

A BILL

To

Amend the Inland Revenue Ordinance to give effect to certain proposals concerning tax concessions in the Budget introduced by the Government for the 2018–2019 financial year; to introduce a new personal disability allowance; to provide for the meaning of certain references for the purposes of calculating a person's net chargeable income for computing provisional salaries tax; to introduce additional grounds for the holding over of payment of provisional salaries tax and provisional profits tax, and provide for the extension of the time limit for an application for the holding over of those taxes on those grounds; and to provide for incidental and related matters.

Enacted by the Legislative Council.

1. Short title

This Ordinance may be cited as the Inland Revenue (Amendment) Ordinance 2018.

2. Inland Revenue Ordinance amended

The Inland Revenue Ordinance (Cap. 112) is amended as set out in sections 3 to 16.

3. Section 28A added

After section 28—

Add

"28A. Personal disability allowance

An allowance of the prescribed amount is to be granted in any year of assessment to a person who is eligible to claim an allowance under the Government's Disability Allowance Scheme in the year of assessment.".

4. Section 63C amended (amount of provisional salaries tax)

(1) Section 63C(1), proviso—

Repeal paragraph (i).

(2) Section 63C(1), proviso, paragraph (ii)—

Repeal

everything from "in respect of" to "assessment,".

5. Section 63CA added

After section 63C—

Add

"63CA. Calculating net chargeable income for computing provisional salaries tax: meaning of certain references

(1) This section applies for the purposes of calculating the net chargeable income of a person for the year preceding a year of assessment to ascertain the provisional salaries tax for the year of assessment (***relevant year of assessment***) under section 63C(1).

(2) For the purposes of deducting any expenses of self-education (as defined by section 12(6)(b)) from a person's assessable income for the year preceding a year of assessment, the reference in section 12(1)(e) to "the amount prescribed in subsection (6)" is taken to be a reference to the amount specified in Schedule 3A for the relevant year of assessment.

(3) For the purposes of deduction from a person's net assessable income for the year preceding a year of assessment, the reference in section 12B(1)(a) to "such deductions as are under Part 4A allowable to that person" is taken to be a reference to—

(a) the deduction under section 26D (elderly residential care expenses) allowable to that person not exceeding the amount specified in Schedule 3C for the relevant year of assessment;

(b) the deduction under section 26E (home loan interest) allowable to that person not exceeding the amount specified in Schedule 3D for the relevant year of assessment; and

(c) the deduction under section 26G (contributions to recognized retirement schemes) allowable to that person not exceeding the amount specified in Schedule 3B for the relevant year of assessment.

(4) For the purposes of deduction from the aggregate of the net assessable incomes of a person and the person's spouse for the year preceding a year of assessment, the reference in section 12B(2)(a) to "such deductions as are under Part 4A allowable to them" is taken to be a reference to—

(a) the deduction under section 26D (elderly residential care expenses) allowable to them not exceeding the amount specified in Schedule 3C for the relevant year of assessment;

(b) the deduction under section 26E (home loan interest) allowable to them not exceeding the amount specified in Schedule 3D for the relevant year of assessment; and

(c) the deduction under section 26G (contributions to recognized retirement schemes) allowable to them not exceeding the amount specified in Schedule 3B for the relevant year of assessment.

(5) For the purposes of deduction from a person's net assessable income for the year preceding a year of assessment, the reference in section 12B(1)(b) to "such allowances as are under Part 5 permitted for that person" is taken to be a reference to the allowances that may be granted to that person under Part 5 for the relevant year of assessment.

(6) For the purposes of deduction from the aggregate of the net assessable incomes of a person and the person's spouse for the year preceding a year of assessment, the reference in section 12B(2)(b) to "such allowances as are under Part 5 permitted in their case" is taken to be a reference to the allowances that may be granted to them under Part 5 for the relevant year of assessment.".

6. Section 63E amended (holding over of payment of provisional salaries tax)

(1) After section 63E(2)(b)—

Add

"(ba) that the person assessed to provisional salaries tax has paid or is likely to pay, during the year of assessment, expenses of self-education (as defined by section 12(6)(b)) that—

(i) are allowable for deduction under section 12; and

(ii) exceed or are likely to exceed the amount specified in Schedule 3A for the year preceding the year of assessment;

(bb) that the person assessed to provisional salaries tax has paid or is likely to pay, during the year of assessment, contributions to a recognized retirement scheme that—

(i) are allowable for deduction under section 26G; and

(ii) exceed or are likely to exceed the amount specified in Schedule 3B for the year preceding the year of assessment;

(bc) that the person assessed to provisional salaries tax, or the person's spouse (not being a spouse living apart from the person), has paid or is likely to pay, during the year of assessment, residential care expenses (as defined by section 26D(5)) that—

(i) are allowable for deduction under section 26D; and

(ii) exceed or are likely to exceed the amount specified in Schedule 3C for the year preceding the year of assessment;

(bd) that the person assessed to provisional salaries tax, or the person's spouse (not being a spouse living apart from the person), has paid or is likely to pay, during the year of assessment, home loan interest (as defined by section 26E(9)) that—

(i) is allowable for deduction under section 26E; and

(ii) exceeds or is likely to exceed—

(A) if the dwelling to which the home loan interest relates is held by the person or the spouse as a sole owner—the amount specified in Schedule 3D for the year preceding the year of assessment;

(B) if the dwelling to which the home loan interest relates is held by the person or the spouse as a joint tenant—the amount

specified in Schedule 3D for the year preceding the year of assessment as divided by the number of joint tenants; or

(C) if the dwelling to which the home loan interest relates is held by the person or the spouse as a tenant in common—the amount specified in Schedule 3D for the year preceding the year of assessment as multiplied by the share of the person or the spouse in the ownership in the dwelling;".

(2) After section 63E(2)—

Add

"(2A) For the purposes of subsection (2)(a) and (b), a person's net chargeable income for the year preceding the year of assessment must be calculated with reference to section 63CA.

(2B) The Commissioner may, if satisfied that it is appropriate, extend (either generally or in a particular case) the time within which an application may be made under subsection (1) on a ground specified in subsection (2)(ba), (bb), (bc) or (bd).".

7. Section 63H amended (amount of provisional profits tax)

After section 63H(2)—

Add

"(2A) Also, in calculating any assessable profits for the year preceding a year of assessment—

(a) for the purposes of computing provisional profits tax under subsection (1), the reference in section 16AA(1) to "the basis period for any year of assessment" is taken to be a reference to the basis period for the year preceding the year of assessment; and

(b) for the purposes of computing provisional profits tax under subsection (1) in respect of the year of assessment (***relevant year of assessment***), the reference in section 16AA(2)(b) to "that year of assessment" is taken to be a reference to the relevant year of assessment.".

8. Section 63J amended (holding over of payment of provisional profits tax)

(1) After section 63J(2)(a)—

Add

"(ab) that the person assessed to provisional profits tax has paid or is likely to pay, during the year of assessment, mandatory contributions that the person is required to pay as a self-employed person under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and the mandatory contributions—

(i) are allowable for deduction under section 16AA; and

(ii) exceed or are likely to exceed the amount specified in Schedule 3B for the year preceding the year of assessment;".

(2) After section 63J(2)—

Add

"(2A) For the purposes of subsection (2)(a), a person's assessable profits for the year preceding the year of assessment must be calculated with reference to section 63H(2A).

(2B) The Commissioner may, if satisfied that it is appropriate, extend (either generally or in a particular case) the time within which an application may be made under subsection (1) on the ground specified in subsection (2)(ab).".

9. Section 100 added

After section 99—

Add

"100. Reduction of taxes

(1) The amount of a person's salaries tax charged under Part 3 for a specified year of assessment is reduced by an amount equal to the lesser of—

(a) the prescribed percentage of the amount of the tax as computed under section 13(1) read together with section 13(2), as in force for the year of assessment; and

(b) the prescribed amount.

(2) The amount of a person's profits tax charged under Part 4 for a specified year of assessment is reduced by an amount equal to the lesser of—

(a) the prescribed percentage of the amount of the tax as computed under section 14(2) read together with sections 14A, 14B, 14D, 14H and 14J, as in force for the year of assessment; and

(b) the prescribed amount.

(3) For a trade, profession or business carried on by a partnership, the reduction under subsection (2) applies to the tax chargeable on the whole of the net assessable profits of the trade, profession or business, whether or

not any of the partners has elected to be assessed in accordance with Part 7 for the specified year of assessment.

(4) The amount of tax charged under Part 7 for a specified year of assessment is reduced by an amount equal to the lesser of—

(a) the prescribed percentage of the amount of the tax as computed under section 43(1) read together with section 43(1A), as in force for the year of assessment; and

(b) the prescribed amount.

(5) For the purposes of section 43(2B), in ascertaining the portion of tax to be charged on each spouse in a specified year of assessment, the amount of tax to be apportioned between the husband and wife is the amount as reduced under subsection (4) for the year of assessment.

(6) In this section—

prescribed amount (訂明款額) and ***prescribed percentage*** (訂明百分率), in relation to a specified year of assessment, mean the amount and percentage specified in column 2 of Schedule 44 opposite to, and for the purposes of, the provisions of this section specified in column 1 of that Schedule, for the specified year of assessment;

specified year of assessment (指明課稅年度) means a year of assessment specified in Schedule 44.".

10. Schedule 2 amended (rates)

(1) Schedule 2, subheading—

Repeal

"For the year of assessment 2017/18 and for each year after that year"

Substitute

"For the year of assessment 2017/18".

(2) At the end of Schedule 2—

Add

"For the year of assessment 2018/19 and for each year after that year

	Second Column	Third Column
(a)	On the first $50,000	2%
(b)	On the next $50,000	6%
(c)	On the next $50,000	10%
(d)	On the next $50,000	14%
(e)	On the remainder	17%".

11. Schedule 3A amended (deduction for expenses of self-education)

Schedule 3A—

Repeal

"[s. 12(6)(a)]"

Substitute

"[ss. 12(6)(a), 63CA & 63E]".

12. Schedule 3B amended (deduction for the purposes of section 16AA or 26G)

Schedule 3B—

Repeal

"[ss. 16AA & 26G]"

Substitute

"[ss. 16AA, 26G, 63CA, 63E & 63J]".

13. Schedule 3C amended (elderly residential care expenses deduction)

(1) Schedule 3C—

Repeal

"[s. 26D]"

Substitute

"[ss. 26D, 63CA & 63E]".

(2) Schedule 3C—

Repeal item 5

Substitute

"5.	For the years of assessment 2016/17 and 2017/18	$92,000
6.	For the year of assessment 2018/19 and for each year after that year	$100,000".

14. Schedule 3D amended (home loan interest deduction)

Schedule 3D—

Repeal

"[s. 26E]"

Substitute

"[ss. 26E, 63CA & 63E]".

15. Schedule 4 amended (allowances)

(1) Schedule 4, subheading—

Repeal

"For the year of assessment 2017/18 and for each year after that year"

Substitute

"For the year of assessment 2017/18".

(2) At the end of Schedule 4—

Add

"For the year of assessment 2018/19 and for each year after that year

	First Column (section)		Second Column (the prescribed amount)
1.	Section 28 (basic allowance)		$ 132,000
2.	Section 28A (personal disability allowance)		$ 75,000
3.	Section 29 (married person's allowance)		$ 264,000
4.	Section 30 (dependent parent allowance)—		
	(a)	subsection (3)(a)	$ 50,000
	(b)	subsection (3)(b)	$ 50,000
	(c)	subsection (3A)(a)	$ 25,000
	(d)	subsection (3A)(b)	$ 25,000
	(e)	subsection (4)(a)	$ 12,000

First Column (section)	Second Column (the prescribed amount)
5. Section 30A (dependent grandparent allowance)—	
(a) subsection (3)(a)	$ 50,000
(b) subsection (3)(b)	$ 50,000
(c) subsection (3A)(a)	$ 25,000
(d) subsection (3A)(b)	$ 25,000
(e) subsection (4)(a)	$ 12,000
6. Section 30B(1) (dependent brother or dependent sister allowance)	$ 37,500
7. Section 31 (child allowance)—	
(a) subsection (1)	$120,000 for each child
(b) subsection (1A)	$120,000 for each child
(c) subsection (5) (in relation to subsection (1))	$1,080,000
(d) subsection (5) (in relation to subsection (1A))	$1,080,000
8. Section 31A(1) (disabled dependant allowance)	$ 75,000

First Column (section)	Second Column (the prescribed amount)
9. Section 32(1) (single parent allowance)	$ 132,000”.

16. Schedule 44 added

The Ordinance—

Add

“Schedule 44

[s. 100]

Reduction of Taxes

For the year of assessment 2017/18

Column 1 (section)	Column 2 (prescribed percentage or prescribed amount)
1. Salaries tax	
(a) section 100(1)(a)	75%
(b) section 100(1)(b)	$30,000
2. Profits tax	
(a) section 100(2)(a)	75%
(b) section 100(2)(b)	$30,000
3. Tax under personal assessment	

	Column 1 (section)	Column 2 (prescribed percentage or prescribed amount)
(a)	section 100(4)(a)	75%
(b)	section 100(4)(b)	$30,000".

Explanatory Memorandum

The objects of this Bill are to amend the Inland Revenue Ordinance (Cap. 112) (***Ordinance***) to give effect to certain proposals concerning tax concessions in the Budget introduced by the Government for the 2018–2019 financial year, to introduce a new personal disability allowance, to provide for the meaning of certain references for the purposes of calculating a person's net chargeable income for computing provisional salaries tax, to introduce additional grounds for the holding over of payment of provisional salaries tax and provisional profits tax, and provide for the extension of the time limit for an application for the holding over of those taxes on those grounds, and to provide for incidental and related matters.

2. Clause 1 sets out the short title.

3. Clause 3 adds a new section 28A to the Ordinance. The new section provides for a new type of allowance to be granted in any year of assessment to a person who is eligible to claim an allowance under the Government's Disability Allowance Scheme in the year of assessment (***personal disability allowance***).

4. Clause 4 repeals certain old references in the proviso to section 63C(1) of the Ordinance.

5. Clause 5 adds a new section 63CA to the Ordinance. The new section provides for the meaning of certain references in section 63C(1) of the Ordinance and other provisions in the Ordinance for the purposes of calculating the net chargeable income of a person for the year preceding a year of assessment to ascertain the provisional salaries tax of the person for the year of assessment.

6. Clause 6 brings in additional grounds on which a person may rely in an application under section 63E(1) of the Ordinance for the holding over of payment of the provisional salaries tax for a year of

assessment. The newly added grounds permit a person to hold over the payment if the person or the person's spouse has paid or is likely to pay expenses of self-education, contributions to recognized retirement schemes, residential care expenses or home loan interest that exceed the amount allowable for deduction for the year preceding the year of assessment. The clause empowers the Commissioner of Inland Revenue to extend the time limit for an application on those new grounds. The clause also requires a person's net chargeable income for the year preceding a year of assessment to be calculated with reference to the new section 63CA.

7. Clause 7 adds a new subsection (2A) to section 63H of the Ordinance to provide for the meaning of certain references for the purposes of computing provisional profits tax under section 63H(1) of the Ordinance.

8. Clause 8 brings in an additional ground on which a person may rely in an application under section 63J(1) of the Ordinance for the holding over of payment of the provisional profits tax for a year of assessment. The newly added ground permits a person to hold over the payment if the person has paid or is likely to pay mandatory contributions under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) that exceed the amount allowable for deduction for the year preceding the year of assessment. The clause empowers the Commissioner of Inland Revenue to extend the time limit for an application on the new ground. The clause also requires a person's assessable profits for the year preceding a year of assessment to be calculated with reference to the new section 63H(2A).

9. Clause 9 adds a new section 100 to the Ordinance. The new section and the new Schedule 44 (added by clause 16) provide for a framework, by reference to the prescribed amount and prescribed percentage, for the reduction of salaries tax, profits tax and tax

under personal assessment payable by a person for a year of assessment specified in that Schedule. For the year of assessment 2017/18, the salaries tax, profits tax and tax under personal assessment payable are to be reduced by 75%, subject to a maximum of $30,000 in each case.

10. Clause 10 amends Schedule 2 to the Ordinance to widen the marginal tax bands for the year of assessment 2018/19 and for each subsequent year of assessment.

11. Clauses 11, 12 and 14 update certain references in Schedules 3A, 3B and 3D to the Ordinance.

12. Clause 13 amends Schedule 3C to the Ordinance to update a reference and increase the maximum amount of elderly residential care expenses deductible from assessable income from $92,000 to $100,000 for the year of assessment 2018/19 and for each subsequent year of assessment.

13. Clause 15 amends Schedule 4 to the Ordinance—

(a) to add the amount of $75,000 as a personal disability allowance granted under the new section 28A;

(b) to increase the amounts of dependent parent allowance and additional dependent parent allowance granted in respect of a parent under section 30(1) of the Ordinance, both from $46,000 to $50,000;

(c) to increase the amounts of dependent parent allowance and additional dependent parent allowance granted in respect of a parent under section 30(1A) of the Ordinance, both from $23,000 to $25,000;

(d) to increase the amounts of dependent grandparent allowance and additional dependent grandparent allowance granted in respect of a grandparent under section 30A(1) of the Ordinance, both from $46,000 to $50,000;

(e) to increase the amounts of dependent grandparent allowance and additional dependent grandparent allowance granted in respect of a grandparent under section 30A(1A) of the Ordinance, both from $23,000 to $25,000; and

(f) to increase the amounts of child allowance granted under section 31(1) and (1A) of the Ordinance for each child, both from $100,000 to $120,000, and the maximum amount of those allowances granted to a person both from $900,000 to $1,080,000.

The new personal disability allowance and the increased amounts for the other allowances take effect for the year of assessment 2018/19 and each subsequent year of assessment.

<u>Annex B</u>

Economic, Sustainability and Family Implications of the Proposal

Economic Implications

The proposed concessionary tax measures will help reduce the financial burden of taxpayers and stimulate local consumption. In addition, the proposed one-off reduction of profits tax will enable enterprises to have more disposable funds.

Sustainability Implications

2. The proposed concessionary tax measures are expected to generate economic benefits to households through increasing their disposable incomes as well as to promote social harmony through alleviating taxpayers' burden in maintaining children and dependent parents/grandparents and relieving the tax burden of the working disabled. The proposed one-off reduction of profits tax will encourage enterprises to make more reinvestment with a view to enhancing their competitiveness.

Family Implications

3. The introduction of the new personal disability allowance would relieve the tax burden of the working disabled and promote better family support. The proposed increases in the child allowance and dependent parent/grandparent allowance will help strengthen taxpayers' capability to foster care of their family members.