

立法會
Legislative Council

LC Paper No. CB(1)1001/18-19
(These minutes have been seen
by the Administration)

Ref : CB1/BC/8/18/2

Bills Committee on Inland Revenue (Amendment)(Tax Concessions) Bill 2019

Minutes of meeting
held on Wednesday, 3 April 2019, at 8:30 am
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Kenneth LEUNG (Chairman)
Hon WONG Ting-kwong, GBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP

Member absent : Hon WU Chi-wai, MH

Public Officers attending : **For item II**

Financial Services and the Treasury Bureau

Mr Andrew LAI, JP
Deputy Secretary (Treasury)2

Ms Pecvin YONG
Principal Assistant Secretary (Treasury) (Revenue 1)

Inland Revenue Department

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

Ms CHAN Ut-chan
Senior Assessor (Research)3

Department of Justice

Ms Amy CHAN
Senior Assistant Law Draftsman (Acting)

Clerk in Attendance : Ms Angel SHEK
Chief Council Secretary (1)1

Staff in attendance : Miss Linda CHAN
Assistant Legal Adviser 11

Miss Bowie LAM
Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

Action

I. Election of Chairman

Election of Chairman

Mr WONG Ting-kwong, the member who had the highest precedence among members of the Bills Committee present at the meeting, presided at the election of Chairman of the Bills Committee.

2. Mr WONG Ting-kwong invited nominations for the chairmanship of the Bills Committee. Dr KWOK Ka-ki nominated Mr Kenneth LEUNG, and the nomination was seconded by Mr WONG Ting-kwong. Mr LEUNG accepted the nomination.

3. There being no other nominations, Mr Kenneth LEUNG was declared Chairman of the Bills Committee. Mr LEUNG then took the chair.

4. Members agreed that there was no need to elect a Deputy Chairman.

Action

II. Meeting with the Administration

- (LC Paper No. CB(3)437/18-19 — The Bill
- File Ref: TsyB R 183/535-1/5/0 (19-20) (C)— Legislative Council Brief
- LC Paper No. LS58/18-19 — Legal Service Division Report
- LC Paper No. CB(1)819/18-19(01) — Marked-up copy of the Bill prepared by the Legal Service Division (Restricted to members))

Discussion

5. The Bills Committee deliberated and completed clause-by-clause examination of the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") (index of proceedings attached at the **Annex**).

Follow-up actions to be taken by the Administration

Proposed one-off reductions of salaries tax, tax under personal assessment and profits tax under the Bill

6. The Administration was requested to provide supplementary information/written response on the following:
- (a) the number of taxpayers who had paid salaries tax and tax under personal assessment for previous year(s) of assessment ("YAs") but would not benefit from the proposed one-off reductions of these taxes for YA 2018-2019 due to lowered or no income;
 - (b) the number of tax-paying corporations and unincorporated businesses which had paid profits tax for previous YAs but would not benefit from the proposed one-off reduction of this tax for YA 2018-2019 due to losses;
 - (c) in relation to taxpayers, tax-paying corporations and unincorporated businesses in (a) and (b) above, whether the Administration would consider introducing tax concessionary measures to help them tide over financial difficulty, including:

Action

- (i) one-off tax rebates calculated with reference to the amount (or average amount) of salaries tax, tax under personal assessment and profits tax paid for previous YAs, and subject to a ceiling of \$20,000 per case; and/or
- (ii) allowing losses made in an accounting year to be carried backward for setting off against the profits of tax-paying corporations and unincorporated businesses.

2019-2020 Budget

7. The Administration was requested to consider introducing more concessionary measures under the 2019-2020 Budget, or adjusting the current proposal under the Bill, with a view to providing more assistance to the needy (including those not benefitting from the proposed one-off tax reductions under the Bill), in particular if the actual surplus far exceeded the forecast surplus of \$58.7 billion for the financial year 2018-2019.

(Post-meeting note: The Administration's written response was circulated to members on 11 April 2019 vide LC Paper No. CB(1)854/18-19(02).)

Invitation of public views and date of next meeting

8. On the instruction of the Chairman, a notice would be posted on the website of the Legislative Council ("LegCo") to invite the public to provide written submissions on the Bill. Subject to any views members might have on (a) the Administration's written response on the outstanding issues and (b) the written submissions (if any), the Chairman would decide whether a further meeting was necessary.

(Post-meeting note: A notice was posted on the LegCo website on 3 April 2019 and invitation letters were sent to the District Councils on the same day. A written submission had been received, which was circulated to members on 11 April 2019 vide LC Paper No. CB(1)854/18-19(03).)

Legislative timetable

9. Members noted that the Administration would advise the Bills Committee in due course on the proposed date for resumption of the Second Reading debate on the Bill. The Chairman would report the deliberations of the Bills Committee to the House Committee in accordance with the legislative timetable.

Action

(Post-meeting note: The Chairman reported the deliberations of the Bills Committee to the House Committee on 26 April 2019. The Administration had indicated its intention to resume the Second Reading debate on the Bill at the Council meeting of 15 May 2019, but subsequently informed the Secretariat that it would resume the Second Reading debate on the Bill at a later Council meeting. Members were informed of the above arrangements on 25 April 2019 vide LC Paper No. CB(1)948/18-19.)

III. Any other business

10. There being no other business, the meeting ended at 9:44 am.

Council Business Division 1
Legislative Council Secretariat
3 May 2019

Bills Committee on Inland Revenue (Amendment)(Tax Concessions) Bill 2019

**Proceedings of the first meeting
on Wednesday, 3 April 2019, at 8:30 am
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker	Subject	Action required
<i>Agenda Item I - Election of Chairman</i>			
000947 - 001056	Mr WONG Ting-kwong Mr Kenneth LEUNG Dr KWOK Ka-ki	Election of Chairman	
<i>Agenda Item II - Meeting with the Administration</i>			
001057 – 001205	Chairman	Opening remarks	
001206 - 001418	Administration	Briefing by the Administration on the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 ("the Bill") which sought to give effect to the proposed one-off reductions of salaries tax, tax under personal assessment and profits tax for year of assessment ("YA") 2018-2019 by 75%, subject to a ceiling of \$20,000 per case, as announced in the 2019-2020 Budget.	
001419 - 001917	Chairman Dr KWOK Ka-ki Administration	<p>Discussion on:</p> <p>(a) the justifications to offer one-off profits tax reduction to tax-paying corporations and unincorporated businesses; and</p> <p>(b) measures to help small and medium-sized enterprises ("SMEs"), in particular needy enterprises not making profits at all or even sustaining losses, which would not benefit from the proposed one-off profits tax reduction.</p> <p>The Administration explained that apart from the proposed one-off profits tax reduction, there were other measures in the 2019-2020 Budget to support enterprises. For instance, the business registration fees for 2019-2020 were waived; and the scope and funding of the Dedicated Fund on Branding, Upgrading and Domestic Sales were expanded.</p> <p>In response to the Chairman's enquiry, the Administration explained the treatment of losses for profits tax which could be carried forward by</p>	

Time marker	Speaker	Subject	Action required
		the enterprises for off-setting profits in future years.	
001918 - 003640	Chairman Dr KWOK Ka-ki Administration Assistant Legal Adviser ("ALA")	<p>As a two-tiered profits tax rates regime had been introduced starting from 2018-2019, Dr KWOK queried the need to continue offering one-off reduction of profits tax to corporations and unincorporated businesses.</p> <p>Discussion on:</p> <p>(a) Dr KWOK's suggestion to offer one-off tax rebates calculated with reference to the amount (or average amount) of profits tax paid for previous YAs, and subject to a ceiling of \$20,000 per case; and</p> <p>(b) the suggestion from various sectors of allowing losses made in an accounting year to be carried backward for setting off against the profits of tax-paying corporations and unincorporated businesses.</p> <p>The Administration explained the difficulties to implement the above suggestions taking into account fiscal management, the narrow tax base of Hong Kong, and the one-off nature of profits tax reductions for previous YAs. Besides, there were other measures in the 2019-2020 Budget to support local enterprises, including those helping enterprises expand the market coverage or resolve liquidity problems under the SME Financing Guarantee Scheme.</p> <p>ALA advised that it might not be practicable to implement the suggested one-off tax rebates based on profits tax paid for previous YAs because the profits tax in question had already been paid and one-off profits tax reductions (if applicable) had already been provided for those YAs.</p> <p>The Chairman pointed out that as the suggestion of one-off tax rebates would involve changes to profits tax computation for YA 2017-2018 or before, it was outside the scope of the Bill which sought to implement one-off tax reductions for YA 2018-2019 only.</p>	Admin (paragraph 6(b) and (c) of the minutes refers)
003641 - 003801	Chairman Dr KWOK Ka-ki Administration	Dr KWOK pointed out that individuals with lowered or no income and hence not chargeable to salaries tax and tax under personal assessment	

Time marker	Speaker	Subject	Action required
		<p>would not benefit from the proposed one-off reductions of those taxes in YA 2018-2019 even though these individuals should warrant more financial assistance than those better-off taxpayers.</p> <p>Discussion on Dr KWOK's suggestion to offer one-off tax rebates calculated with reference to the amount (or average amount) of salaries tax and tax under personal assessment paid for previous YAs, and subject to a ceiling of \$20,000 per case.</p>	Admin (paragraph 6(a) and (c)(i) of the minutes refers)
003801 - 004228		Suspension of meeting	
004229 - 005215	Chairman Mr KWOK Wai-keung Administration	<p>Mr KWOK stated that Members belonging to The Hong Kong Federation of Trade Unions considered that the tax concessions offered for individuals under the 2019-2020 Budget were insufficient. He suggested that the Administration should introduce more concessionary measures under the 2019-2020 Budget, or adjust the current proposal under the Bill, with a view to providing more assistance to the needy (including those not benefitting from the proposed one-off tax reductions under the Bill). In his view, resources should be made available for offering additional concessionary measures if the actual budget surplus far exceeded the forecast surplus of \$58.7 billion for the financial year 2018-2019.</p> <p>Mr KWOK also queried whether it was justified to offer one-off profits tax reduction to tax-paying corporations and unincorporated businesses in the light of the two-tiered profits tax regime.</p> <p>The Administration pointed out that:</p> <p>(a) one-off profits tax reduction used to be offered together with one-off reductions of salaries tax and tax under personal assessment in previous Budgets. The offer continued this year after taking into account the fiscal position and the direction of supporting enterprises;</p> <p>(b) the revenue forgone for profits tax was \$1.9 billion as compared to the \$17 billion</p>	Admin (paragraph 7 of the minutes refers)

Time marker	Speaker	Subject	Action required
		<p>revenue forgone for salaries tax and tax under personal assessment;</p> <p>(c) other measures were offered in the 2019-2020 Budget to needy families, such as providing extra allowance to recipients of the Working Family Allowance/Comprehensive Social Security Allowance and paying the examination fees for school candidates sitting for the 2020 Hong Kong Diploma of Secondary Education Examination; and</p> <p>(d) various adjustments were made in the past few years in respect of salaries tax and tax under personal assessment to relieve the tax burden of taxpayers. For instance, the number of tax bands had been increased from four to five from YA 2018-2019 and the tax band was widened from \$40,000 to \$50,000 during the past two YAs. Marginal tax rates were also adjusted.</p>	
005216 - 005546	Chairman Mr WONG Ting-kwong Administration	Mr WONG conveyed the support from Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong for early passage of the Bill to implement the proposed one-off tax reductions to help relieve the tax burden on taxpayers. He considered that members' suggestions of providing additional concessionary measures were outside the scope of the Bill and should be pursued in other contexts.	
005547 - 005921	Chairman Mr KWOK Wai-keung Administration	Discussion on the legislative timetable of the Bill.	
005922 - 011401	Chairman Dr KWOK Ka-ki Administration	<p>Further discussion on Dr KWOK's suggestion to offer one-off tax rebates calculated with reference to the amount (or average amount) of salaries tax and tax under personal assessment paid for previous YAs, and subject to a ceiling of \$20,000 per case.</p> <p>In response to the Chairman's enquiry, the Administration explained the current tax bands and marginal rates for salaries tax and tax under personal assessment.</p>	

Time marker	Speaker	Subject	Action required
		The Chairman requested the Administration to convey members' views to the Financial Secretary for consideration of introducing more concessionary measures under the 2019-2020 Budget, or adjusting the current proposal under the Bill, with a view to providing more assistance to the needy (in particular those not benefitting from the proposed one-off tax reductions under the Bill).	Admin (paragraph 7 of the minutes refers)
<p><u>Clause-by-clause examination of the Bill</u> [The Bill (LC Paper No. CB(3)437/18-19)] [Marked-up copy of the Bill prepared by the Legal Service Division (LC Paper No. CB(1)819/18-19(01))]</p>			
011402 - 011624	Chairman Administration	<p>Clause 1 — Short title</p> <p>Clause 2 — Inland Revenue Ordinance amended</p> <p>Clause 3 — Section 14 amended (charge of profits tax)</p> <p>Clause 4 — Section 100 amended (reduction of taxes)</p> <p>Clause 5 — Schedule 43 amended (reduction of taxes)</p> <p>Members raised no query.</p>	
<p><i>Agenda Item III — Any other business</i></p>			
011625 - 011833	Chairman	<p>Invitation of public views</p> <p>Legislative timetable</p>	Clerk (paragraph 8 of the minutes refers)