

立法會
Legislative Council

LC Paper No. LS58/18-19

**Paper for the House Committee Meeting
on 22 March 2019**

**Legal Service Division Report on
Inland Revenue (Amendment) (Tax Concessions) Bill 2019**

I. SUMMARY

- 1. The Bill** The main object of the Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to a proposal concerning tax concessions in the Budget introduced by the Government for the 2019-2020 financial year, namely, reducing the salaries tax, profits tax and tax under personal assessment payable for the year of assessment 2018/19 by 75%, subject to a ceiling of \$20,000 in each case.
- 2. Public Consultation** No formal consultation on the proposal in the Bill, but the Administration has conducted consultations with Legislative Council Members and other stakeholders during the Budget consultation process.
- 3. Consultation with LegCo Panel** The Panel on Financial Affairs has not been consulted on the Bill.
- 4. Conclusion** No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' views, the Bill is ready for resumption of Second Reading debate.

II. REPORT

The date of First Reading of the Bill is 20 March 2019. Members may refer to the Legislative Council ("LegCo") Brief (File Ref.: TsyB R 183/535-1/5/0 (19-20) (C)) issued by the Financial Services and the Treasury Bureau on 6 March 2019 for further details.

Object of the Bill

2. The main object of the Bill is to amend the Inland Revenue Ordinance (Cap. 112) to give effect to a proposal concerning tax concessions in the Budget introduced by the Government for the 2019-2020 financial year ("Budget").

Provisions of the Bill

One-off tax reductions for the year of assessment 2018/19

3. The Budget proposes one-off reductions of salaries tax, tax under personal assessment and profits tax for the year of assessment 2018/19 by 75%, subject to a ceiling of \$20,000 in each case¹. Clause 5 of the Bill seeks to amend Schedule 43 to Cap. 112 to give effect to the proposal.

Other amendments

4. The Bill also seeks to amend sections 14(5) and 100(2) of Cap. 112 as follows:

- (a) Under section 14(5) of Cap. 112, certain qualifying corporations² are entitled to, by way of election in writing, have a portion of its assessable profits chargeable to profits tax at one-half of the rate specified in Schedule 8 to Cap. 112. While the election is made under section 14B(2)(b), the existing section 14(5) refers to "section 14B(2)(a)". Clause 3 of the Bill seeks to correct the cross-reference to "section 14B(2)(a)" in section 14(5) by replacing it with "section 14B(2)(b)".
- (b) Section 100(2) of Cap. 112 provides for the way of computing the amount of the profits tax chargeable on a person other than a corporation under section 14(2) of Cap. 112. Clause 4(1) of the Bill seeks to amend

¹ Paragraphs 108(a) and (b) of the 2019-20 Budget Speech by the Financial Secretary moving the Second Reading of the Appropriation Bill 2019 ("the Budget Speech").

² These qualifying corporations include qualifying reinsurance business and captive insurance business under section 14B of Cap. 112, qualifying corporate treasury centres under section 14D, qualifying aircraft lessors under section 14H and qualifying aircraft leasing managers under section 14J.

section 100(2)(a) of Cap. 112 by replacing the reference to section "14(2)" with "14(2), (3), (4) and (5)", so that the way of computing profits tax provided in section 100(2) of Cap. 112 would also apply to corporations (including corporations which are partners in partnerships).

Commencement

5. The Bill, if passed, would come into operation on the day on which it is published in the Gazette as an Ordinance.

Public Consultation

6. According to paragraph 9 to the LegCo Brief, owing to the confidentiality of the Budget, the Administration has not carried out prior consultation for the proposed measures. However, the Administration has formulated the proposals after taking into account views received from LegCo Members and other stakeholders during the Budget consultation process.

Consultation with LegCo Panel

7. According to the Clerk to the Panel on Financial Affairs, the Panel has not been consulted on the Bill.

Conclusion

8. No difficulties relating to the legal and drafting aspects of the Bill have been identified. Subject to Members' views, the Bill is ready for resumption of Second Reading debate.

Prepared by

Linda CHAN
Assistant Legal Adviser
Legislative Council Secretariat
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