

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)040**

**(Question Serial No. 2175)**

Head: (76) Inland Revenue Department

Subhead (No. & title): ( )

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Government will introduce the measures of: “reducing salaries tax and tax under personal assessment for the year of assessment 2019/20 by 100 per cent, subject to a ceiling of \$20,000 ... This will benefit 1.95 million taxpayers”; and “reducing profits tax for the year of assessment 2019/20 by 100 per cent, subject to a ceiling of \$20,000”. In this regard, will the Government inform this Committee of the following:

1. If the reduction rates of salaries tax and tax under personal assessment for the year of assessment 2019/20 are respectively set at (i) 75 per cent and (ii) 100 per cent; and the ceilings of the reduction amounts are respectively capped at (a) \$20,000, (b) \$30,000, (c) \$40,000 and (d) \$50,000, what will be the respective estimated amounts of government revenue forgone as a result? How many taxpayers of Hong Kong will be benefited?
2. If the reduction rate of profits tax for the year of assessment 2019/20 is set at (i) 75 per cent and (ii) 100 per cent respectively; and the ceilings of the reduction amounts are respectively capped at (a) \$20,000, (b) \$30,000, (c) \$40,000 and (d) \$50,000, what will be the respective estimated amounts of government revenue forgone as a result? How many taxpayers of Hong Kong will be benefited?
3. The Financial Secretary, when being interviewed by the media after delivery of the Budget Speech, mentioned several times that the option of introducing new taxes, including sales tax, would not be ruled out. What research studies have been conducted by the Government in the past three years for broadening the tax base and the introduction of new taxes? What was the total amount of the separate costs involved (e.g. costs for hiring consultants to conduct research work)?

Asked by: Hon LEUNG Mei-fun, Priscilla (LegCo internal reference no.: 74)

Reply:

- (1) and (2) It is proposed in the Budget that salaries tax, tax under personal assessment and profits tax for the year of assessment 2019/20 will be reduced by 100 per cent, subject to a ceiling of \$20,000 per case. The measures will benefit about 1.95 million payers of salaries tax and tax under personal assessment in Hong Kong and 141 000 tax-paying corporations and unincorporated businesses. The government revenue will be reduced by about \$20.8 billion. If the ceiling of tax reduction is to be set at a higher level, the overall number of taxpayers to be benefited will remain the same, but the individuals and enterprises chargeable to higher amounts of tax will enjoy greater amount of tax concessions, which in turn, will further reduce government revenue. Taking into account factors such as the needs and the views of various sectors of the community, the economic situation of Hong Kong and the financial burden of the Government, we considered that the tax concession measures announced in the Budget are appropriate.
- (3) To ensure fiscal sustainability, the Government has to, apart from containing expenditure growth, maintain the growth and vibrancy of the economy and identify new areas of economic growth to increase revenue. Besides, we may have to consider seeking new revenue sources or revising tax rates. The one-off relief measures may also have to be progressively reduced.

The Government maintains an open mind on seeking new revenue sources or revising tax rates, and there is no specific plan at this stage. We will take the views of different sectors into account thoroughly in considering any proposal.

Conducting research and study on tax policies is part of the daily work of the relevant staff of the department. No specific provision on expenditure has been made for this area of work in the past 3 years.

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