

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2692)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please inform this Committee of the following:

1. How many enterprises benefitted from the two-tiered profits tax rates regime in each of the past 3 financial years? Please set out the numbers of corporations and unincorporated businesses respectively and the revenue forgone resulting from the regime for each year.
2. Currently, the application of the two-tiered profits tax rates is restricted to only one enterprise nominated among connected entities. Does the Government have any plans to relax such requirement in order to benefit more small and medium enterprises? If yes, what are the details? If no, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 4)

Reply:

1. In the financial years from 2020-21 to 2022-23, the number of enterprises that benefitted from the two-tiered profits tax rates regime and the amount of revenue forgone due to the implementation of the regime are as follows:

Financial year	Number of beneficiary enterprises		Amount of profits tax revenue forgone (\$billion)
	Corporations	Unincorporated businesses	
2020-21	76 500	15 400	5.862
2021-22	78 000	15 000	5.723
2022-23 (as at 28 February 2023)	83 600	16 100	6.367

2. The policy objective of the two-tiered profits tax rates regime is to reduce the tax burden on enterprises, especially small and medium enterprises (SMEs). The current practice of restricting the application of the two-tiered profits tax rates regime to only one enterprise nominated among connected entities is to prevent a vast number of entities within a multinational group or listed company from benefitting from the two-tiered tax regime, thereby ensuring that the beneficiary enterprises are mainly SMEs. We have no plan to relax the requirement at present.

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