Annex

Details of the proposed accelerated tax deduction for environment-friendly vehicles are set out below -

- A 100% deduction under profits tax will be provided in the year of purchase for the capital expenditure incurred on the provision of eligible vehicle.

- After the enactment of the amendments to the Inland Revenue Ordinance (IRO), taxpayers may claim the deductions in their profits tax returns for 2010-11 and subsequent years of assessment.

- Eligible environment-friendly vehicles are divided into three categories as listed in the proposed Part 3 of Schedule 17 to the IRO:

  (a) vehicles qualified for the “Tax Incentives Scheme for Environment-friendly Commercial Vehicles” and the “Tax Incentives Scheme for Environment-friendly Petrol Private Cars” administered by the Environmental Protection Department (EPD);

  (b) hybrid electric vehicles; and

  (c) electric vehicles.

  For vehicles mentioned in (a) above, only those vehicle models approved by EPD will be eligible for the proposed tax concession. EPD will annually review and tighten the qualifying standards of these two schemes to restrict the concession to vehicles of outstanding environmental performance. Any new qualifying standards will be effective on April 1 each year and vehicles meeting only the previous standards will no longer be eligible for the concession.

  For hybrid electric vehicles and electric vehicles, EPD will publish and update the list of models available in the local market from time to time for public reference.

- Apart from businesses which buy brand new environment-friendly vehicles, the proposed tax concession will also be applicable to businesses which buy second-hand vehicles as long as the second-hand vehicles are eligible environment-friendly vehicles at the time of purchase.

- Businesses using environment-friendly vehicles purchased before implementation of the proposal may elect to have the reducing value of the vehicles under the depreciation allowance regime fully deducted in 2010-11.