

Press release

Legislative Council passes Revenue Bill 2008

Thursday, June 26, 2008

The Revenue Bill 2008, which seeks to implement a number of the revenue measures announced in the 2008-09 Budget, was passed by the Legislative Council today (June 26).

The Hotel Accommodation Tax Ordinance (Cap. 348) and the Inland Revenue Ordinance (Cap. 112) will be amended to effect the relevant revenue proposals.

The proposal to waive the hotel accommodation tax will be effected by amending the Hotel Accommodation Tax Ordinance and will come into effect on July 1, 2008. Other proposals relating to salaries tax, tax under personal assessment, profits tax and property tax will be effected by amending the Inland Revenue Ordinance.

There are five proposals under the Inland Revenue Ordinance. The first proposal is to reduce the standard rate and the corporate profits tax rate from 16% to 15% and from 17.5% to 16.5% respectively.

The second proposal is to increase the basic allowance and single parent allowance under salaries tax from \$100,000 to \$108,000 and married person's allowance from \$200,000 to \$216,000. It is also proposed that each tax band be widened from \$35,000 to \$40,000.

The third proposal is to increase the deduction ceiling for approved charitable donations under profits tax, salaries tax and tax under personal assessment from 25% to 35% of assessable profits/income.

The fourth proposal is to allow a 100% profits tax deduction for capital expenditure on environment-friendly machinery and equipment in the year of purchase and to shorten the depreciation period for environment-friendly installations mainly ancillary to buildings from the usual 25 years to five years.

The four proposals above will take effect from the year of assessment 2008-09.

The fifth proposal is to reduce the salaries tax, tax under personal assessment, profits tax and property tax for 2007-08 by 75%, subject to a ceiling of \$25,000 for each case. The reduction will be reflected in the taxpayer's final tax payable for 2007-08.

The proposal to waive the hotel accommodation tax will cost the Government \$470 million a year. The proposal to lower the standard rate and corporate profits tax rate will cost the Government about \$5,360 million a year. The proposal to increase the personal allowances and widen the tax bands will cost the Government about \$2,310 million a year. The proposal to increase the deduction ceiling for approved charitable donations will cost the Government about \$80 million a year. The proposal to reduce salaries tax, tax under personal assessment, profits tax and property tax for 2007-08 by 75%, subject to a ceiling of \$25,000 for each case, will cost the Government about \$14,810 million in 2008-09. It is difficult to assess the financial implications of allowing a more concessionary profits tax deduction for capital expenditure on environment-friendly facilities but the impact is not expected to be significant.

Ends