

Transcript of remarks by SFST at media session

Wednesday, August 16, 2017

Following is the transcript of remarks by the Secretary for Financial Services and the Treasury, Mr James Lau, at a media session at the lobby of the West Wing, Central Government Offices, this afternoon (August 16):

Reporter: Mr Lau, does the Government have any timetable for implementing the two-tier tax system and also the super reduction on the research and other ...?

Secretary for Financial Services and the Treasury: Actually we are now right in the midst of the study. What we intend to do is we will be actually doing a conceptual framework, and also we will be looking at the legislative implications and also the fiscal implications, and also the economic impact of the measures. What we intend to do is we will be reporting to the Financial Secretary and then will be reporting them to the Chief Executive. Thereafter, because these would involve legislative changes, this is not just a policy issue. Because we have to change the law, the primary legislation, so I expect that if these are to come into effect, that would be probably around the middle or the end of next year. So let's say around the second half of next year.

Reporter: Do you worry that filibustering at the Legislative Council (LegCo) will affect the process of implementing the two-tier profits tax system?

Secretary for Financial Services and the Treasury: We will be actually looking at the Inland Revenue Ordinance, and we will be looking at the implication of the changes. When we put a legislative proposal to the LegCo, we will need to explain the justification for the purpose of the amendments, the impact - as the answer I just gave - and the rationale for the changes. And then it will be for the LegCo to consider whether the proposed tiering, and maybe there might be qualifications or restrictions on which corporations will be eligible, for example, for the two-tier. For example, for a major corporation, a mega one, how would they be entitled to so-called claim or to benefit from the two-tier taxation arrangement? So these are things that we will need to study in detail, and we will be explaining that to the LegCo, and then the LegCo would have to see whether it is satisfied with the explanation from the administration. If they agree then of course it can be put into effect after going through the Bills

Committee process and so forth.

Reporter: So you don't worry about the political dispute in the LegCo?

Secretary for Financial Services and the Treasury: I won't say it's an open-and-shut case. I won't say obvious, but it's pretty clear that this sort of measure, because this is not a new thing in Hong Kong, it's not rocket science. There are other jurisdictions that are also implementing similar, whether it's R&D enhanced deduction or tiering of profits tax. It's just that in Hong Kong, our system has always been a very simple taxation system. That's why it's not the kind of a hindsight, but it's that we have been adhering to a simple arithmetic - 16.5 per cent. When we do tiering, of course we will be actually sort of adding complication or complexity to the system, but that is with a view to benefiting the economy as a whole, and therefore we believe that this is the basis on which we will provide the economic justification and the wider positive impact for Hong Kong. So I would hope that the LegCo can clearly see the pluses in this case. Now there might be considerations on the scoping of the concessions or whether we are too restrictive or whether we should be doing something else as well. But I think, as the Chief Executive has outlined in her manifesto, this is the direction in which we are moving, and therefore we believe that, I won't say it's necessarily easy passage, but I think we will be able to explain and get the support from the LegCo.

(Please also refer to the Chinese portion of the transcript.)

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