

## **Press release**

### **Revenue Bill 2008 gazetted**

Friday, April 25, 2008

The Revenue Bill 2008, which seeks to implement a number of the revenue measures announced in the 2008-09 Budget, was gazetted today (April 25).

Under the Bill, 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.

"Waiving the hotel accommodation tax can promote inbound tourism and enhance the competitiveness of our hotel industry," a government spokesman said.

Other proposals relating to salaries tax, tax under personal assessment, profits tax and property tax will be effected by amending the Inland Revenue Ordinance.

The first proposal to be made by amending the Inland Revenue Ordinance is to implement the measures announced in the 2007 Policy Address that the standard rate and the corporate tax rate be reduced 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.

"This proposal can respond to calls from the community to revert the personal allowances under salaries tax to their 2002-03 levels and to further widen the tax band," the spokesman said.

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 to be effected by amending the Inland Revenue Ordinance 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. "Since the fiscal position in 2007-08 was considerably better than estimated, the Government proposes this one-off measure to share wealth with the community." He added that the reduction would be reflected in the taxpayer's final tax payable for 2007-08.

It is estimated that 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 tax rate will cost the Government about \$5.36 billion a year. The proposal to increase personal allowances and widen tax bands will cost the Government about \$2.31 billion 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 \$14.81 billion 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.

The Bill will be introduced into the Legislative Council on May 7, 2008.

Ends