

Inland Revenue (Amendment) (No. 7) Bill 2018 to be gazetted

The Inland Revenue (Amendment) (No. 7) Bill 2018 (Amendment Bill) will be gazetted on November 2. It seeks to:

- (a) align the tax treatment of financial instruments with their accounting treatment;
- (b) allow the deduction of interest expenses payable to overseas export credit agencies;
- (c) refine the provisions that implement the arrangement for automatic exchange of financial account information in tax matters (AEOI);
- (d) avoid potential double non-taxation of income of visiting teachers and researchers; and
- (e) revise the meaning of the sibling relationship.

"The current accounting standard requires certain entities to account for financial instruments on a fair value basis. The provision of an option for profits tax payers to elect to have financial instruments taxed on the same basis will facilitate their efforts in preparing the necessary tax returns. Separately, the proposal of allowing deduction of the interest expenses payable to overseas export credit agencies should help foster trading activities between Hong Kong and other places," a Government spokesman said.

The Amendment Bill also includes refinements to the AEOI regime implemented since 2017, so as to closely follow the requirements promulgated by the Organisation for Economic Co-operation and Development. "The amendments related to AEOI are particularly crucial for Hong Kong to preserve its competitiveness and reputation as an international financial and business centre," the spokesman added.

The Government has also proposed amendments to the Inland Revenue Ordinance (IRO) to avoid potential double non-taxation of income of visiting teachers and researchers arising from the introduction of tax exemption for teachers and researchers in comprehensive avoidance of double taxation agreements/arrangements (CDTAs) signed by Hong Kong. Such an exemption arrangement has already been included in the CDTA signed with Saudi Arabia, and the Government plans to include an exemption in the one with the Mainland so as to relieve tax burden for Hong Kong teachers and researchers working in the Mainland.

Moreover, to promote family support, the Amendment Bill proposes expansion of the meaning of "brother and sister" under the IRO to cover some cases related to adopted persons in determining the eligibility for dependent brother or dependent sister allowance.

The Amendment Bill will be introduced into the Legislative Council on November 14.

[Space Museum launches new sky show “Norman the Snowman – On a Night of Shooting Stars” \(with photos\)](#)

The Hong Kong Space Museum's new sky show, "Norman the Snowman – On a Night of Shooting Stars", will be launched tomorrow (November 1). Using stop motion animation and adorable puppets, the show takes audiences on a virtual journey to the stars under the dome of the Space Museum.

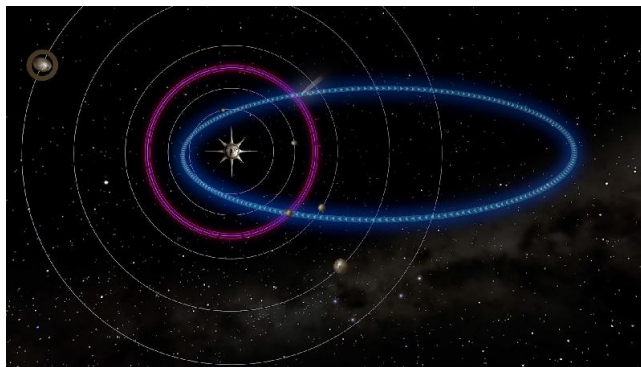
In the small hours of November 13, 1833, a huge number of shooting stars, also known as meteors, were witnessed in North America. As many as 20 shooting stars per second were said to have appeared, to the astonishment of the people who saw them, and it is still regarded today as the largest meteor shower in modern history. Unfortunately, photography had not been formally invented back then so the accuracy of the records of that meteor shower cannot be assured.

In the show, a boy who is fascinated by meteors longs to see a meteor shower, and his friend Norman the snowman tells him one will occur the following night. However, it has been snowing in town and the chance of seeing meteors is slim. Leaving the thick cloud cover and the ridicule of others behind, the boy decides to go on a quest with his snowman friend Norman in search of somewhere with clear skies. But who and what will they run into on the way?

The 32-minute show, of which the first five minutes is an introduction to the Chinese skies, will be screened until April 29 next year at the museum's Stanley Ho Space Theatre. It will be screened daily at 3.50pm and 7.20pm. An additional show at 12.20pm will be available on Saturdays, Sundays and public holidays.

Tickets priced at \$24 (front stalls) and \$32 (stalls) are available at the Hong Kong Space Museum Box Office and URB TIX (www.urbtix.hk). The museum is closed on Tuesdays (except public holidays).

The Hong Kong Space Museum is located at 10 Salisbury Road, Tsim Sha Tsui, Kowloon. For further information, please call 2721 0226 or visit the website at hk.space.museum.



LCQ20: Retirement protection for employees

Following is a question by the Hon Wong Kwok-kin and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (October 31):

Question:

According to the Mandatory Provident Fund Schemes Ordinance (Cap 485), employees/self-employed persons whose monthly relevant income is less than \$7,100 are not required to make contributions to their accounts under mandatory provident fund (MPF) schemes. In this connection, will the Government inform this Council:

(1) of (i) the number of employees who had joined MPF schemes and (ii) the total amount of contributions made to the relevant MPF accounts, in each year from 2015 to 2017 (set out in Table 1 of the Annex 1);

(2) of (i) the number of employees who had joined other recognised retirement schemes and (ii) the total amount of contributions made to the relevant accounts under such retirement schemes, in each year from 2015 to 2017 (set out in Table 2 of the Annex 1);

(3) of the number of employees who were exempted from joining any local retirement scheme, in each year from 2015 to 2017 (set out in Table 3 of the

Annex 1);

(4) of the number of employees who were required to join but had not yet joined any MPF scheme, in each year from 2015 to 2017 (set out in Table 4 of the Annex 1); and

(5) whether it will consider making contributions to the employees' MPF accounts for those months in which the relevant income of such employees is less than \$7,100, so as to enhance the retirement protection for such employees; if so, of the details and timetable; if not, the reasons for that?

Reply:

President,

According to the information provided by the Mandatory Provident Fund Schemes Authority (MPFA), the replies to parts (1) to (4) of the question are as follows:

(1) The estimated numbers (Note 1) of participating relevant employees and participating self-employed persons (SEPs) who have joined Mandatory Provident Fund (MPF) schemes and the total contribution amounts (Note 2) of their MPF accounts as at December 31 for the years from 2015 to 2017 are set out in Table 1 of the Annex 2.

The Government and MPFA do not have further breakdown of the information by mode of employment or period for which such persons were not required to make MPF contributions.

(2) The estimated numbers of employed population who have joined other retirement schemes as at December 31 for the years from 2015 to 2017 are set out in Table 2 of the Annex 2.

(3) The estimated numbers of employed population who are not required to join/exempted from joining any local retirement schemes as at December 31 for the years from 2015 to 2017 are set out in Table 3 of the Annex 2.

The Government and MPFA do not have the information of employees of the European Union Office of the European Commission in Hong Kong.

(4) The estimated numbers of employed persons who should join but have not yet joined any MPF schemes as at December 31 for the years from 2015 to 2017 are set out in Table 4 of the Annex 2.

The Government and MPFA do not have further breakdown of the information by mode of employment.

As for part (5) of the question, according to section 7A of the Mandatory Provident Fund Schemes Ordinance (Cap 485), under the MPF System, unless exempted, an employer and employee must each contribute 5 per cent of the employee's relevant income to an MPF scheme as mandatory contributions.

The mandatory contributions are subject to the minimum and maximum levels of relevant income. The minimum and maximum levels of relevant income as currently prescribed in Schedules 2 and 3 to Cap 485 are HK\$7,100 per month (or HK\$85,200 per annum) and HK\$30,000 per month (or HK\$360,000 per annum) respectively. The policy intent of setting a minimum level of relevant income is to balance the need for retirement protection and imminent daily-life financial burden of certain employees or SEPs with lower income by exempting them from making monthly MPF contributions.

The Government has no plan at present to make contributions to the employees' MPF accounts in the months that their relevant income is lower than the minimum level of relevant income. According to the Labour and Welfare Bureau, the Government will continue to provide appropriate assistance to elderly persons in need through the existing retirement protection system (including social security and public services).

Notes:

1. As the MPF System is employment-based, some members may be participating in more than one scheme in more than one capacity. Hence, the numbers are estimated figures.
2. The figures include mandatory contributions and voluntary contributions but exclude special voluntary contributions.

[LCQ5: Measures to mitigate impacts of Sino-US trade conflicts](#)

Following is a question by the Hon Wong Ting-kwong and a reply by the Acting Secretary for Commerce and Economic Development, Dr Bernard Chan, in the Legislative Council today (October 31):

Question:

Since July this year, the United States (US) Government has imposed, one after another, three tranches of additional tariff measures on imports from Mainland China of a total worth of US\$250 billion. In response, the Government of China has concurrently imposed additional tariff measures on imports from US of a total worth of US\$110 billion. There are comments that the Sino-US trade conflicts may last for a protracted period of time, and their impacts on Hong Kong's economy are expected to surface gradually from the third quarter of this year. In this connection, will the Government inform this Council:

- (1) of the outcome of the latest assessment of the impacts of the Sino-US

trade conflicts on Hong Kong's economy; the mitigation measures implemented by the authorities at the international level and the progress of such measures;

(2) of the respective numbers of applications received and approved by the authorities so far since the enhancement measures for the "Dedicated Fund on Branding, Upgrading and Domestic Sales" were rolled out in August this year, as well as the average amount of grant and average processing time taken for each approved application; whether the authorities will raise the ceiling of the ratio of grant under the SME Export Marketing Fund to the expenditure incurred for export promotion activities, as well as provide financial assistance in respect of expenses on production line relocation; if so, of the details; if not, the reasons for that; and

(3) as the Financial Secretary has pointed out that the Sino-US trade conflicts may affect Hong Kong's banking sector through the credit and liquidity risk channels, whether the authorities have reviewed the capability of Hong Kong's financial system to withstand such challenge and made good preparation for that; if so, of the details; if not, the reasons for that?

Reply:

President,

Since the beginning of this year, the United States (US) has initiated conflicts in international trade, trade protectionism has risen, and the trade conflict between China and the US has been escalating. The Government has been closely monitoring developments and their impact on Hong Kong economy, maintaining close communication and exchanging information with the trade, responding promptly to their need with the introduction of various support measures.

Our replies to the three parts of the question are as follows:

(1) As a result of the "Section 301 investigation" report concerning the Mainland's intellectual property issues, the US has, in tranches, imposed additional tariffs at 10 per cent or 25 per cent on a total of US\$250 billion worth of Mainland imports. In response, the Mainland has imposed additional tariffs at 5 per cent, 10 per cent or 25 per cent on US\$110 billion worth of US imports. In respect of the US' and Mainland's tariff lists, a total of HK\$185.7 billion of the concerned products were re-exported via Hong Kong, accounting for 4.8 per cent of Hong Kong's total exports of goods in 2017. Apart from re-export trade, the tariff measures also affect Hong Kong's offshore trade involving goods of Mainland origin destined to the US as well as other economic activities supporting China-US trade.

Apart from the direct impact on trade in goods, the impact of the China-US trade conflict on Hong Kong as a whole and on the global economy has begun to emerge. The uncertainties of the external environment have increased markedly, while the global economy as well as trade and investment sentiment have also deteriorated. Although the current economic data are still good, the outlook is not optimistic. Many institutions have lowered their forecasts

for global economic growth next year and Hong Kong economy cannot stay immune. We estimate that the impact of China-US trade conflict on Hong Kong economic growth this year should be relatively limited. However, there will be significant impact on the economy in 2019.

In the past few months, the Government has announced and implemented a number of targeted measures, including strengthening various SME funding schemes to assist the trade in market promotion and development of the Mainland and the Association of Southeast Asian Nations (ASEAN) markets; enhancing the special concessionary measures of the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited to further alleviate the financing burden of local enterprises; strengthening protection of Hong Kong exporters affected by the US tariff measures through the Hong Kong Export Credit Insurance Corporation; and assisting the trade to develop markets and transfer production base through the Hong Kong Trade Development Council.

At the international level, the Government will continue to adopt a multi-pronged strategy to explore more opportunities for Hong Kong, leveraging on our unique advantages under "one country, two systems". We will continue to actively forge free trade agreements (FTAs) and investment agreements with our trading partners. We have already signed FTAs with ASEAN and Georgia respectively and have concluded negotiations with the Maldives. Our bilateral negotiations with Australia are ongoing, and we will explore FTAs with the United Kingdom and the Pacific Alliance and seek accession to the Regional Comprehensive Economic Partnership. We will also expand our network of Economic and Trade Offices (ETOs), and we expect to set up the ETO in Bangkok early next year and the ETO in Dubai as soon as possible. We will continue our discussion with the respective governments on setting up the ETOs in Moscow, Mumbai and Seoul. In addition, we will actively attract foreign investors to Hong Kong, and grasp the opportunities brought by the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area, in order to diversify Hong Kong's economy.

(2) The Government has advanced the launch of the enhancement measures to the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to August 2018, including the launch of the ASEAN Programme under the BUD Fund to provide funding support to individual non-listed Hong Kong enterprises in carrying out projects that aim to enhance their competitiveness and further business development in the ASEAN markets. We have also enhanced the Mainland Programme under the BUD Fund, including doubling the cumulative funding ceiling per enterprise, to strengthen support to SMEs.

The trade responded positively to the enhancement measures. As at September 30, the ASEAN Programme received 75 applications, with the funding amount sought in the range of about \$17,000 to \$1 million. The enhanced Mainland Programme received 273 applications in the third quarter, representing a substantial increase of 58 per cent as compared to the preceding quarter, with the funding amount sought in the range of about \$6,000 to \$1 million. The Programme Management Committee (PMC) approved the first application at its meeting in end September and the approved funding (about \$130,000) represented 100 per cent of the amount sought. As applications for the BUD Fund are processed within 60 working days upon the

quarterly application deadline, processing of the other applications will be completed by end December. To expedite the vetting process under the ASEAN Programme, the PMC will approve straightforward cases by circulation.

The Government has also advanced the launch of the enhancement measures to the SME Export Marketing Fund (EMF) to August 2018, including doubling the cumulative funding ceiling per SME and the maximum funding per application. The maximum amount of grant that SMEs can receive per application under the EMF is 50 per cent of the total approved expenditure, with a view to encouraging SMEs to consider the appropriateness and cost-effectiveness of the promotion activities while exploring and developing export markets. Upon the launch of the enhancement measures, the EMF received 1 609 applications in August and September, an increase of 20 per cent as compared to the same period last year.

We will continue to review the SME support measures from time to time to ensure that appropriate assistance is provided.

(3) The escalation of China-US trade conflict will inevitably affect Hong Kong's financial markets. Nevertheless, Hong Kong's financial system has withstood crises one after another. With our resilient regulatory regime, Hong Kong can cope with market volatility. The banking system in Hong Kong is highly resilient. At the end of June 2018, major banks' average liquidity coverage ratio stood at 157 per cent, and their average capital adequacy ratio was over 19 per cent, well above the minimum regulatory requirements. The Hong Kong Monetary Authority (HKMA) has conducted a series of stress tests to assess the ability of the Hong Kong banking sector to withstand the impact of the rising trade tensions between the US and China. The results indicate that even in extremely adverse situations, banks will still be able to meet the relevant capital and liquidity supervisory requirements.

As regards the securities and futures markets, the Securities and Futures Commission (SFC) monitors the market with vigilance, including the financial positions, operations and settlement status of brokers, as well as their ability to deal with different market situations. The SFC also works closely with the Stock Exchange of Hong Kong (HKEX) and the HKMA to address potential systemic issues in case they arise, in particular, ensuring that the trading and risk management systems of the HKEX can adequately handle shocks under extreme market situations.

The Government and the financial regulators will continue to closely monitor the developments and the financial market situation, with a view to ensuring financial stability.

LCQ3: Classification of articles by Obscene Articles Tribunal

Following is a question by the Hon Ma Fung-kwok and a reply by the Acting Secretary for Commerce and Economic Development, Dr Bernard Chan, in the Legislative Council today (October 31):

Question:

The Obscene Articles Tribunal (OAT) gave *Killing Commendatore*, a literary work newly released by a renowned Japanese writer, an interim classification as a Class II (Indecent) article and made that classification official on July 12 and 26 this year respectively. The incident has aroused heated discussions among the culture and publication sectors as well as the public. In this connection, will the Government inform this Council:

(1) given that the OAT shall give notice in newspapers after it has made an interim classification in respect of an article and any person who submitted, or would have been entitled to submit, the article may require the OAT to review that interim classification within five days of that interim classification taking effect, but such time limit may not be adequate for the persons concerned who are in places outside Hong Kong to learn of that interim classification and require a review, whether the Government will improve the relevant arrangements; if so, of the details; if not, the reasons for that;

(2) whether it will make public the reasons for the OAT to classify *Killing Commendatore* as a Class II article, and enact legislation to require that the reasons for the OAT to classify an article as Class II or III be made public; if so, of the details; if not, the reasons for that; and

(3) given that the Government, upon reviewing the Control of Obscene and Indecent Articles Ordinance, proposed in 2015 an array of improvement measures (including increasing the minimum number of adjudicators at each the OAT hearing from two to four and increasing the total number of adjudicators from 500 to 1 500), of the reasons why such measures have not yet been implemented and when they will be implemented?

Reply:

President,

The Control of Obscene and Indecent Articles Ordinance (Cap. 390) (COIAO) establishes the Obscene Articles Tribunal (OAT). The OAT is a specialised tribunal under the Judiciary. One of its functions is to classify whether an article is obscene or indecent. The OAT comprises a presiding magistrate and adjudicators drawn from a panel of adjudicators. Adjudicators are members of the public appointed by the Chief Justice so as to reflect the standards of morality, decency and propriety generally accepted by the

community. The COIAO provides avenues for review and appeal for those who may be aggrieved by a decision of the OAT.

My reply to the various parts of the question raised by the Hon Ma Fung-
kwok is as follows:

(1) Pursuant to section 13(1) of the COIAO, the author, printer, manufacturer, publisher, importer, distributor or owner of the copyright of any article or any person who commissions the design, production or publication of any article may submit that article for classification by the OAT. The OAT shall, within five days of that submission, make an interim classification in respect of that article (with Class I being neither obscene nor indecent, Class II being indecent, and Class III being obscene).

Under the existing legislation, any author, printer, manufacturer, publisher, importer, distributor or owner of the copyright of the article concerned or any person who commissions the design, production or publication of the article concerned may require the OAT to review an interim classification within five days of that interim classification taking effect. The review is conducted at a full hearing in public.

As section 15 of the COIAO requires that a request to review an article's interim classification be made "within five days of that interim classification taking effect", the Government and the OAT cannot make any other arrangements. Any changes to the above require amendments to the relevant legal provisions.

(2) The OAT strictly follows the provisions in the COIAO when handling the classification of articles. Pursuant to section 10(1) of the COIAO, when classifying whether an article is obscene or indecent, the OAT shall have regard to standards of morality, decency and propriety that are generally accepted by reasonable members of the community; the dominant effect of an article or of matter as a whole; the location where and the persons to whom the article is published or the matter is displayed; and whether the article or matter has an honest purpose.

Section 14(1) of the COIAO stipulates that when the OAT is considering an article for the purpose of making an interim classification, it shall do so in private and without the attendance of the applicant or any other person. According to section 14(3)(a) of the COIAO, the OAT shall not be required to give any reasons for any interim classification.

(3) Since the Government proposed legislative amendments concerning the regulatory framework under the COIAO in 2015, we have been liaising with the relevant government departments and the Judiciary on the proposed legislative amendments to the COIAO over the past three years with a view to resolving the relevant legal issues. Regarding the proposal to increase the total number of adjudicators from 500 to 1 500, the Judiciary originally planned to implement it upon enactment of the legislative amendments. In view of the latest developments, the Judiciary is now considering various suggestions to enhance the representativeness of the OAT.

Besides, the Office for Film, Newspaper and Article Administration has also been actively organising publicity and public education programmes relating to the COIAO over the past several years.

As for the way forward of the review of the COIAO, in line with the Secretary for Commerce and Economic Development's response to a Member's enquiry at last week's meeting of the Panel on Information Technology and Broadcasting, the Government is currently reviewing whether the legislative amendments proposed in 2015 could fully address recent concerns raised by members of the public over the regulatory framework and the adjudicatory system under the COIAO. We plan to discuss the relevant issues in detail with the Panel on Information Technology and Broadcasting.