

LCQ18: Enhanced tax deduction for research and development expenditures

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (November 20):

Question:

The Inland Revenue (Amendment) (No. 7) Ordinance 2018 came into operation on November 2, 2018. The expenditures incurred by enterprises on research and development (R&D) activities conducted on April 1, 2018 or thereafter are classified into Type A and Type B. Type A expenditures are qualified for the current 100 per cent tax deduction. For Type B expenditures, the deduction is 300 per cent for the first \$2 million and 200 per cent for the remaining amount. "Qualifying R&D activities" are classified into out-sourced and in-house R&D activities. The amounts of (i) payments made to "designated local research institutions" (DLRIs) in respect of the former and (ii) "qualifying expenditures" (i.e. expenditures in relation to employees and consumable items) paid in respect of the latter by enterprises are Type B expenditures, which are qualified for the aforesaid tax deduction at a higher percentage. R&D service providers are required to apply to the Innovation and Technology Commission for designation as DLRIs. In this connection, will the Government inform this Council:

(1) of the respective numbers of applications for designation as DLRIs received, approved and rejected to date by the authorities; if there are rejected applications, of the reasons for that;

(2) of the number of enterprises which have applied for tax deduction for R&D expenditures since the aforesaid Ordinance came into operation, as well as the total R&D expenditures involved, with a breakdown by the following types of expenditures:

Type B expenditures

(i) expenditures on out-sourced qualifying R&D activities,
(ii) qualifying expenditures on in-house qualifying R&D activities,

Type A expenditures

(iii) other expenditures on in-house qualifying R&D activities, and
(iv) expenditures on other R&D activities; and

(3) whether it has plans to provide additional tax concessions for R&D related activities; if so, of the details?

Reply:

President,

To encourage more enterprises to conduct research and development (R&D) locally and promote technological innovation and economic development in Hong Kong, the Government implemented last year the enhanced tax deduction for expenditures incurred on "qualifying R&D activities" by enterprises. R&D

expenditures eligible for deduction are classified into "Type A expenditures" which are qualified for 100 per cent deduction, and "Type B expenditures" which are qualified for the enhanced tax deduction. Type B expenditures have a two-tiered deduction regime. The deduction is 300 per cent for the first \$2 million of the aggregate amount of payments made to "designated local research institutions" (DLRIs) for "qualifying R&D activities" and expenditures incurred by enterprises from carrying out in-house qualifying R&D activities. The remaining amount is qualified for 200 per cent deduction. There is no cap on the amount of enhanced tax deduction and the deduction is applicable to all enterprises. Enterprises can claim the enhanced tax deduction in relation to the "qualifying R&D expenditures" on or after April 1, 2018.

Our reply to the respective questions is as follows:

(1) The Innovation and Technology Commission has so far received five applications for designation as DLRIs. Among these applications, three have been approved, one was withdrawn by the applicant and the remaining one was not approved mainly because the R&D activities conducted by the applicant did not meet the definition of "qualifying R&D activity" under the Inland Revenue Ordinance (IRO). Besides, we have already designated 30 local universities, colleges and public research institutions as DLRIs under the IRO. In other words, there are currently 33 DLRIs in total.

(2) According to the information provided by Inland Revenue Department, up to end October 2019, among the profits tax returns received, there are 60 applications claiming R&D tax deduction for 2018/19 assessment year pursuant to the amended IRO. The relevant expenditures for claiming tax deduction are as follows:

Category	In-house R&D (\$ million)	Outsourcing R&D (\$ million)	Total (\$ million)
Type A Expenditures	82.0	32.4	114.4
Type B Expenditures	825.6	40.3	865.9
Subtotal:	907.6	72.7	980.3

(3) As the implementation of the R&D tax deduction measure is still in the initial stage, we need time to review the response and effectiveness of the measure. At this stage, there is no plan to further broaden the tax concessions.

LCQ13: Illegally affixed bills and posters

Following is a question by the Dr Hon Priscilla Leung and a written reply by the Secretary for Food and Health, Professor Sophia Chan, in the Legislative Council today (November 20):

Question:

Under section 104A of the Public Health and Municipal Services Ordinance (Cap. 132), no bill or poster shall be displayed or affixed on any Government land, except with the written permission of the Authority. Some members of the public have relayed that since June this year, a large quantities of leaflets, posters, sticky notes, etc. have been affixed, for expression of various views, without permission at public places (e.g. footbridges, pedestrian subways and perimeter fences) in many districts. Such affixed items have not only caused environmental hygiene problems but also led to clashes among members of the public with different political views. However, the government departments concerned have not actively addressed the problem, making such members of the public feel very dissatisfied. In this connection, will the Government inform this Council:

(1) whether the government departments concerned have, since June this year, found any items affixed without their permission at the places under their management; if so, of the details, and whether they have forthwith removed such items; if they have not forthwith removed such items, of the reasons for that;

(2) whether the Government has, since June this year, assessed if it constitutes an administrative omission on the part of the departments concerned for failure to remove those illegally affixed items within a time period expected by members of the public; if it has assessed, of the outcome; if not, the reasons for that; and

(3) whether it will make special arrangements to expedite the clearance of illegally affixed items; if so, of the details; if not, the reasons for that?

Reply:

President,

My reply to the various parts of the question is as follows:

(1) and (2) In the past few months, displays of bills without written permission of the Authority (commonly known as "Lennon Wall") have been found on Government land in various districts.

Relevant departments have been closely monitoring the situation, and

conducting timely clean-up operations in their respective venues/public places (including locations which may affect pedestrians' safety or cause serious environmental hygiene problems). As at November 17, 2019, joint clean-up operations were conducted at some 160 locations across the territory by relevant departments.

(3) Inter-departmental joint clean-up operations on unauthorised displays are conducted on an ongoing basis. The Government has made its best effort to re-deploy existing manpower and engage additional staff as and when necessary to remove unauthorised displays in public places on Government land as soon as possible.

Ling Lung Cantonese Opera Troupe to perform "Du Shiniang" in January

The Ling Lung Cantonese Opera Troupe will stage two performances of "Du Shiniang" in January next year. The production is an adaptation of "Du Shiniang Sinks Her Jewel Box in Anger", Volume 32 of the vernacular story collection of "Jingshi Tongyan" (Stories to Caution the World) by Feng Menglong from the Ming dynasty.

Written by Chow Kit-ping and directed by Geng Tianyuan, the play is a winner of the Cantonese Opera Development Fund's New Cantonese Opera Play Scriptwriting Competition Outstanding Script Award, and features a cast that includes Loong Koon-tin, Tang Mi-ling, Chan Hung-chun, Lui Hung-kwong, Chan Ka-ming and Yuen Siu-fai.

The story takes place during the Wanli reign of the Ming dynasty. Du Shiniang is an unrivalled beauty among the courtesans in the capital. One day, Li Ganxian and Liu Yuchun visit a brothel. Li, smitten by Du's beauty, is bent on winning her heart. Liu, aware of his humble circumstances, admires Du but lacks the courage to show his love. Lacking literary talent, Li asks Liu to compose a poem for him. It succeeds in getting Du to meet Li and they fall in love.

Sun Fu, a rich salt dealer, is enamoured of Du but she rejects him. The bawd of the brothel, for want of money and wary of Sun Fu's power, forces Du to become Sun's concubine. Du resists by threatening to kill herself. Fearing she may lose both Du and the money, the bawd asks Du to raise 300 taels of gold to be released from the bond. Li asks Liu to help him raise the money. Liu wants to free Du from the bond, so he borrows 150 taels of gold from Sun and gives them to Du. Ironically, Du shows appreciation for Li but mocks Liu. Du has eventually raised enough to free her. She sets off for Jiangsu-Zhejiang with Li.

However, when the boat sails near Guazhou, Li begins to feel regret – he is now broke and his parents may not forgive him for marrying a courtesan. In the meantime, Sun Fu's boat catches up with them. He offers to pay Li 1,000 taels of gold to buy Du from Li, who agrees and tells Du his feelings. Ruing her choice of husband, the disillusioned Du sinks her treasure chest of jewels into the river and jumps in to drown. Later, the dispirited Liu finds the treasure chest in the river and collects it when he leaves the capital. He dreams of Du appearing on the waves, tearfully telling him her sad story. They are, however, now separated by death, with only Du's memory remaining.

"Du Shiniang" is presented by the Leisure and Cultural Services Department. It will be held at 7.30pm on January 14 and 15 (Tuesday and Wednesday) at the Auditorium of Kwai Tsing Theatre. Tickets priced at \$140, \$220, \$300 and \$380 are now available at URBTIX (www.urbtix.hk). For telephone credit card bookings, please call 2111 5999. For programme enquiries and concessionary schemes, please call 2268 7325 or visit www.lcsd.gov.hk/CE/CulturalService/Programme/en/chinese_opera/programs_926.html.

Two performance-related talks will be held at 7.30pm on November 29 (Friday) at AC2, 4/F, Administration Building, Hong Kong Cultural Centre (HKCC) and at 7.30pm on January 16 (Thursday) at AC1, 4/F, Administration Building, HKCC respectively. Speakers include Loong Koon-tin, Tang Mi-ling and Chow Kit-ping. The talks will be held in Cantonese. Admission is free. Limited seats are available on a first-come, first-served basis.

[Veteran Cantonese opera stars from Guangdong, Hong Kong and Macao to perform in December](#)

An array of well-known Cantonese opera stars will collaborate in a performance entitled "A Showcase of Guangdong, Hong Kong and Macao Cantonese Opera Masters" in December to enhance the exchange of Cantonese opera culture.

The veteran Cantonese opera performers from Guangdong, Hong Kong and Macao will perform the classic piece "Why Haven't Thou Returned?" at 7.30pm on December 19 (Thursday) at the Auditorium of Sha Tin Town Hall.

The story follows Wen Pingsheng's mother, who intends to marry her son to Fang Keqing. To her dismay, she finds out Pingsheng has married Zhao Pinniing. Though unhappy about the marriage, Mrs Wen has no choice but to accept it. Keqing's elder brother, Sanlang, covets the beautiful Pinniing, and conspires with Keqing to bribe the doctor to give a false diagnosis that

Pinniung has contracted a terminal disease. This gives Mrs Wen the excuse to force the couple to separate. Pingsheng secretly visits his sick wife, making Mrs Wen even more resentful of Pinniung. When Pingsheng is off to the battlefield to fight his enemies, Mrs Wen forces Pinniung to divorce her husband and sends her away. Pingsheng returns home victorious from the battle, and is shocked to learn that Pinniung has died. He refuses to marry Keqing and leaves home devastated and filled with grief.

The cast from Guangdong, Hong Kong and Macao include Ding Fan, Yu Long, Huang Chunqiang, Jiang Wenduan, Li Jie and Xie Weixin (from Guangdong); Ng Chin-fung, Lui Hung-kwong, Yuen Siu-fai, Lam Po-chu, Nam Fung, Ko Lai, Chan Wing-ye, Chan Hung-chun, Sun Kim-long, Cheng Wing-mui, Loong Koon-tin, Law Ka-ying (from Hong Kong) and Peng Chiquan and Zeng Hui (from Macao).

"A Showcase of Guangdong, Hong Kong and Macao Cantonese Opera Masters" is jointly presented by the Guangdong Provincial Department of Culture and Tourism, the Home Affairs Bureau and the Cultural Affairs Bureau of the Macao Special Administrative Region. It is organised by the Leisure and Cultural Services Department. Tickets priced at \$180, \$280, \$380 and \$480 are now available at URB TIX (www.urbtix.hk). For telephone credit card bookings, please call 2111 5999. For programme enquiries and concessionary schemes, please call 2268 7325 or visit www.lcsd.gov.hk/CE/CulturalService/Programme/en/chinese_opera/programs_895.html.

Postal services to United States subject to delay

Hongkong Post announced today (November 20) that, owing to a mail backlog at the Chicago airport, all mail delivery services (including Speedpost) to Chicago are subject to delay.