Gazettal of Inland Revenue (Amendment) (No. 5) Bill 2018 on three tax concession measures

The Inland Revenue (Amendment) (No. 5) Bill 2018 (Amendment Bill) will be gazetted on June 8. It seeks to implement three tax concession measures as proposed in the 2018-19 Budget:

(a) to allow husband and wife the option of electing for personal assessment (PA) separately;

(b) to allow enterprises to claim tax deduction for capital expenditure incurred for procuring environmental protection installations in full in one year instead of over five years; and

(c) to extend the scope of tax exemption for debt instruments under the Qualifying Debt Instrument (QDI) Scheme.

"PA is a tax relief measure which may reduce the tax liabilities of individuals. At present, where a married person and his or her spouse have income assessable under the Inland Revenue Ordinance (IRO) and both are eligible to elect for PA, that person can make an election only when his or her spouse also does so. In order to provide married taxpayers with greater flexibility in tax assessment, the Government proposes to relax the requirement by allowing married persons the option to elect PA separately," a Government spokesman said.

Separately, for enterprises which incur capital expenditure in procuring eligible energy efficient building and renewable energy installations, the Government proposes to allow them to claim tax deduction in full in one year instead of over five years to encourage the procurement of such installations. Promoting the use of environmental protection installations will help Hong Kong achieve the carbon intensity reduction target as set out in "Hong Kong's Climate Action Plan 2030+".

Moreover, to promote further development of the bond market, the Amendment Bill also includes proposed amendments to the IRO to enhance the QDI Scheme by (a) extending the 100 per cent profits tax exemption for debt instruments with an original maturity of not less than seven years to debt instruments of any duration; and (b) allowing debt instruments listed on the Stock Exchange of Hong Kong Limited to be qualified for tax exemption, in addition to instruments lodged with and cleared by the Central Moneymarkets Unit of the Hong Kong Monetary Authority.

The Amendment Bill will be introduced into the Legislative Council on June 13. Subject to the approval by the Legislative Council, the three tax measures will be implemented starting from the year of assessment 2018/19.