



BY FAX AND BY POST
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13 June 2003

Mrs. Alice Lau Mak Yee-ming,
Commissioner of Inland Revenue,
Inland Revenue Department,
36/F, Revenue Tower,
5 Gloucester Road,
Wanchai, Hong Kong.

Dear Mrs. Lau,

Special Measures to Alleviate the Effects of Atypical Pneumonia on Taxpayers

The economic impact of the outbreak of atypical pneumonia has been widely felt in Hong Kong. The Government acknowledged this in announcing a package of measures to help relieve the adverse economic impact of the spread of the disease. Some of the measures are targeted at the industries most directly affected by it, e.g. tourism, catering, retail and entertainment, with a view to providing short-term relief to assist in tiding them over the current difficulties.

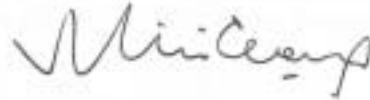
It is envisaged that a significant number of businesses that are in need of such support will also encounter difficulties in meeting deadlines for tax filing and payment. Some of them may, for example, have had to close premises temporarily and work from home, or to send staff home, in order to minimise the risk of spreading infection.

The Society's Taxation Committee discussed this matter at a recent meeting and expressed the hope that the Inland Revenue Department (IRD) would also take steps to reduce the burden of the situation on taxpayers and tax representatives. In this regard, the Society would like to suggest that, as an administrative measure, the IRD allow, on a case by case basis, additional flexibility in relation to the application of Block Extension and other tax filing deadlines and a reasonable degree of leniency towards delayed payments and the imposition of surcharges.

A further, more formal, measure that you may wish to consider, with a view to providing a more general cash-flow benefit to businesses, would be to defer of the normal due dates for profits tax payments. This could be done while still allowing all tax payments due by March 2004 to be collected by that time, by providing, for example, for a deferral of the normal payment date of up to two months for liabilities which fall due in the third quarter of 2003, a deferral of up to one month for liabilities normally falling due in the fourth quarter, and either no deferral, or at most a two-week deferral, for those liabilities falling due in the first quarter of 2004. A similar arrangement could also be considered for salaries tax.

While there are some very positive signs that the outbreak of atypical pneumonia is now under control in Hong Kong, nevertheless it will still take some time for the economy to fully recover from its effects. We would therefore welcome your views on the above suggestions or on any alternative measures that might contribute towards alleviating the pressure that this has brought about on many taxpayers.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Winnie Cheung', is centered on the page.

WINNIE C. W. CHEUNG
SENIOR DIRECTOR
PROFESSIONAL & TECHNICAL DEVELOPMENT
HONG KONG SOCIETY OF ACCOUNTANTS

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