

(FIN CR 3/7/2201/00)

(FIN CR 5/7/2201/00)

## LEGISLATIVE COUNCIL BRIEF

### REVENUE BILL 2001 REVENUE (NO.2) BILL 2001

#### INTRODUCTION

Annexes  
1 and 2

At the meeting of the Executive Council on 20 March 2001, the Council **ADVISED** and the Acting Chief Executive **ORDERED** that the Revenue Bill 2001 and Revenue Bill (No.2) 2001, at **Annexes 1 and 2** respectively, should be introduced into the Legislative Council to implement the revenue proposals in the 2001-02 Budget.

#### BACKGROUND AND ARGUMENT

##### The 2001-02 Budget

2. In the 2001-02 Budget, the Financial Secretary proposed the following revenue proposals -

- (a) increase the maximum amount of deduction for self-education expenses under salaries tax from the existing \$30,000 to \$40,000;
- (b) reduce the Stamp Duty on stock transactions from the existing *ad valorem* rate of 0.225% to 0.2%, and increase the rate of levy on securities transactions from the existing 0.01% to 0.012% for the purpose of setting up a new Investor Compensation Fund;

- (c) increase the duty on alcoholic liquor with an alcoholic strength not more than 30% (other than wine) from the existing *ad valorem* rate of 30% to 40%;
- (d) increase the duty on tobacco by 5%;
- (e) increase the vehicle licence fees for private cars, motor cycles and motor tricycles, and all driving licences by 10%;
- (f) increase the Air Passenger Departure Tax from the existing \$50 to \$80 and widen the tax base to include helicopter passengers; and
- (g) increase the maximum charge for on-street parking meters from the existing \$2 to \$3 for 15 minutes.

3. To give effect to the above measures, we propose to introduce three separate composite bills into the Legislative Council - Revenue Bill 2001, Revenue (No.2) Bill 2001, and Revenue (No.3) Bill 2001.

### **Revenue Bill 2001**

4. The Revenue Bill 2001 covers the proposed increase on tobacco duty, duty on alcoholic liquors and transport-related licence fees, as set out in (c) to (e) in paragraph 2 above. These proposals do not impact on economic growth and have a negligible effect on people's living standards. For revenue protection reason, these proposals have come into effect from 2:30 p.m. on 7 March 2001 under the Public Revenue Protection (Revenue) Order 2001. The Order gives temporary legal effect to these proposals for a maximum period of

four months. In other words, the proposals will cease to have effect from 7 July 2001, if the relevant legislative amendments have not yet been passed by the Legislative Council by then. We therefore need to introduce the Revenue Bill 2001 into the Legislative Council to allow legislators sufficient time to examine the proposals.

### **Revenue (No.2) Bill 2001**

5. The Revenue (No.2) Bill 2001 covers the proposals relating to self-education expenses under salaries tax, Air Passenger Departure Tax, and on-street parking meter charges (items (a), (f) and (g) of paragraph 2 above), which will take effect after the Bill is passed by the Legislative Council.

#### **(A) Deduction for Self-education Expenses**

6. The proposal to increase the deduction for self-education expenses under salaries tax from the 2001-02 Year of Assessment seeks to take forward a suggestion made by the Chief Executive in the Policy Address, and to encourage life-long learning. Taking into account the average fees charged by tertiary institutions for first degree courses and professional qualifications, the proposed maximum of \$40,000 will be sufficient for the majority of taxpayers to cover their total expenditure incurred.

#### **(B) Air Passenger Departure Tax**

7. The proposals to increase Air Passenger Departure Tax (APDT) and the maximum rate of on-street parking meter charges are part of the package of proposals aimed at achieving a balanced budget over the medium term, in the face of the estimated overall deficits in 2000-01 and 2001-02. They have

been put forward mainly because they would not stifle economic growth and adversely affect the basic livelihood of the community.

8. Our proposal to increase APDT from the existing \$50 to \$80 should not affect tourism, airline businesses or airport operation, given that it would still constitute an insignificant portion of the price of air tickets and the overall cost of travelling. At the proposed level of \$80, our APDT will still be among the lowest in the region for international flights. We propose to widen the tax base of APDT to cover all helicopter passengers mainly on the ground of equity.

### **(C) Parking Meter Charges**

9. We propose to increase the maximum level of on-street parking meter charges from \$2 to \$3 per 15 minutes for both revenue-raising and traffic management reasons. To strive for a balanced budget, Government needs to raise additional recurrent revenue, given that on-street parking charges have not been increased since 1994. On traffic management grounds, we would like to ensure a 15% availability of on-street parking spaces at any time. Having regard to the high utilisation rate of metered parking spaces in busy areas at present, the proposed increase will help us to achieve our traffic management objective. The proposed increase will bring the hourly rate for on-street parking in busy locations to \$12, which is closer to but still considerably below the charges of off-street carparks.

## **Revenue (No.3) Bill 2001**

10. We propose to put the proposals to reduce stamp duty on stock transactions and increase the levy on securities transactions for the new Investor Compensation Fund (item (b) of paragraph 2 above) under a separate composite bill.

## **THE BILLS**

### **Revenue Bill 2001**

11. Revenue Bill 2001 amends the Dutiable Commodities Ordinance, the Road Traffic (Driving Licences) Regulations and the Road Traffic (Registration and Licensing of Vehicles) Regulations as follows -

- (a) **Clause 1** provides that the Bill, when enacted, shall be deemed to have come into operation at 2:30 p.m. on 7 March 2001.
- (b) **Clause 2** amends Schedule 1 to the Dutiable Commodities Ordinance to increase the duty on alcoholic liquor with alcoholic strength not more than 30% (other than wine) from the existing *ad valorem* rate of 30% to 40%, and to increase the duty on tobacco by 5%.
- (c) **Clause 3** amends the Second Schedule to the Road Traffic (Driving Licences) Regulations to increase all driving licences fees by 10%.

- (d) **Clause 4** provides that the increase of fees for renewal of driving licences does not have effect if the licence expires on or before 6 July 2001 and the Commissioner for Transport receives on or before that date an application for a renewal of the licence.
- (e) **Clauses 5 and 6** amend the Road Traffic (Registration and Licensing of Vehicles) Regulations to clarify the meaning of “appropriate annual licence fee” in the light of the increase of licence fees for private cars, motor cycles and motor tricycles, and increase the licence fees for private cars, motor cycles and motor tricycles.
- (f) **Clause 7** provides that the increase of licence fees does not have effect with respect to the licensing of the vehicle for a further period (i.e. renewal) if the vehicle licence concerned expires on or before 6 July 2001 and the Commissioner for Transport receives on or before that date an application to license the vehicle concerned for that further period.

### **Revenue (No.2) Bill 2001**

12. The Revenue (No.2) Bill 2001 amends the Inland Revenue Ordinance, Air Passenger Departure Tax Ordinance and Road Traffic (Parking) Regulations as follows -

- (a) **Clause 1** stipulates the commencement dates of various revenue proposals.

- (b) **Clause 2** seeks to amend the Inland Revenue Ordinance to increase the maximum amount of expenses of self-education deductible from assessable income from \$30,000 to \$40,000.
- (c) **Clause 3** seeks to repeal the definition of “airport” in the Air Passenger Departure Tax Ordinance with a view to bringing into the tax net passengers who depart from Hong Kong by helicopter at a heliport specified in the proposed Schedule 3.
- (d) **Clause 4** seeks to empower the Director-General of Civil Aviation to amend the proposed Schedule 3.
- (e) **Clause 5** seeks to amend the Air Passenger Departure Tax Ordinance to increase the tax level from \$50 to \$80.
- (f) **Clause 6** seeks to add a new Schedule to the Air Passenger Departure Tax Ordinance.
- (g) **Clause 7** seeks to amend the Road Traffic (Parking) Regulations to increase the maximum fees for the use of metered parking spaces and of pay and display parking spaces from \$2 per 15 minutes to \$3 per 15 minutes.

## **PUBLIC CONSULTATION**

13. Owing to the confidentiality of the Budget, no formal consultation was done specifically in respect of the proposals in all the three Bills. However, we have formulated these proposals after taking into account views received from legislators and other concerned parties in the community during the budget consultation process.

## **HUMAN RIGHTS IMPLICATIONS**

14. The proposed legislation has no human rights implications.

## **BINDING EFFECT OF THE LEGISLATION**

15. The Revenue Bill 2001 and Revenue (No.2) Bill 2001 will not affect the binding effect of the existing provisions of the Ordinances and their subsidiary legislation.

## **ECONOMIC IMPLICATIONS**

16. Given the modest magnitude of the proposed increases, the proposals to increase tobacco duty, duty on alcoholic liquor, traffic-related licence fees and maximum charge for on-street parking meters should have only negligible impact on the consumption of cigarettes and liquors, as well as on the usage of motor vehicles. The proposed increase of \$30 on APDT should not have any adverse impact on tourism, airline businesses and airport operation, given that it commands only an insignificant share in air ticket prices. Neither will it affect the competitiveness of our airport, since the increased APDT will still be

among the lowest in the region for international flights. Taken together, this package of revenue-raising measures should not affect economic growth.

17. As regards the proposed revenue concessions, the proposal to increase the maximum deduction for self-education expenses should be conducive to encouraging continuous education and life-long learning among the working population. This should improve the quality of our human capital, hence helping to boost the competitiveness of the economy of Hong Kong in the longer term.

## **FINANCIAL AND STAFFING IMPLICATIONS**

18. We estimate that the proposed revenue-raising measures in the Revenue Bill 2001 and the Revenue (No.2) Bill 2001 will give rise to an additional revenue of \$660 million in 2001-02 and \$3.82 billion over the Medium Range Forecast period up to 2004-05. The proposed revenue concession on self-education expenses in the Revenue (No.2) Bill 2001 would cost \$10 million in 2001-02 and \$70 million over the Medium Range Forecast period up to 2004-05. Taken together, they would generate additional revenue of \$650 million in 2001-02 and \$3.75 billion over the Medium Range Forecast period up to 2004-05. There are no staffing implications.

## **LEGISLATIVE TIMETABLE**

19. The legislative timetable is -

Publication in the Gazette

6 April 2001

First Reading and commencement of  
Second Reading debate 25 April 2001

Resumption of Second Reading  
debate, committee stage and  
Third Reading to be notified

## **PUBLICITY**

20. We will issue a press release on 4 April 2001.

## **ENQUIRIES**

21. In case of enquiries about this brief, please contact Ms. Esther Leung, Principal Assistant Secretary for the Treasury (Revenue), at 2810 2370.

Finance Bureau  
FIN CR 3/7/2201/00  
FIN CR 5/7/2201/00  
4 April 2001

A BILL

To

Amend certain Ordinances to give effect to some of the proposals in the Budget introduced by the Government for the 2001-2002 financial year.

Enacted by the Legislative Council.

**1. Short title and commencement**

(1) This Ordinance may be cited as the Revenue Ordinance 2001.

(2) This Ordinance shall be deemed to have come into operation at 2.30 p.m. on 7 March 2001.

**Dutiable Commodities Ordinance**

**2. Schedule 1 amended**

Schedule 1 to the Dutiable Commodities Ordinance (Cap. 109) is amended -

(a) in paragraph 1 of Part I, under the column headed "Rate", by repealing "30%" and substituting "40%";

(b) in Part II -

(i) in paragraph 1(a), by repealing "766" and substituting "804";

(ii) in paragraph 1(b), by repealing "986" and substituting "1,035";

(iii) in paragraph 1(c), by repealing "188" and substituting "197";

(iv) in paragraph 1(d), by repealing "928" and substituting "974".

## **Road Traffic (Driving Licences) Regulations**

### **3. Fees**

The Second Schedule to the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.) is amended -

- (a) in item 1(a), by repealing "520" and substituting "570";
- (b) in item 1(aa), by repealing "52" and substituting "57";
- (c) in item 1(b), by repealing "760" and substituting "835";
- (d) in item 2(a), by repealing "510" and substituting "560";
- (e) in item 2(b), by repealing "250" and substituting "275";
- (f) in item 2(f), by repealing "110" and substituting "120";
- (g) in item 2(g), by repealing "80" and substituting "90";
- (h) in item 2(h), by repealing "80" and substituting "90".

### **4. Saving**

(1) Where -

- (a) the expiry of a full driving licence or driving instructor's licence occurs on or before 6 July 2001; and
- (b) the Commissioner receives on or before that date an application for a renewal of the licence under regulation 15, 23 or 23A (as the case may be) of the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.),

section 3(a), (b) or (c) (as the case may be) shall not have effect with respect to the renewal and the Regulations in force immediately before 2.30 p.m. on 7 March 2001 shall continue to have effect with respect to the renewal as if the Regulations had not been amended by this Ordinance.

(2) In subsection (1) -

"Commissioner" (署長) has the meaning assigned to it in section 2 of the Road Traffic Ordinance (Cap. 374);

"driving instructor's licence" (駕駛教師執照) and "full driving licence" (正式駕駛執照) have the meanings respectively assigned to them in regulation 2 of the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.).

## **Road Traffic (Registration and Licensing of Vehicles) Regulations**

### **5. Licensing of motor vehicles**

Regulation 21 of the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) is amended by adding -

"(13) In subregulation (7), "appropriate annual licence fee" (適當牌照年費) means -

- (a) in a case where the Commissioner receives on or before 6 July 2001 the application to license the motor vehicle concerned, the appropriate annual licence fee prescribed in the pre-amended Schedule 2; and
- (b) in a case where the Commissioner receives after 6 July 2001 the application to license the motor vehicle concerned -
  - (i) for the unlicensed period (if any) before 2.30 p.m. on 7 March 2001, the appropriate annual licence fee prescribed in the pre-amended Schedule 2; and
  - (ii) for the unlicensed period beginning at or after 2.30 p.m. on 7 March 2001, the

appropriate annual licence fee prescribed in Schedule 2.

(14) In subregulation (13), "pre-amended Schedule 2" (修訂前的附表 2) means Schedule 2 to these regulations in force immediately before 2.30 p.m. on 7 March 2001."

## 6. Fees

Schedule 2 is amended, under the subheading "Annual Licence Fees" -

(a) by repealing item 5 and substituting -

"5. Private car (other than of the type specified in item 5A)

-

Where the cylinder capacity of the engine -

(a)	does not exceed 1 500 cubic centimetres	4,200
(b)	exceeds 1 500 cubic centimetres but does not exceed 2 500 cubic centimetres	6,250
(c)	exceeds 2 500 cubic centimetres but does not exceed 3 500 cubic centimetres	8,305
(d)	exceeds 3 500 cubic centimetres but does not exceed 4 500 cubic centimetres	10,360
(e)	exceeds 4 500 cubic centimetres	12,340

5A. Private car the engine of which is designed to use as a fuel light diesel oil as defined in section 69 of the Dutiable Commodities Ordinance (Cap. 109) -

Where the cylinder capacity of the engine -

- |     |   |          |
|-----|---|----------|
| (a) | does not exceed 1 500 cubic centimetres                                     | 5,805    |
| (b) | exceeds 1 500 cubic centimetres but does not exceed 2 500 cubic centimetres | 7,855    |
| (c) | exceeds 2 500 cubic centimetres but does not exceed 3 500 cubic centimetres | 9,910    |
| (d) | exceeds 3 500 cubic centimetres but does not exceed 4 500 cubic centimetres | 11,965   |
| (e) | exceeds 4 500 cubic centimetres   | 13,945"; |
- (b) in item 7, by repealing "1,200" and substituting "1,320";
- (c) in item 9, by repealing "1,200" and substituting "1,320".

## 7. Saving

(1) Where -

- (a) the expiry of a vehicle licence in respect of a motor vehicle occurs on or before 6 July 2001; and
- (b) the Commissioner receives on or before that date an application to license the motor vehicle for a further period under regulation 21(5) or (6) of the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) (including that regulation as applied by regulation 23(4) or 23A(4) of the Regulations),

section 6 shall not have effect with respect to the licensing of the motor vehicle for the further period and the Regulations in force immediately before 2.30 p.m. on 7 March 2001 shall continue to have effect with respect to the licensing of the motor vehicle as if the Regulations had not been amended by this Ordinance.

(2) In subsection (1) -

"Commissioner" (署長) and "motor vehicle" (汽車) have the meanings respectively assigned to them in section 2 of the Road Traffic Ordinance (Cap. 374);

"vehicle licence" (車輛牌照) has the meaning assigned to it in regulation 2 of the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.).

### **Explanatory Memorandum**

The purpose of this Bill is to amend certain Ordinances to give effect to some of the proposals in the 2001-2002 Budget.

2. Clause 2 amends the Dutiable Commodities Ordinance (Cap. 109) to increase the duty on tobacco and the duty on liquor (other than wine) with an alcoholic strength of not more than 30% by volume.

3. Clause 3 amends the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.) to increase -

- (a) the fees for issue or renewal of full driving licences and driving instructor's licences; and
- (b) the fees for learner's driving licences, temporary driving licences, duplicate licences, international driving permits and duplicate international driving permits.

4. Clause 4 provides that the increase of fees for renewal of a full driving licence or a driving instructor's licence does not have effect if the licence expires on or before 6 July 2001 and the Commissioner for Transport receives on or before that date an application for a renewal of the licence.

5. Clauses 5 and 6 amend the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) to -

- (a) clarify the meaning of "appropriate annual licence fee" in the light of the increase of licence fees for private cars, motor cycles and motor tricycles; and

- (b) increase the licence fees for private cars, motor cycles and motor tricycles.

6. Clause 7 provides that the increase of licence fees does not have effect with respect to the licensing for a further period if the vehicle licence concerned expires on or before 6 July 2001 and the Commissioner for Transport receives on or before that date an application to license the vehicle concerned for that further period.

A BILL

To

Amend certain Ordinances to give effect to some of the proposals in the Budget introduced by the Government for the 2001-2002 financial year.

Enacted by the Legislative Council.

**1. Short title and commencement**

(1) This Ordinance may be cited as the Revenue (No. 2) Ordinance 2001.

(2) Subject to subsection (3), this Ordinance shall come into operation on the day on which this Ordinance is published in the Gazette.

(3) Sections 3 to 6 shall come into operation on a day to be appointed by the Secretary for the Treasury by notice published in the Gazette.

**Inland Revenue Ordinance**

**2. Deduction for expenses of self-education**

Schedule 3A to the Inland Revenue Ordinance (Cap. 112) is amended by repealing item 3 and substituting -

- |     |  |            |
|-----|--|------------|
| "3. | For the years of assessment 1998/99 to 2000/01 inclusive             | \$30,000   |
| 4.  | For the year of assessment 2001/02 and for each year after that year | \$40,000". |

## **Air Passenger Departure Tax Ordinance**

### **3. Interpretation**

Section 2 of the Air Passenger Departure Tax Ordinance (Cap. 140) is amended, in the definition of "airport", by adding "or a heliport specified in Schedule 3" after "Airport".

### **4. Section added**

The following is added -

#### **"20. Amendment of Schedule 3**

The Director may, by notice published in the Gazette, amend Schedule 3."

### **5. Air passenger departure tax**

The First Schedule is amended in item 1, by repealing "\$50" and substituting "\$80".

### **6. Schedule 3 added**

The following is added -

"SCHEDULE 3

[ss. 2 & 20]

HELIPORT

1. The Heliport at the Hong Kong - Macau Ferry Terminal".

## **Road Traffic (Parking) Regulations**

### **7. Schedule 2 amended**

Schedule 2 to the Road Traffic (Parking) Regulations (Cap. 374 sub. leg.) is amended -

- (a) in Part 1, in items 1 to 3, by repealing "\$2.00" and substituting "\$3";
- (b) in Part 2, in items 1 to 3, by repealing "\$2.00" and substituting "\$3".

### **Explanatory Memorandum**

The purpose of this Bill is to amend certain Ordinances to give effect to some of the proposals in the 2001-2002 Budget.

2. Clause 2 amends the Inland Revenue Ordinance (Cap. 112) to increase the maximum amount of the expenses of self-education deductible from assessable income from \$30,000 to \$40,000.

3. Clause 3 amends the definition of "airport" in the Air Passenger Departure Tax Ordinance (Cap. 140). The principal effect of this amendment is that, subject to that Ordinance, a passenger who intends to depart from Hong Kong by helicopter at a heliport specified in the proposed Schedule 3 is also required to pay air passenger departure tax.

4. Clause 4 empowers the Director-General of Civil Aviation to amend the proposed Schedule 3.

5. Clause 5 amends the First Schedule to the Air Passenger Departure Tax Ordinance (Cap. 140) to increase the air passenger departure tax from \$50 to \$80.

6. Clause 6 adds a new Schedule to the Air Passenger Departure Tax Ordinance (Cap. 140).

7. Clause 7 amends the Road Traffic (Parking) Regulations (Cap. 374 sub. leg.) to increase the maximum fees for the use of metered parking spaces and of pay and display parking spaces from \$2 per 15 minutes to \$3 per 15 minutes.