

立法會
Legislative Council

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Bills Committee on Revenue Bill 2001 and Revenue (No.2) Bill 2001

**Minutes of the first meeting on Friday, 11 May 2001
immediately after the House Committee meeting scheduled for 2:30 pm
on the same day in Conference Room A of the Legislative Council Building**

Members Present : Hon Margaret NG (Chairman)
Hon HUI Cheung-ching
Hon CHAN Yuen-han
Hon CHAN Kam-lam
Hon SIN Chung-kai
Dr Hon YEUNG Sum
Hon Mrs Miriam LAU Kin-yee, JP
Hon Andrew CHENG Kar-foo
Hon Tommy CHEUNG Yu-yan, JP

Member Absent : Hon Howard YOUNG, JP

Public Officers Attending : Mr Martin GLASS, JP
Deputy Secretary for the Treasury

Ms Esther LEUNG
Principal Assistant Secretary for the Treasury

Mr Donald CHEN
Assistant Secretary for the Treasury

Miss Maisie CHAN
Assistant Secretary for the Treasury

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Mr Simon WONG
Assistant Commissioner of Customs and Excise
(Administration and Excise)

Mr Peter LUK
Assistant Commissioner for Transport
(Management and Licensing)

Mr Anthony LAI
Chief Executive Officer (Licensing), Transport Department

Mr K F CHENG
Senior Assistant Law Draftsman, Department of Justice

Clerk in Attendance : Ms Doris CHAN
Chief Assistant Secretary (2) 4

Staff in Attendance : Ms Bernice WONG
Assistant Legal Adviser 1

Miss Mary SO
Senior Assistant Secretary (2) 8

I. Election of Chairman

Miss Margaret NG was elected chairman of the Bills Committee.

II. Meeting with the Administration

Revenue Bill 2001

2. Deputy Secretary for the Treasury (DS for Tsy) briefed members on the background of the following major proposals contained in the Revenue Bill 2001 (the Bill), which were set out in the Legislative Council (LegCo) Brief -

- (a) The Dutiable Commodities Ordinance (Cap. 109) would be amended -
 - (i) to increase from 30% to 40% the duty rate on liquors, other than wine, with an alcoholic strength of not more than 30% by volume; and

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- (ii) to increase duty on tobacco by 5%;
- (b) The Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg.) would be amended to increase the fees for the issue or renewal of full driving licence, driving instructor's licence, learner's driving licence, temporary driving licence, duplicate licence, international driving permit and duplicate international driving licence by 10%; and
- (c) The Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374 sub. leg.) would be amended to increase the licence fees for private cars, motor cycles and motor tricycles by 10%, and to clarify the meaning of "appropriate annual licence fee" for calculation of the additional fee for the unlicensed period where the application was received after the expiry of a vehicle licence.

3. DS for Tsy said that the Bill sought to give effect to certain revenue proposals in the 2001-2002 Budget. For revenue protection reason, the proposed increase on tobacco duty, duty on alcohol liquors and transport-related licence fees had come into operation on 7 March 2001 at 2:30 pm under the Public Revenue Protection (Revenue) Order 2001. The Order gave temporary legal effect to these proposals for a maximum period of four months. DS for Tsy further said that the proposed revenue-raising measures in the Bill would not impact on economic growth and only had a negligible effect on people's livelihood.

Proposed increase from 30% to 40% the duty rate on liquors with an alcoholic content of 30% and below (except wine)

4. Mr HUI Cheung-ching said that the catering industry, the beer industry, and bar and karaoke establishments were concerned that the raising of the duty rate on liquors with an alcoholic content of 30% and below (except wine) would harm their businesses. As beer was the major type of liquor affected by the increase, the beer industry complained that the Administration had not consulted them before introducing such increase. Mr HUI further said that the Hong Kong Beer Industry Coalition would shortly provide a submission on the proposed increase to the Bills Committee.

5. DS for Tsy responded that the proposed increase on liquors with an alcoholic content of 30% and below (except wine) should not have significant impact on the catering industry, the beer industry, and bar and karaoke establishments, having regard to the fact that the proposed increase was very mild. For the more popular brands of beer, the proposal would practically only increase the duty amount per can of beer from 6 cents to 26 cents. As to why the Administration had not consulted the industries affected by the proposed increase on the duty rate on liquors, DS for Tsy explained that this was due to the confidentiality of the Budget. As far as he was aware, no revenue proposals were subject to prior consultation with interested parties. If prior consultation was done, the confidentiality of the Budget would be compromised and people would be tempted to pre-empt the budgetary measures by

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stocking up, say, various dutiable commodities, prior to the coming into effect of the provisions. DS for Tsy added that the Administration had met with the Hong Kong Beer Industry Coalition on 27 April 2001 to address the Coalition's concern about the proposed increase on duty rate on liquors. At the request of the Chairman, DS for Tsy agreed to provide the Administration's response to the Coalition for members' reference.

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6. Mr Tommy CHEUNG disagreed that the proposed increase on liquors (except wine) would not have significant impact on the catering industry, the beer industry, and bar and karaoke establishments. To his knowledge, the beer industry and traders intended to pass on the duty increase on liquors to restaurants, bars and karaoke outlets by increasing the price per can of beer from 30 cents to 60 cents. Although restaurants, bars and karaoke outlets would like to pass on to consumers any price increase resulting from the duty increase, it was unlikely that they could do so under the current market situations. As revenue from sales of beer was particularly important to the catering industry, if the profit margins of their businesses were eroded, the livelihood of all those who worked in them would be affected. In the light of this, Mr CHEUNG was of the view that the Bills Committee should invite the beer industry and the catering industry to give their views on the effect of the proposed increase on duty on liquors (except wine) on their businesses.

7. Assistant Commissioner of Customs and Excise (ACCE) responded that whether, and if so, the extent to which the duty increase would be passed on to consumers through the wholesalers and retailers was entirely a commercial decision on the part of the beer industry and the traders, having regard to market response and other pertinent factors. DS for Tsy supplemented that although it was not possible for the Administration to consult the affected sectors on the details of any revenue proposal before the announcement of the Budget, due regard had been given to see that wholesalers, retailers and consumers of liquors would not have difficulty in affording such.

8. As beer was the major type of liquor consumed by the general public falling within the type of liquor with an alcoholic strength of not more than 30% by volume, Mr SIN Chung-kai was of the view that the present two-tier duty system on liquors (except wine), i.e. 100% and 30% duty rates levied on liquors with an alcoholic strength of more than 30% and not more than 30% by volume respectively, should be changed to a three-tier one by levying a duty rate of less than 30% on liquor with an alcoholic strength of, say, not more than 8% by volume.

9. DS for Tsy responded that the Administration had no strong objection to Mr SIN's suggestion if that was the wish of the public. He, however, pointed out that in doing so, the Government would be compelled to increase taxes on other dutiable item(s) to compensate for the loss in duty revenue from beer.

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Transport-related licence fees

10. Mrs Miriam LAU requested the following information -

- (a) The estimated number of private cars, motor cycles and motor tricycles affected by the proposed 10% increase in licence fee, and highest, lowest and median fee increase;
- (b) The estimated numbers of driving licences affected by the proposed 10% increase in licence fee, having regard to the fact that the Administration started to issue a 10-year driving licence in 1997; and
- (c) The estimated revenue increase as a result of the proposed 10% increase in driving and vehicle licenses fees.

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Assistant Commissioner for Transport (Management and Licensing) (ACT) undertook to provide a reply on items (a) and (b) and DS for Tsy undertook to do the same for item (c).

Revenue (No.2) Bill 2001

11. DS for Tsy briefed members on the background of the following proposals contained in the Revenue Bill (No.2) 2001 (the Bill), which were set out in the LegCo Brief -

- (a) The Inland Revenue Ordinance would be amended to increase the maximum amount of expenses of self-education deductible from assessable income from \$30,000 to \$40,000;
- (b) The Air Passenger Departure Tax Ordinance would be amended to increase the tax level from \$50 to \$80 and to widen the tax base to include helicopter passengers; and
- (c) The Road Traffic (Parking) Regulations would be amended to increase the maximum fees for the use of metered parking spaces and of pay and display parking spaces from \$2 to \$3 per 15 minutes.

Parking meter charges

12. Mrs Miriam LAU queried whether the proposed meter charge increase would help to discourage people from occupying metered parking spaces for a prolonged period or encourage them to use private car parking spaces, having regard to the fact that the meter fees charged by the Administration were still relatively lower when compared to the car parking fees charged by the private sector. For example, the hourly rate for parking a car in a private car park in Causeway Bay could cost up to

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\$40. Although the hourly rate for parking a car in a private car park in a less busy area could be as low as \$10 to \$12, many people would still choose on-street metered parking spaces because of their convenience. Mr SIN Chung-kai echoed Mrs LAU's view, and added that the Administration should only increase fees of those on-street parking spaces which had persistently high utilisation, rather than increasing fees across the board. Mr Andrew CHENG also said that he did not see the need for the proposed increase, as according to his experience, there was no great difficulty in finding on-street parking spaces even in urban areas such as the Wanchai waterfront.

13. ACT responded that the policy objective of metering the parking spaces was to ration heavy demand for the parking spaces in order to reduce traffic congestion arising from vehicles circulating for parking spaces in the area. To this end, the Administration hoped that the proposed modest meter charge increase would help achieve the Government's target to contain the utilisation of the metered parking spaces to below 85% at any time, while bringing about additional revenue for the Government. ACT pointed out that although the overall utilisation rate of metered parking spaces was around 78%, two surveys on parking meter utilisation conducted in March 1999 and March 2001 showed that the utilisation of metered parking spaces in busy areas such as Wanchai, Causeway Bay and Tsuen Wan well exceeded 85% during peak hours. At the request of the Chairman, ACT agreed to provide members with the aforesaid survey results. ACT further said that the Administration did not assess how the proposed meter charge increase would impact on the car parking fees charged by the private sector or how this would influence people's decision in choosing metered or private parking spaces, as the former was essentially a commercial decision and the latter a personal one.

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Air Passenger Departure tax

14. Noting that the Administration had stated in its LegCo Brief that the proposed increase of \$30 on Air Passenger Departure tax (APDT) should not have any adverse impact on tourism, airline businesses or airport operation, Miss CHAN Yuen-han enquired about the basis on which the Administration had come to such a view. Miss CHAN further said that the proposed increase in APDT as well as the various increases proposed in the Revenue Bill 2001 appeared to target at the middle-class, who, although were able to pay taxes, were already under financial strains and some of them were owners of negative assets. Mr Tommy CHEUNG concurred with Miss CHAN.

15. DS for Tsy responded that the reason why the Administration had come to a view that the proposed increase of \$30 on APDT should not have any adverse impact on tourism, airline businesses or airport operation was because the proposed increase would only constitute an insignificant portion of the price of air-tickets and the overall cost of travelling. This view was substantiated by the fact that statistics in the past years showed that there was no correlation between visitor arrivals and the level of ADPT. DS for Tsy further said that the proposed increase in APDT as well as the various increases proposed in the Revenue Bill 2001 were not targeted at any particular

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group of people, as the magnitude of the proposed increases was modest and would not impact on economic growth and have a negligible effect on people's basic livelihood.

16. Mrs Miriam LAU said that if APDT was imposed on helicopter passengers, the increase was not \$30 but \$62, as each helicopter passenger was only presently required to pay an embarkation fee of \$18. Mrs LAU further said that widening the tax base to include helicopter passengers on the ground of equity was not convincing, as the helicopter operators had to pay rent to the Government for use of the Macau Ferry Terminal (MFT) Helipad, whereas there was no such charge for helicopter operators using the Hong Kong International Airport (HKIA) helipad at Chek Lap Kok.

17. DS for Tsy responded that the Administration considered it fair and appropriate to extend the scope of APDT to helicopter passengers departing from MFT Helipad as helicopter passengers departing from HKIA were already required to pay APDT under the existing Air Passenger Departure Tax Ordinance. DS for Tsy further said that although helicopter operators using the HKIA helipad at Chek Lap Kok did not have to pay rent per se, different charges were imposed on them by the Airport Authority. At the request of the Chairman, DS for Tsy agreed to provide members with the details of the charges on helicopter operators at Chek Lap Kok and other relevant information.

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III. Date of next meetings

18. Members agreed to hold the next meeting on 24 May 2001 at 4:30 pm to meet with representatives of the beer industry, catering industry, and karaoke and bar establishments on the Revenue Bill 2001, and the Helicopters Hong Kong Limited on the Revenue (No.2) Bill 2001. Members further agreed to schedule another meeting on 29 May 2001 at 4:30 pm.

19. There being no other business, the meeting ended at 4:35 pm.

Legislative Council Secretariat
19 September 2001