

**File Ref. : R2/73 Pt.3**

## **LEGISLATIVE COUNCIL BRIEF**

**DUTIABLE COMMODITIES ORDINANCE (Cap. 109)**

**DUTIABLE COMMODITIES (AMENDMENT) REGULATIONS 2000**

### **INTRODUCTION**

Section 29A of the Interpretation and General Clauses Ordinance (Cap.1) empowers the Financial Secretary (which means also the Secretary for the Treasury by virtue of section 3 of Cap.1) to vary fees which have previously been fixed by subsidiary legislation made by the Chief Executive in Council.

2. In exercise of this power, the Secretary for the Treasury has made the Dutiable Commodities (Amendment) Regulations 2000 (Amendment Regulations) at Annex A to revise the fees specified in the Dutiable Commodities Regulations under the Dutiable Commodities Ordinance (Cap. 109) (the Ordinance).

### **BACKGROUND AND ARGUMENT**

3. The Customs and Excise Department (C&ED) imposes a number of fees and charges for licences and services relating to the control of dutiable commodities. These fees and charges are set out in the Schedule to the Dutiable Commodities Regulations under the Ordinance.

4. It is Government's policy that fees should in general be set at level sufficient to recover the full costs of providing the services. Most Government fees and charges, including the fees and charges mentioned in paragraph 3 above, have been frozen since February 1998 as an exceptional measure to ease the burden on the community at a time of economic setback. The Financial Secretary decided in June 1999 to continue the fee revision moratorium until the year-on-year quarterly GDP growth rate turned firmly positive. In view of the current state of economic recovery, the Administration consulted the previous LegCo Panel on Financial Affairs on 13 April 2000 on proposals to revise various fees that would not

directly affect people's livelihood or general business activities. Members at that time suggested and the LegCo House Committee agreed that the Administration should consult the relevant subject LegCo Panels on whether and if so how the fees under their respective purview should be adjusted.

5. We then consulted the previous LegCo Panel on Financial Affairs on 15 June 2000 regarding the revision of fees and charges under the purview of the Secretary for the Treasury. For fees and charges mentioned in paragraph 3 above, they were last revised in December 1997 and recover cost at 2000-01 prices at rates ranging from 30% to 95%. We proposed to increase the fees by amounts within a range of 5% to 20% with a view to achieving full-cost recovery within a period ranging from one to seven years. Members of the Panel did not raise objection to the proposal.

6. The opportunity is also taken to reduce fees for two licences issued by C&ED on the grounds that there has been a reduction in the cost of issuing the licences.

7. The cost computations are shown at Annex B. Details of the existing and proposed fees are set out at Annex C.

Annex B

Annex C

## **THE REGULATION**

8. The Amendment Regulations revise various fees as set out at Annex C. We propose that the new fees should come into effect on 22 December 2000.

## **EFFICIENCY INITIATIVES**

9. C&ED is conscious of the need to improve the efficiency and cost-effectiveness of its licensing and related services provided under the Ordinance. It is currently reviewing the feasibility of an "Open Bond" system which seeks to replace the existing real-time supervision system by one based on post-transactions audits. This may lead to the abolition of the Customs attendance charges in 2003. In addition, C&ED will review critically whether it is still necessary to provide the various services under our purview that require payment of fees and charges.

10. C&ED is also committed to containing costs of providing the various

services relating to dutiable commodities by continuing to implement the Enhanced Productivity Programme.

## **FINANCIAL AND STAFFING IMPLICATIONS**

11. The fee proposal will generate additional revenue of \$6.29 million per annum. There are no staffing implications.

## **ECONOMIC IMPLICATIONS**

12. The proposed fee increases should have no significant economic impact.

## **PUBLIC CONSULTATION**

13. There is no public consultation on the proposed fee revisions as the fee increases should have little effect on the public at large. The users of the services are unlikely to raise strong objection as the increases in percentage terms are fairly moderate.

## **PUBLICITY**

14. The Amendment Regulations will be published in the Gazette on 10 November 2000. A press release to announce the fee revision will be issued on the same day.

## **ENQUIRIES**

15. For enquiries, please contact Mr Donald Chen, Assistant Secretary for the Treasury (Revenue) 1, of Finance Bureau at 2810 2400.

Finance Bureau  
November 2000