

LEGISLATIVE COUNCIL BRIEF

Waterworks Ordinance
(Chapter 102)
Inland Revenue Ordinance
(Chapter 112)
Rating Ordinance
(Chapter 116)
Sewage Services Ordinance
(Chapter 463)

SEVERE ACUTE RESPIRATORY SYNDROME : RELIEF AND ECONOMIC REVIVAL MEASURES - RATES WAIVER, SALARIES TAX REBATE AND CONCESSIONS ON WATER AND SEWAGE CHARGES AND TRADE EFFLUENT SURCHARGE

INTRODUCTION

At the meeting of the Executive Council on 20 May 2003, the Council ADVISED and the Chief Executive ORDERED that -

- A (a) the Rating (Exemption) Order 2003, at **Annex A**, should be made to effect the rates concession for the July to September 2003 quarter;
- B (b) the Tax Exemption (2001 Tax Year) Order, at **Annex B**, should be made to effect the partial salaries tax rebate for the year of assessment 2001-02; and
- C & D (c) the Waterworks (Reduction of Water Charge) Regulation 2003 and the Sewage Services (Reduction of Sewage Charge and Trade Effluent Surcharge) Regulation 2003, at **Annexes C and D**, should be made to reduce the water charge, sewage charge and trade effluent surcharge for a four-month period from August to November 2003.

JUSTIFICATIONS

Relief and Economic Revival Measures

2. The outbreak of atypical pneumonia has dealt a serious blow to our economy. Government has decided to introduce a series of measures to help our community tide over the current economic difficulties and to revive our economy once the disease is under control. While some of the measures in the relief package may be implemented administratively (such as the rental relief and the waiver of 5% surcharge on overdue payments on rates), other revenue measures would require the making of subsidiary legislation for implementation. The measures requiring legislation include the rates waiver, salaries tax rebate, and concessions on water and sewage charges, trade effluent surcharge and licensing fees on selected sectors affected most seriously by the disease.

Rates Concession

3. Under the proposal, Government will grant all ratepayers a one-off concession equivalent to either the actual rates payable for the July to September 2003 quarter or \$1,250 for domestic properties and \$5,000 in the case of non-domestic properties, whichever is the lesser amount.

4. A total of 2.72 million properties will benefit from the rates waiver. It is estimated that 90% of ratepayers will not need to pay any rates for the period concerned, while the remaining 10% will enjoy the concessions of \$1,250 or \$5,000. All public rental housing tenants will have their July quarter rates fully waived. 98% of market stalls and 82% of shops and commercial premises will also have their July quarter rates fully waived. The concessionary measure does not apply to payment of Government rent.

5. In connection with the rates waiver, as a further measure to ease cashflow difficulties of the worst hit businesses, Government has decided to waive the 5% surcharge on overdue payments on rates for the April to June 2003 quarter for three months. This measure has been put into effect immediately upon announcement through administrative means.

Partial Salaries Tax Rebate for the Year of Assessment 2001-02

6. The one-off tax rebate seeks to provide relief to the public and to boost local consumption. Under the proposal, all taxpayers chargeable to salaries tax or to tax under personal assessment will be refunded 50% of the 2001-02 final tax paid, subject to a cap of \$3,000 per case. Couples who have elected for personal assessment will get separate refund cheques but the aggregate refund will be limited to \$3,000 or the full amount of 50% of their aggregate 2001-02 final tax paid, whichever is the lower amount.

7. Over 1.3 million taxpayers will benefit from the rebate. More than 700,000 taxpayers will receive a tax refund of 50% of the 2001-02 final tax paid. The remaining 600,000 taxpayers will receive the full amount of \$3,000 per case.

Reduction of Water and Sewage Charges

8. Under the proposal, Government will reduce the water charge, fresh water flushing and sewage charges for a four-month billing period starting from August 2003 to ease the burden of the community and businesses. The amount of charges payable by each registered customer during the four months from August to November 2003 will be reduced by -

(a) **Water charges**

- (i) for domestic purposes, an amount not exceeding \$267;
- (ii) for non-domestic purposes, an amount not exceeding \$2,133; and
- (iii) for use of fresh water for flushing purposes, an amount not exceeding \$267.

(b) **Sewage charges**

- (i) for domestic purposes, an amount not exceeding \$67; and
- (ii) for non-domestic purposes, an amount not exceeding \$533.

9. Holders of four-monthly billed accounts can enjoy the deduction subject to the ceiling as announced for one time during the period from August to November 2003. Meanwhile, holders of monthly billed accounts will enjoy the deduction for a maximum of four times, with the aggregate deductions subject to the same ceiling as announced. For monthly billed accounts, any unused balance will be carried forward to set off against the charges payable in the next bill until upon the expiry of the four-month period or closure of account, whichever is the earlier. Thereafter any unused balance will lapse.

10. As a result of these concessions, about 80% of the customers including domestic (about 2.2 million households for water charges and 2 million households for sewage charges), non-domestic (about 180,000 accounts for both water and sewage charges) and flushing accounts (about 21,000) will pay no water and sewage charges in their second bill within the current financial year. These will cost Government revenue an estimated amount of \$479 million in the four-month period.

Reduction of Trade Effluent Surcharge

11. As regards the trade effluent surcharge payable by 15,000 accounts in 30 designated trades and businesses, they will be reduced by 60% for the bills issued in the four-month period starting from August 2003.

12. Similar to water and sewage charges, the reduction of trade effluent surcharge will be made in the following manner -

- (a) for those accounts which are billed on a four-monthly basis, the customers will receive the concession for one time; and
- (b) for those accounts which are billed on a monthly basis, the customers will receive the concession four times in the four-month period.

13. With this concession, it is estimated that each account will on average pay \$2,670 less for a four-month period. This concession will cost Government revenue an estimated \$42 million in the four-month period.

Waiver of Licensing Fees

14. As part of the package of relief and economic revival measures, Government will waive the licensing fees for one year in respect of the following types of licences and permits -

- (a) Travel agents licence;
- (b) Hotel and guesthouse licence;
- (c) Karaoke establishment licence and permit;
- (d) Cinema licence;
- (e) Restaurant licence;
- (f) Liquor licence;
- (g) Restricted food permit;
- (h) Hawker licence; and
- (i) Vehicle and related licences for taxis, public light buses, school buses (including private light buses and private buses for student service) and all non-franchised public buses.

15. The implementation of the waiver of certain licensing fees mentioned above requires the making of subsidiary legislation, some of which needs to be approved by the Chief Executive in Council. As mentioned in paragraph 22 below, we shall make another submission to the Executive Council on the waiver of licensing fees next week.

THE ORDERS AND THE REGULATIONS

16. We need to effect the above measures by making a number of items of subsidiary legislation as set out in the following paragraphs.

Rates Concession

17. The Rating (Exemption) Order 2003, at **Annex A**, waives the rates payments for the July to September 2003 quarter, subject to a ceiling of \$1,250 for domestic properties and \$5,000 for non-domestic properties. The waiver applies to both regular rates bills as well as interim rates bills which are issued to newly-valued properties.

Partial Salaries Tax Rebate for the Year of Assessment 2001-02

18. The Tax Exemption (2001 Tax Year) Order, at **Annex B**, exempts payment of a portion of the salaries tax or tax payable by way of personal assessment for the year of assessment 2001-02.

Reduction of Water and Sewage Charges and Trade Effluent Surcharge

19. The Waterworks (Reduction of Water Charge) Regulation 2003 and the Sewage Services (Reduction of Sewage Charge and Trade Effluent Surcharge) Regulation 2003, at **Annexes C and D**, reduce the water charge, sewage charge and trade effluent surcharge respectively for the four-month period from August to November 2003.

Waiver of Licensing Fees

20. The waiver of certain licensing fees mentioned in paragraph 14 above will entail the making of the following items of subsidiary legislation -

- (a) regulations under the Travel Agents Ordinance (Cap. 218), the Karaoke Establishments Ordinance (Cap. 573) and the Road Traffic Ordinance (Cap. 374) will have to be made by the Chief Executive in Council to waive the fees payable for one year in respect of travel agents licences, karaoke establishment licences and permits, vehicle and related licences for taxis, public light buses, school buses (including private light buses and private buses for student service) and all non-franchised public buses; and

- (b) regulations under the Places of Public Entertainment Ordinance (Cap. 172) and the Dutiable Commodities Ordinance (Cap. 109) will need to be made by the Secretary for Home Affairs and the Secretary for Health, Welfare and Food respectively to waive the fees payable for cinema licences and liquor licences by one year.

21. In respect of the licensing fees for the hotel and guesthouse licences, restaurant licences, restricted food permits and hawker licences, the waiver and refund power is already stipulated in the relevant Ordinances or Regulations. No additional subsidiary legislation will therefore be required and the waivers for these fees can be implemented through administrative means.

22. We shall shortly make another submission to the Executive Council on the waiver of the licensing fees mentioned in paragraph 20(a) above as soon as the necessary legislative work has been completed.

23. In order to implement the relief measures as soon as possible, we **propose** that the waivers of licensing fees be implemented with effect from 1 June 2003. As a further measure to provide immediate relief prior to the commencement of the relief measures on 1 June 2003, hawkers with cashflow difficulties may apply for an immediate waiver of hawker licence fees that are payable in May 2003. This measure will be put into effect immediately through administrative means.

LEGISLATIVE TIMETABLE

24. The legislative timetable for those relief measures requiring legislative changes will be -

Publication in the Gazette	23 May 2003
Tabling at the Legislative Council	28 May 2003

25. The relief measures should be implemented as soon as possible. As such, we **propose** that the subsidiary legislation should take effect from the date of publication in the Gazette, rather than upon the expiry of the period required for negative vetting of the subsidiary legislation by the Legislative Council. This is a necessary means to ensure that the rates waiver can take effect from the July quarter, the salaries tax rebate can be made in July 2003, the reduction in

water and sewage charges, and trade effluent surcharge can be made in August 2003, and the waivers on various licensing fees can commence in June 2003.

IMPLICATIONS OF THE PROPOSAL

E 26. The proposal has economic, financial and sustainability implications as set out at **Annex E**. It is in conformity with the Basic Law, including the provisions concerning human rights. The proposal does not affect the binding effect of the existing provisions of the relevant Ordinances. It has no productivity or environmental implications. Any additional staffing requirements arising from the implementation of these measures will be absorbed under the provision in the 2003-04 Expenditure Estimates of the relevant departments.

PUBLIC CONSULTATION

27. We have discussed various options of relief measures with legislators and representatives of the various trades. The proposed measures have taken into account their views. In particular, they have covered the measures proposed by the coalition of seven parties/groups in the Legislative Council.

PUBLICITY

28. A spokesman will be available to answer media and public enquiries.

ENQUIRIES

29. Enquiries on the brief should be made to Mr Allen Leung, Principal Assistant Secretary for Financial Services and the Treasury (Treasury)(MA), on telephone number 2810 3729.

Annexes

- Annex A - Rating (Exemption) Order 2003
- Annex B - Tax Exemption (2001 Tax Year) Order
- Annex C - Waterworks (Reduction of Water Charge) Regulation 2003
- Annex D - Sewage Services (Reduction of Sewage Charge and Trade Effluent Surcharge) Regulation 2003
- Annex E - Implications of the Proposal

RATING (EXEMPTION) ORDER 2003

(Made by the Chief Executive in Council under section 36(2)
of the Rating Ordinance (Cap. 116))

1. Interpretation

In this Order –

“concession period” (寬免期) means the period 1 July 2003 to 30 September 2003 (both dates inclusive);

“domestic tenement” (住宅物業單位) means a tenement used, or intended to be used, wholly or primarily for domestic purposes;

“non-domestic tenement” (非住宅物業單位) means a tenement that is not a domestic tenement.

2. Exemption from payment of rates

(1) A domestic tenement included in a valuation list in force is exempted from the payment of rates in respect of the concession period by an amount equal to the rates payable for that period or \$1,250, whichever is less. The amount of \$1,250 is reduced on a pro rata basis if rates are payable for only part of the concession period.

(2) A non-domestic tenement included in a valuation list in force is exempted from the payment of rates in respect of the concession period by an amount equal to the rates payable for that period or \$5,000, whichever is less. The amount of \$5,000 is reduced on a pro rata basis if rates are payable for only part of the concession period.

Clerk to the Executive Council

COUNCIL CHAMBER

2003

Explanatory Note

This Order declares that domestic and non-domestic tenements are exempted from the payment of rates in respect of the period 1 July 2003 to 30 September 2003 up to certain amounts.

TAX EXEMPTION (2001 TAX YEAR) ORDER

(Made by the Chief Executive in Council under section 87 of the
Inland Revenue Ordinance (Cap. 112))

1. Interpretation

In this Order –

“appropriate proportion” (適當份額), in relation to a person who has together with his or her spouse elected under section 41(1A) of the Ordinance to be assessed under Part VII of the Ordinance for the 2001 tax year, means the proportion in which the amount of the tax chargeable on the person and his or her spouse under section 43 of the Ordinance for that tax year is chargeable on the person under that section 43;

“2001 tax year” (2001 課稅年度) means the year of assessment commencing on 1 April 2001.

2. Exemption from tax

(1) Subject to subsection (2), any person who is chargeable to tax under Part III of the Ordinance for the 2001 tax year shall be exempt from the payment of an amount equivalent to –

- (a) 50% of the amount of the tax to which he is so chargeable;
- or
- (b) \$3,000,

whichever is the less.

(2) Any person who is chargeable to tax under Part VII of the Ordinance for the 2001 tax year shall be exempt from the payment of an amount equivalent to –

- (a) subject to paragraph (b) –
 - (i) 50% of the amount of the tax chargeable on the person under section 43 of the Ordinance for that tax year; or

- (ii) \$3,000,
whichever is the less; or
- (b) where the person and his or her spouse have elected under section 41(1A) of the Ordinance to be assessed under Part VII of the Ordinance for that tax year, the appropriate proportion of –
 - (i) 50% of the amount of the tax chargeable on the person and his or her spouse under section 43 of the Ordinance for that tax year; or
 - (ii) \$3,000,
whichever is the less.

Clerk to the Executive Council

COUNCIL CHAMBER

2003

Explanatory Note

The purpose of this Order is to exempt payment of a portion of the salaries tax or the tax chargeable by way of personal assessment under the Inland Revenue Ordinance (Cap. 112) for the year of assessment 2001/02. The amount to be exempted is 50% of the amount of the tax chargeable or \$3,000, whichever is the less.

**WATERWORKS (REDUCTION OF WATER CHARGE)
REGULATION 2003**

(Made by the Chief Executive in Council under section 37 of
the Waterworks Ordinance (Cap. 102) and section 29
of the Interpretation and General
Clauses Ordinance (Cap. 1))

1. Interpretation

In this Regulation –

“scheduled bill” (預定收費單) means a bill referred to in section 2(2);

“specified sum” (指明款額), in relation to a scheduled bill, means the sum specified for the bill under section 3(1)(b).

2. Application

(1) A charge for fresh water calculated according to regulation 46 of the Waterworks Regulations (Cap. 102 sub. leg. A) is subject to the reduction provided for in this Regulation.

(2) This Regulation applies to any bill for fresh water charges scheduled by the Water Authority to be issued on a billing date that falls within the period 1 August 2003 to 30 November 2003 (both dates inclusive), even if –

- (a) the bill is actually issued after 30 November 2003; or
- (b) the bill may not be issued where the charge for fresh water payable under it is less than the specified sum for it.

**3. Reduction of charge for fresh water
under scheduled bill**

(1) The charge for fresh water payable under a scheduled bill is reduced by –

- (a) the amount of that charge; or

- (b) the relevant sum specified for the bill in the following table,

whichever is less.

Table of specified sums for scheduled bills

The charge to which the scheduled bill relates	The specified sum for an account billed on a 4-monthly basis	The specified sum for an account billed on a monthly basis
For fresh water supplied for non-domestic purposes as described in item 1(a), (d), (e) or (f) of Part III of Schedule 1 to the Waterworks Regulations (Cap. 102 sub. leg. A)	\$2,133	\$533.25
For fresh water supplied for domestic or flushing purposes as described in item 1(b) or (c) of that Part	\$267	\$66.75

(2) Where the charge for fresh water payable under a scheduled bill in respect of an account billed on a monthly basis is less than the specified sum for the bill, the balance may be carried forward and be deducted from the charge for fresh water payable under the next scheduled bill in respect of that account if the account remains registered under the name of the same person.

Clerk to the Executive Council

COUNCIL CHAMBER

2003

Explanatory Note

This Regulation provides for the reduction of charges for fresh water payable under the Waterworks Regulations (Cap. 102 sub. leg. A) in respect of bills scheduled to be issued within the period 1 August 2003 to 30 November 2003.

**SEWAGE SERVICES (REDUCTION OF SEWAGE CHARGE AND
TRADE EFFLUENT SURCHARGE) REGULATION 2003**

(Made by the Chief Executive in Council under section 12
of the Sewage Services Ordinance (Cap. 463) and
section 29 of the Interpretation and General
Clauses Ordinance (Cap. 1))

PART 1

REDUCTION OF SEWAGE CHARGE

1. Interpretation of Part 1

In this Part –

“scheduled bill” (預定收費單) means a bill referred to in section 2(2);

“specified sum” (指明款額), in relation to a scheduled bill, means the sum specified for the bill under section 3(1)(b).

2. Application of Part 1

(1) A sewage charge calculated according to section 2 of the Sewage Services (Sewage Charge) Regulation (Cap. 463 sub. leg. A) is subject to the reduction provided for by this Part.

(2) This Part applies to any bill for sewage charges scheduled by the Water Authority to be issued on a billing date that falls within the period 1 August 2003 to 30 November 2003 (both dates inclusive), even if -

- (a) the bill is actually issued after 30 November 2003; or
- (b) the bill may not be issued where the sewage charge payable under it is less than the specified sum for it.

**3. Reduction of sewage charge under
scheduled bill**

(1) The sewage charge payable under a scheduled bill is reduced by –

- (a) the amount of that charge; or
 (b) the relevant sum specified for the bill in the following table,

whichever is less.

Table of specified sums for scheduled bills

The charge to which the scheduled bill relates	The specified sum for an account billed on a 4-monthly basis	The specified sum for an account billed on a monthly basis
For fresh water supplied for non-domestic purposes as described in item 1(a), (d), (e) or (f) of Part III of Schedule 1 to the Waterworks Regulations (Cap. 102 sub. leg. A)	\$533	\$133.25
For fresh water supplied for domestic purposes as described in item 1(b) of that Part	\$67	Not applicable

(2) Where the sewage charge payable under a scheduled bill in respect of an account billed on a monthly basis is less than the specified sum for the bill, the balance may be carried forward and be deducted from the sewage charge payable under the next scheduled bill in respect of that account if the account remains registered under the name of the same person.

PART 2

REDUCTION OF TRADE EFFLUENT SURCHARGE

4. Interpretation of Part 2

In this Part, “reduction period” (減免期) means the period 1 August 2003 to 30 November 2003 (both dates inclusive).

5. Application of Part 2

(1) A trade effluent surcharge calculated according to section 3 or 4 of the Sewage Services (Trade Effluent Surcharge) Regulation (Cap. 463 sub. leg. B) is subject to the reduction provided for by this Part.

(2) This Part applies to –

- (a) any bill for trade effluent surcharge issued within the reduction period in respect of fresh water supplied for a period not longer than the normal billing period for water charges; and
- (b) any bill for trade effluent surcharge issued in respect of fresh water supplied for a period longer than the normal billing period for water charges if any day in that longer period falls within the reduction period.

6. Reduction of trade effluent surcharge under applicable bill

(1) The trade effluent surcharge payable under a bill referred to in section 5(2)(a) is reduced by 60%.

(2) The trade effluent surcharge payable under a bill referred to in section 5(2)(b) in respect of fresh water supplied for any day that falls within the reduction period is reduced by 60%.

Clerk to the Executive Council

COUNCIL CHAMBER

2003

Explanatory Note

Part 1 of this Regulation provides for the reduction of sewage charges payable under the Sewage Services (Sewage Charge) Regulation (Cap. 463 sub. leg. A) in respect of bills scheduled to be issued within the period 1 August 2003 to 30 November 2003.

2. Part 2 of this Regulation provides for the reduction of trade effluent surcharges payable under the Sewage Services (Trade Effluent Surcharge) Regulation (Cap. 463 sub. leg. B) in respect of bills issued within the period 1 August 2003 to 30 November 2003 and bills that relate back to that period.

Implications of the Proposal

Economic Implications

The various revenue measures taken together are estimated to have a lifting effect on the Gross Domestic Product (GDP) in 2003 by around 0.09 of a percentage point, with the effect largely incident in the second half of the year and with some further effect spreading into 2004.

2. It has to be noted that, for the revenue measures, the amounts to be received by households or individuals may not necessarily be spent up to the same extent and/or on the same timing as with revenue concessions made under more normal circumstances. Likewise, the amounts to be received by business establishments are expected to be mainly for keeping the business entity going, rather than for making any new investment that gives lifting effect.

Financial Implications

3. The total estimated cost to Government of all revenue measures under the package of relief measures is \$5.3 billion, analysed as follows -

Revenue Measures	Amount Involved \$ million
(a) Rates concession	2,064
(b) Salaries tax rebate	2,300
(c) Water and sewage charge and trade effluent surcharge concessions	521
(d) Waiver of licensing fees	276
(e) Rent concessions	175
Total :	<u>5,336</u>

4. Any additional staffing requirements arising from the implementation of these measures will be absorbed under the provision in the 2003-04 Expenditure Estimates of the relevant departments.

Sustainability Implications

5. The proposal does not have major sustainability implications but would help our community tide over the current economic difficulties, particularly for those worst-hit sectors of tourism, retail, restaurants and hotels, and entertainment.