

立法會
Legislative Council

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Tel : 2869 9205

Date : 28 October 2004

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 10 November 2004

**Proposed resolution under
the Dutiable Commodities Ordinance**

I forward for Members' consideration a proposed resolution which the Secretary for Financial Services and the Treasury will move at the Council meeting of 10 November 2004 under the Dutiable Commodities Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The draft speech, in both English and Chinese versions, which the Secretary for Financial Services and the Treasury will deliver when moving the proposed resolution, is also attached.

(Ray CHAN)
for Clerk to the Legislative Council

Encl.

DUTIABLE COMMODITIES ORDINANCE

RESOLUTION

(Under section 4(2) of the Dutiable Commodities Ordinance (Cap.
109))

RESOLVED that Schedule 1 to the Dutiable Commodities Ordinance be amended, in paragraph 1A of Part III –

- (a) in subparagraph (a), by repealing “31 December 2004” and substituting “31 December 2005”;
- (b) in subparagraph (b), by repealing “1 January 2005” and substituting “1 January 2006”.

**Speech by the Secretary for Financial Services and the Treasury
at the Legislative Council on 10 November 2004**

**Resolution to Extend the Concessionary Duty Rate for
Ultra Low Sulphur Diesel**

Madam President,

I move that the motion under my name, as printed on the Agenda, be passed to extend the existing concessionary duty rate of \$1.11 per litre for ultra low sulphur diesel (ULSD) to 31 December 2005 with a view to implementing the proposal announced by the Financial Secretary recently.

2. In the past six years or so, the Government has granted a concessionary duty rate on regular motor diesel and ULSD. In June 1998, we reduced the duty rate for regular motor diesel from \$2.89 to \$2 per litre as a temporary measure in the light of the economic climate at that time. Later, in July 2000, ULSD was introduced at a concessionary rate of \$1.11 per litre on environmental grounds. The concessionary duty rate was to be adjusted to \$2 per litre on 1 January 2001 and was to revert to \$2.89 per litre on 1 January 2002. By 2001, regular motor diesel had been completely replaced by ULSD at petrol filling stations in the territory. Nevertheless, in order to relieve the pressure on the industry during the economic downturn, the Government has postponed the reversion of the duty rate to \$2.89 on five occasions.

3. According to the resolution passed by the Legislative Council in March this year, the duty rate for ULSD is scheduled to revert to \$2.89 per litre on 1 January 2005.

4. However, the Government is concerned about the recent surge in oil prices. The Government considers that although Hong Kong's economic activities as a whole have a relatively low reliance on oil, individual sectors will be hit harder by high oil prices. Taking into account our fiscal situation, the overall economic conditions and the pressure faced by the transport

industry, we propose to further extend the concessionary rate for ULSD to 31 December 2005. Upon expiry of the concession, the duty rate for ULSD will revert to \$2.89 per litre.

5. The extension of duty concession for ULSD will cost the Government about \$1.1 billion in 2005. The several duty concessions have so far cost the Government a total of about \$7.9 billion.

6. With regard to suggestions that the Government should give further concessions to ULSD users or even cancel the duty, I wish to point out that the duty on diesel and other vehicular fuels is a very important and stable source of recurrent revenue for the Government. In 2003-04, the duty on ULSD brought in \$690 million to the Government's coffer. Levying duty on vehicular fuels is also an international practice. Our duty rate on ULSD is not particularly high compared with other developed economies where ULSD is sold. Furthermore, these economies impose other taxes such as sales tax, while currently Hong Kong levies only a single duty on ULSD.

7. Taking into account of the overall interest of the community and the fiscal position of the Government, we consider that there is no scope for further tax reduction or tax exemption. The Government has already announced that it will help the transport industry further enhance its competitiveness through other initiatives.

8. I hope Members will support the resolution.

9. Thank you, Madam President.