

立法會
Legislative Council

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From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 1 December 2004

**Proposed resolution under
the Dutiable Commodities Ordinance**

Further to LC Paper No. CB(3) 113/04-05 issued on 2 November 2004, the Secretary for Financial Services and the Treasury has given fresh notice to move a resolution 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 1 December 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. First, I would like to thank Hon CHAN Kam-lam, Chairman of the Subcommittee of the Legislative Council, and Members of the Subcommittee for their speedy deliberation on and support for the motion. I would also like to thank Members for the valuable views they expressed on the duty concession for ULSD during the motion debate on 3 November.

3. The Government has all along been very concerned about the operational difficulties faced by the transport industry as a result of the economic downturn or the fluctuation in oil prices. In June 1998, the Government reduced the duty rate for regular motor diesel from \$2.89 to \$2 per litre as a temporary measure. 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 gradually to revert to \$2.89 per litre. Although regular motor diesel had been completely replaced by ULSD at petrol filling stations in the territory, the Government has postponed the reversion of the duty rate to \$2.89 on five occasions in order to relieve the pressure on the industry brought by the economic downturn. 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. The Government is concerned about the recent surge in oil prices. In line with what Members have suggested, the Government has already carefully and comprehensively reviewed the existing duty rate for ULSD, taking into consideration the operating environment of the industry and the economic situation. 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, i.e. starting from 1 January 2006, the duty rate for ULSD will revert to \$2.89 per litre.

5. The extension of duty concession for ULSD for one year 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.

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6. At the Subcommittee meeting, some Members said that the Government should consider making the existing concessionary duty a long-term arrangement, which is in effect to lower the duty rate for ULSD substantially to the concessionary level of \$1.1 per litre, to obviate the need for moving a motion to extend the concession every year. I would like to reiterate that setting the duty rate at \$1.1 per litre is only a temporary measure, a relief formulated in the light of the economic situation and sudden surges in oil prices. This concessionary rate is more than 60% lower than the original rate of \$2.89 per litre. We consider that at this moment, it would not be appropriate to make the temporary concession a long-term substantial tax reduction. However, before the expiry of the proposed concession next year, we will conduct a comprehensive review on the duty on ULSD.

7. Apart from extending the duty concession for ULSD to help the transport industry, the Government has already announced that it will assist the industry to enhance its competitiveness through various other initiatives.

8. I hope Members will support the resolution.

9. Thank you, Madam President.