

**立法會**  
**Legislative Council**

LC Paper No. LS58/05-06

**Paper for the House Committee Meeting  
on 28 April 2006**

**Legal Service Division Report on  
Betting Duty (Amendment) Bill 2006**

**I. SUMMARY**

- 1. Object of the Bill**                      To give effect to proposals to reform the betting duty system for bets on horse racing, and to rationalise the regulatory regime for conduct of betting on horse races.
  
- 2. Comments**                              The major reform proposals in the Bill are as follows:-

  - (a) Betting duty will be charged on gross profits;
  - (b) The Hong Kong Jockey Club (“HKJC”) would guarantee that the duty payable to the Government during each of the three years after implementation would be no less than \$8 billion;
  - (c) HKJC would be allowed to provide rebates to bettors (who are, according to the LegCo Brief, intended to be high-value bettors);
  - (d) The authority to authorize the conduct of horse race betting would be transferred to the Secretary for Home Affairs (“SHA”);
  - (e) There would be a general licensing system for horse race betting whereby SHA could, by issuing a licence to a company, authorise the company to conduct fixed odds betting or pari-mutuel betting on the results of, or contingencies relating to, horse races;
  - (f) The functions of the existing Football Betting and Lotteries Commission would be expanded to include advising SHA on the regulation of the conduct of betting on horse racing; as well as compliance with licensing conditions by the licensee; and
  - (g) The operational and regulatory regime for betting on horse races should basically follow that for football betting and lotteries.
  
- 3. Public Consultation**                      The Government has consulted the Football Betting and Lotteries Commission and some interested parties.
  
- 4. Consultation with LegCo Panel**                      The Panel on Home Affairs discussed the proposed reforms to the betting duty system for horse race betting with the Government at its meetings on 13 May and 16 June 2005. The Panel also met with HKJC and other deputations at one of the meetings.
  
- 5. Conclusion**                                Members are recommended to form a bills committee to scrutinise the proposals in the Bill.

## **II. REPORT**

### **Object of the Bill**

To give effect to proposals to reform the betting duty system for bets on horse racing, and to rationalise the regulatory regime for conduct of betting on horse races.

### **LegCo Brief Reference**

2. S/F(1) to HAB/CR/1/17/99 issued by the Home Affairs Bureau in April 2006.

### **Date of First Reading**

3. 26 April 2006.

### **Comments**

4. The major reform proposals in the Bill are as follows:-

- (a) Betting duty will no longer be charged on the turnover of betting. Instead, a single set of rates will progressively apply to gross profits – with duty at 72.5% up to \$11 billion, increasing by half a percentage point for every \$1 billion up to \$15 billion, and at 75% for the amount exceeding \$15 billion;
- (b) The Hong Kong Jockey Club (“HKJC”) would guarantee that the duty payable to the Government during each of the three years after implementation would be no less than \$8 billion. A review would be conducted two years after implementation; and
- (c) The HKJC would be allowed to provide rebates to bettors (who are, according to paragraph 14(d) of the LegCo Brief, intended to be high-value bettors), in order to increase its competitiveness against illegal bookmakers.

5. The Bill further proposes to rationalise the regulatory regime for conduct of betting on horse races as follows:-

- (a) The authority to authorize the conduct of horse race betting should be transferred from the Chief Secretary for Administration to the Secretary for Home Affairs (“SHA”);

- (b) There would be a general licensing system for horse race betting whereby SHA could by issuing a licence to a company, authorise the company to conduct fixed odds betting or pari-mutuel betting on the results of, or contingencies relating to, horse races. The Government proposes that one licence for horse race betting should be granted only to HKJC;
- (c) The functions of the existing Football Betting and Lotteries Commission would be expanded to include advising SHA on the regulation of the conduct of betting on horse racing; as well as compliance with licensing conditions by the licensee; and
- (d) The operational and regulatory regime for betting on horse races would basically follow that for football betting and lotteries.

### **Public Consultation**

6. According to paragraph 21 of the Lego Brief, the Government consulted the Football Betting and Lotteries Commission on the proposed reforms in October 2005. The Commission supported the proposed reforms. The Government has also met with the major opposition groups for the purpose of listening to their concerns and suggestions. The Government has further discussed with HKJC regarding the betting duty rate, the major licensing conditions, and other related matters. HKJC is generally agreeable to the proposals.

### **Consultation with LegCo Panel**

7. The Panel on Home Affairs (“The Panel”) discussed the proposed reforms to the betting duty system for horse race betting with the Government at its meetings on 13 May and 16 June 2005. The Panel also met with HKJC and other deputations at one of the meetings. Some members were supportive of the proposed reforms. Some other members, however, expressed objection to the proposed reforms. These members were of the view that the Government’s gambling policy should seek to combat illegal gambling by strengthening law enforcement actions, instead of competing with illegal and offshore bookmakers. They were concerned that the proposed reforms would lead to more people participating in horse race betting, resulting in huge social costs to tackle gambling-related problems.

8. Members had also raised the following concerns and queries –

- (a) the decline in turnover of horse race betting had more to do with the authorisation of football betting;

- (b) it would be difficult for HKJC to compete with illegal bookmakers even if the proposed reforms were introduced, as these bookmakers could offer credit betting and more attractive odds; and
- (c) the Government's revenue from betting duty on horse race betting would decrease given that the annual minimum amount of betting duty guaranteed by HKJC for the first four years (The Bill now proposes the guaranteed period to be three years) was \$8 billion only.

## **Conclusion**

9. In light of the concerns of the Panel, members are recommended to form a bills committee to study the proposals of the Bill in detail. Meanwhile, the Legal Service Division will continue to scrutinise the legal and drafting aspects of the Bill.

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