

**立法會**  
**Legislative Council**

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Tel : 2869 9205

Date : 25 November 2005

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

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**Council meeting of 14 December 2005**

**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 14 December 2005 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

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### **RESOLUTION**

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

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RESOLVED that Schedule 1 to the Dutiable Commodities Ordinance (Cap.  
109) be amended, in paragraph 1A of Part III –

- (a) in subparagraph (a), by repealing “31 December 2005” and substituting “31 December 2006”;
- (b) in subparagraph (b), by repealing “1 January 2006” and substituting “1 January 2007”.

**DRAFT**

**Speech by the Secretary for Financial Services and the Treasury  
at the Legislative Council on 14 December 2005**

**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 2006, with a view to implementing the proposal announced by the Financial Secretary recently.

2. When ULSD was introduced in Hong Kong in 2000, the duty was set at a relatively low level of \$1.11 per litre for environmental reasons in order to facilitate a cost-neutral switch from regular diesel to this cleaner, but more costly fuel. The concessionary duty rate was scheduled to revert to \$2.89 per litre on 1 January 2002. However, in order to relieve the pressure on the transport industry brought by the economic downturn, the Government has postponed the reversion of the duty rate to \$2.89 on six occasions.

3. According to the resolution passed by the Legislative Council in December last year, the duty rate for ULSD is scheduled to revert to \$2.89 per litre on 1 January 2006.

4. We understand the impact of a surge in global oil prices on various trades and industries, in particular the transport industry. Taking into account the various factors, including the pressure faced by the transport industry, the overall economic conditions and our fiscal position, the Financial Secretary has decided to propose a further extension of the duty concession for ULSD for another year to the end of 2006, with a view to relieving the pressure on the transport industry.

5. Making further concession or even abolishing the duty on ULSD as requested by some Members and the industry is neither a feasible measure nor a solution to the problem of high oil prices. The existing concessionary duty rate of \$1.11 per litre is already some 60% lower than the regular rate. Further reduction or even removal of this duty will bring pressure to bear on government revenue, which should not be taken lightly. We consider that there is currently no scope for a further reduction of the concessionary duty rate of \$1.11 per litre.

6. Based on the original rate of \$2.89 per litre, the revenue to be generated to government coffers from ULSD duty is about \$1.8 billion a year. However, given the current concessionary duty rate of \$1.11 per litre, the duty on ULSD can only generate a revenue of about \$700 million. An extension of the concessionary duty rate for one year will cost the Government about \$1.1 billion.

7. I hope Members will support the resolution.

8. Thank you, Madam President.