

立法會
Legislative Council

LC Paper No. CB(1)2214/06-07
(These minutes have been seen
by the Administration)

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Bills Committee on Revenue Bill 2007

**Minutes of the third meeting
held on Monday, 28 May 2007, at 8:30 am
in Conference Room B of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon LEE Cheuk-yan
Hon CHAN Yuen-han, JP
Hon SIN Chung-kai, JP
Hon Howard YOUNG, SBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon WONG Ting-kwong, BBS
Hon TAM Heung-man
- Members absent** : Hon Vincent FANG Kang, JP
Hon Alan LEONG Kah-kit, SC
- Public officers attending** : Mr Clement LEUNG
Deputy Secretary for Financial Services and the
Treasury
- Mr Kenneth CHENG
Principal Assistant Secretary for Financial Services and
the Treasury
- Mr C S LIU
Acting Assistant Commissioner of Customs and Excise
(Excise and Operation Support)

Mr Albert HO
Senior Staff Officer
(Dutiable Commodities Administration)
Customs and Excise Department

Mr W C SUEN
Senior Assistant Law Draftsman
(Professional Development)
Department of Justice

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)5

Staff in attendance : Mr Stephen LAM
Assistant Legal Adviser 4

Ms Rosalind MA
Senior Council Secretary (1)8

Mr Justin TAM
Council Secretary (1)3

Action

I. Meeting with the Administration

Clause-by-clause examination of the Bill

LC Paper No. CB(1)1743/06-07(01) — Proposed Committee Stage
amendments by Hon SIN
Chung-kai

LC Paper No. CB(1)1697/06-07(02) — Relevant extract of the amended
Dutiable Commodities Ordinance
(Cap. 109)

LC Paper No. CB(1)1697/06-07(03) — Relevant extract of the amended
Stamp Duty Ordinance (Cap. 117)

LC Paper No. CB(3)502/06-07 — The Bill

LC Paper No. LS67/06-07 — The Legal Service Division Report
on the Subsidiary Legislation

FIN CR 7/2201/06 — The Legislative Council Brief
issued by the Financial Services
and the Treasury Bureau

The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

Committee Stage amendment

2. The Bills Committee examined the Committee Stage amendment (CSA) proposed by Mr SIN Chung-kai to clause 2 of the Bill to provide a validity period of one year, from 28 June 2007 to 30 June 2008 (both dates inclusive), for the reduction in duty on alcoholic beverages. Mr SIN said that the proposed period would provide an opportunity for ascertaining how effectively the trades, especially the beer trade, had delivered their undertakings. If the outcome was encouraging, the duty reduction could be extended or made permanent or further adjusted downwards through the necessary legislative amendments. Mr LEE Cheuk-yan supported Mr SIN's proposed CSA. Miss TAM Heung-man and Miss CHAN Yuen-han also considered that the one-year period would facilitate monitoring and helped ensure that the industry would exercise prudence in setting their prices.

3. Mr Tommy CHEUNG, Mr WONG Ting-kwong and Mr Abraham SHEK indicated that they did not support the proposed CSA. Both the Administration and the members highlighted the need to provide the business sector with certainty and predictability. They considered that frequent revisions of the duty rates on alcoholic beverages were not conducive to the business planning and operation of the wine/beer trades. Moreover, as the macro-economic situation and the Government's fiscal position were taken into consideration by the Financial Secretary (FS) when preparing the Annual Budgets, the Administration was in a position to propose adjustments to the duty rates on alcoholic beverages where circumstances so warranted. Hence, the members did not consider it necessary to limit the duty reduction to one year for the purpose of assessing the need or otherwise for its continued implementation.

4. The Bills Committee also noted Mr James TIEN's view that Hong Kong's duty rates on wine and beer were too high and should be further reduced to bring them on par with the prevailing arrangements of neighbouring territories like Macau and Singapore. Referring to Mr SIN Chung-kai's proposed CSA, Mr TIEN indicated that Members of the Liberal Party might consider whether to propose another CSA the effect of which was to further reduce, or even abolish, the duty rates on alcoholic beverages for the one-year period. If the outcome of such further reduction/abolition was not satisfactory, the rates might revert to their previous levels (i.e. 80% for wine and 40% for beer products) after the one-year period. The Bills Committee also noted the preliminary advice of its legal adviser that such a CSA might have a charging effect on government revenue. The Administration clarified that during the Budget consultation, FS indicated willingness to consider the idea of abolishing the duty on alcoholic beverages if it enjoyed broad community support. However, this was not a measure to be considered in the context of the current Bill.

Follow-up action

5. Noting that the wine/beer trades had made commitments to pass on the duty savings to consumers and that the Hong Kong Beer Coalition agreed to provide relevant information to the Administration to facilitate the latter in monitoring its undertaking, the Bills Committee agreed that following re-organization of the policy bureaux, the Panel on Commerce and Industry or the relevant Panel(s) would be invited to consider whether and how to follow up the matter in due course.

6. The Bills Committee also requested the Administration to confirm during the Second Reading debate on the Bill that having regard to the Bills Committee's concerns, it would continue to keep in view the retail prices of alcoholic beverages in conjunction with the wine/beer trades and the Consumer Council. The Administration took note of the Bills Committee's request.

Legislative timetable

7. The Chairman said that the Bills Committee had completed scrutiny of the Bill. Members noted the possible timetables for resumption of Second Reading debate of the Bill, as follows :

Date of resumption of Second Reading debate	Deadline for giving notice for resumption	Deadline for giving notice of Committee Stage Amendments	Reporting to House Committee
13 June 2007 (Wednesday)	4 June 2007 (Monday)	4 June 2007 (Monday)	1 June 2007 (Friday)
20 June 2007 (Wednesday)	4 June 2007 (Monday)	9 June 2007 (Saturday)	1 June 2007 (Friday)

(Post-meeting note: The Administration subsequently gave notice for resumption of the Second Reading debate of the Bill on 13 June 2007.)

II. Any other business

8. There being no other business, the meeting ended at 9:45 am.

**Proceedings of the
Bills Committee on Revenue Bill 2007
Third meeting on Monday, 28 May 2007, at 8:30 am
in Conference Room B of the Legislative Council Building**

Time Marker	Speaker	Subject(s)	Action Required
000000 – 000455	Chairman Administration	<p>(a) The Administration's briefing on the progress made after further discussion with the beer industry.</p> <p>(b) The Hong Kong Beer Coalition (the Beer Coalition) had given an undertaking in writing of its commitment to passing on duty savings to consumers by reflecting all duty savings directly on the new price lists of beer products with effect from 1 June 2007. (LC Paper CB(1)1754/06-07(01)).</p>	
000456 – 000925	Mr WONG Ting-kwong Chairman Administration Mr Tommy CHEUNG	<p>(a) In response to Mr Wong Ting-kwong's concern about the need to ensure that duty savings were passed onto consumers, the Administration's undertaking to continue to monitor the prices of wine/beer.</p> <p>(b) Mr Tommy CHEUNG's view that instead of relying solely on oversight by the Government and the Consumer Council (CC), consumers and the public at large could also keep a close watch on the price levels.</p>	
000926 – 001320	Chairman Administration	<p>Clause-by-clause examination</p> <p>Clause 1 : Short title and commencement</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>Clause 2 : Amendments to Schedule 1 of the Dutiable Commodities Ordinance</p> <p>Clause 3 : Amendments to First Schedule of the Stamp Duty Ordinance</p> <p>Members raised no query on the clauses</p>	
001321 – 005657	<p>Chairman Mr SIN Chung-kai Mr Tommy CHEUNG Administration ALA4 Mr LEE Cheuk-yan Mr Howard YOUNG Mr Abraham SHEK Miss TAM Heung-man Miss CHAN Yuen-han Mr WONG Ting-kwong</p>	<p>(a) Mr SIN Chung-kai's briefing on the rationale of his proposed Committee Stage Amendment (CSA) to clause 2 of the Bill to provide a validity period of one year, from 28 June 2007 to 30 June 2008, for the reduction in duty on alcoholic beverages.</p> <p>(b) Mr Tommy CHEUNG's indication that he did not support Mr SIN Chung-kai's proposed CSA and his remarks that any government attempt to monitor or regulate the prices of alcoholic beverages might have a negative impact on the business environment of Hong Kong as a free-market economy.</p> <p>(c) On whether a CSA to abolish the duty on alcoholic beverages could be proposed to the Bill, the Administration's response that while the Financial Secretary (FS) had indicated willingness to consider the innovative idea further if it enjoyed broad community support, it was not a measure to be considered in the context of the current Bill.</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>(d) In response to the Chairman's enquiry, ALA4's preliminary advice that the proposal to further reduce or abolish the duty rates on alcoholic beverages might have a charging effect on government revenue.</p> <p>(e) Mr LEE Cheuk-yan expressed support for Mr SIN Chung-kai's proposed CSA and his view that the one-year period would facilitate monitoring and help ensure that the industry would exercise prudence in setting their prices.</p> <p>(f) In response to Mr LEE Cheuk-yan's request to release the price lists provided by the Beer Coalition, the Administration's explanation that as the price lists contain commercially sensitive information, the Beer Coalition had not consented to releasing it to third party including LegCo.</p> <p>(g) Highlighting the need to provide certainty and predictability to the business sector, the Administration's advice that frequent revisions of the duty rates were not conducive to the business planning and operations of the wine/beer trades.</p> <p>(h) The Administration's advice that the effect of the</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>duty reduction could be taken into consideration when FS prepared the annual Budgets.</p> <p>(i) Members agreed to the Chairman's suggestion that the Panel on Commerce and Industry and/or the relevant Panel(s) would be invited to consider whether and how to follow up the price levels of wine and beer in due course.</p> <p>(j) Mr Howard YOUNG's comment that further reduction/abolition in duty rates might boost economic activities and the sale of alcoholic beverages, thereby increasing government tax revenue.</p> <p>(k) ALA4's advice that in considering whether a proposed CSA would have a charging effect on government revenue, the President would take into account the Administration's comments on the possible impact of the proposed CSA on tax revenue.</p> <p>(l) Mr Abraham SHEK did not consider Mr SIN Chung-kai's proposed CSA necessary as the monitoring by the Administration and market forces would effectively keep the retail prices down.</p> <p>(m) Mr WONG Ting-kwong expressed similar view and said that Members of the Democratic Alliance for the Betterment and Progress of</p>	<p>The Bills Committee to take action as required in paragraph 5 of the minutes.</p>

Time Marker	Speaker	Subject(s)	Action Required
		<p>Hong Kong would not support Mr SIN Chung-kai's proposed CSA. Mr WONG's view that frequent revisions of the duty rates on alcoholic beverages were not conducive to the business planning and operation of the wine/beer trades.</p> <p>(n) In response to the query of Miss TAM Heung-man and Miss CHAN Yuen-han on whether the Beer Coalition would honour its undertaking, the Administration's view that as the wine/beer trades were keen to lobby support for further duty reduction, it was expected that they would fulfil their promises.</p>	
005658 – 010049	Mr James TIEN	<p>(a) Mr James TIEN's view that the duty rates on alcoholic beverages should be further reduced or abolished to bring them on par with the arrangements of neighbouring territories like Macau and Singapore.</p> <p>(b) Members of the Liberal Party might consider whether to propose another CSA the effect of which was to further reduce, or even abolish, the duty rates on alcoholic beverages for a one-year period, subject to reversion to the previous levels if the outcome of such concession was unsatisfactory.</p>	
010628 – 011113	Miss CHAN Yuen-han Administration Chairman	(a) Miss CHAN Yuen-han considered that FS should provide his view on the current situation in which	

Time Marker	Speaker	Subject(s)	Action Required
		<p>the relevant trades had failed to pass on duty savings to consumers. Miss CHAN also urged the Administration to address the undesirable situation of different retail outlets adopting different price levels for the same product.</p> <p>(b) The Administration's advice that on 28 May 2007, FS had publicly urged the beer industry to keep its promise to reduce prices. It might not be appropriate for the Government to interfere with the price setting strategies of retailers as Hong Kong was a free-market economy.</p> <p>(c) The Bills Committee's request for the Administration to confirm during the Second Reading debate on the Bill that having regard to the Bills Committee's concerns, it would continue to keep in view the retail prices of alcoholic beverages in conjunction with the wine/beer trades and the Consumer Council.</p>	<p>The Administration to take action as required in paragraph 6 of the minutes.</p>
011114 – 011545	Chairman Administration Mr SIN Chung-kai	Consideration of the proposed legislative timetable	