

**For Discussion on
19 March 2008**

Subcommittee on Rating (Exemption) Order 2008

Purpose

This paper briefs Members on the implementation of the rates exemption for 2008-09 as proposed in the 2008-09 Budget, and responds to the two specific issues raised in the Subcommittee's letter of 10 March 2008.

Background

2. In his 2008-09 Budget Speech, the Financial Secretary said that if revenue exceeded the level needed to meet operating requirements, then, after investing for the long-term development of Hong Kong and supporting disadvantage groups, the Government should consider reducing the tax burden on the public. Among other revenue measures, the Financial Secretary proposed to waive rates for four quarters of 2008-09, subject to a ceiling of \$5,000 per quarter for each rateable tenement.

Implementation

3. To effect the proposed rates exemption, the Chief Executive in Council has made the Rating (Exemption) Order 2008 under Section 36(2) of the Rating Ordinance (Cap.116). The Order will come into operation on 1 April 2008. The Commissioner of Rating and Valuation will notify rates payers by demand notes the applicable quarterly rates concession and the net rates payable in respect of their properties.

Financial Implications and Estimated Benefits

4. A total of 2.94 million properties will benefit from the proposed rates exemption. We estimate that 99% of domestic properties and 85% of non-domestic properties would be subject to no rates in 2008-09, while the remaining properties would enjoy a quarterly concession of \$5,000. This measure will cost the Government about \$11.2 billion in 2008-09.

Response to Specific Issues

5. Regarding the two issues raised in the Subcommittee's letter of 10 March 2008, the Administration's response is as follows:

- (a) Generally speaking, a tenant who pays rates should be able to benefit from the measure directly. If rates are paid by the landlord, whether the landlord is required to pass on any rates concession to the tenant would depend on the terms in the tenancy agreement. Currently, there is no provision under the Rating Ordinance (Cap. 116) or the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) governing such arrangement.

- (b) According to section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1), if the Rating (Exemption) Order 2008 is amended or repealed by LegCo by resolution, it will be deemed to be amended or repealed as from the date of the publication in the Gazette of such resolution. For example, if the Order is amended or repealed, say, on 16 April 2008, rates payers would only enjoy the rates exemption as specified in the original Order from 1 April 2008 to 15 April 2008. The Rating and Valuation Department would need to issue a revised demand note for the first quarter of 2008-09 to reflect the changes made by LegCo as from 16 April 2008.

**Financial Services and the Treasury Bureau
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