

For discussion
on 11 January 2008

Legislative Council Panel on Home Affairs

Review of Charging for Estate Beneficiaries Support Services

Purpose

This paper advises Members of the Administration's intention to continue to provide, free of charge, support services for estate beneficiaries that the Home Affairs Department (HAD) took over in April 2007.

Background

2. The Inland Revenue Department (IRD) used to provide various support services for estate beneficiaries free of charge before the abolition of estate duty. Upon the enactment of the Revenue (Abolition of Estate Duty) Ordinance on 11 February 2006 and until end March 2007, IRD continued to provide the relevant services for estate beneficiaries, as an interim measure, under the delegated authority from the Secretary for Home Affairs. With the establishment of the Estate Beneficiaries Support Unit (EBSU) in April 2007, HAD formally took over from IRD the following support services for estate administration purpose -

- (a) issue of Confirmation Notice, exempting persons dealing with estates made up of money not exceeding \$50,000 in aggregate value from the intermeddling provisions concerning estates;
- (b) issue of Certificate for Necessity of Inspection of Bank Deposit Box and witness of the inspection of the safe deposit box and preparation of a signed inventory by the estate beneficiary;

(c) issue of Authorization for Removal from Bank Deposit Box to enable the estate beneficiary or any surviving renter to remove specified documents and/or articles from the safe deposit box; and

(d) issue of Certificate for Necessity of Release of Money to meet funeral expenses of the deceased person or for maintenance of former dependants of the deceased person.

3. During the scrutiny of the Revenue (Abolition of Estate Duty) Bill, members of the Bills Committee asked whether the support services for estate beneficiaries to be provided by HAD would be charged. The Administration undertook to revert to the Panel after the system had been in operation for a while.

Present Position

4. The EBSU has received a total of 4 758 applications for its various services from April to November 2007. The majority of cases were applications for the Confirmation Notice (63%), followed by applications for the Certificate for Necessity of Inspection of Bank Deposit Box (34%). A breakdown of the applications received is at **Annex**.

The Review

5. Having carefully considered the nature of the applications received, we propose to continue the existing practice of not charging estate beneficiaries for the support services provided by EBSU for the reasons set out in paragraph 6 to 10 below.

6. The Administration's intention in abolishing estate duty is to promote the development of Hong Kong's asset management business, with a view to bringing wider economic benefits to Hong Kong as a whole. In so doing, we are mindful that the change should not result in additional financial burden to the public, especially those with limited financial means. The support services provided by the EBSU are in

most cases urgently required by the applicants, especially those who face immediate financial difficulties.

7. The application for Confirmation Notice constitutes 63% of the cases handled by the EBSU. This indicates that the majority of the applicants are beneficiaries of a small estate made up of money not exceeding \$50,000 in value. Hence, we consider it not appropriate to impose additional financial burden on these applicants who are likely to have limited financial means.

8. The application for Certificate for Necessity of Inspection of Bank Deposit Box constitutes another 34% of the cases handled. The purpose of the certificate is to enable estate beneficiaries to inspect the boxes to ascertain whether there is any will of the deceased person and to prepare an inventory of the contents of the boxes. We also issue authorization for the beneficiary to remove items from a safe deposit box. These services are intended to facilitate applications for grants of probate or administration. Imposing fees on these services would mean that such inspections or removal of items can only be carried out after making payment. It is possible that those with limited financial means may have difficulty in so doing.

9. The Certificates for Necessity of Release of Money are issued to applicants to help meet funeral expenses or maintenance expenses of former dependants of the deceased person. Imposing fees on the services would go against the original intention of providing immediate relief.

10. Indeed, the services presently delivered by HAD are not materially different from those by IRD previously. Before the abolition of estate duty, the support services provided by IRD were free, though a small percentage of the estate duty cases assessed by IRD were dutiable (i.e. about 2% in 2005-06). Hence, to the majority of the public, they have all along been receiving the services in question free of charge.

Financial Implications

11. We estimate that the proposal of not charging estate beneficiaries for the support services would result in revenue foregone in the region of \$6.3 million per annum.

Way Forward

12. Subject to Members' views, we shall continue to provide the support services for estate beneficiaries free of charge.

13. We shall review the operation of the EBSU from time to time to ensure that the provision of the support services is user-friendly, effective and efficient.

Home Affairs Department

January 2008

Annex

Number of Applications Received from April to November 2007

Types of services	No. of applications received	Percentage share of the total
(i) Confirmation Notice	2 992	63%
(ii) Certificate for Necessity of Inspection of Bank Deposit Box	1 593	34%
(iii) Authorization for Removal from Bank Deposit Box	57	1%
(iv) Certificate for Necessity of Release of Money	116	2%
Total:	4 758	100%