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23 March 2009

Clerk to the Panel on Economic Development
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn: Ms Debbie Yau)

Dear Ms Yau,

Panel on Economic Development
Follow-up to the meeting on 23 February 2009
**“Collection of air passenger departure tax and fuel surcharge by
travel agents”**

Thank you for your letter of 24 February 2009. I set out below our response to points (c) and (d) in the first paragraph of your letter.

Level of the Administration Fee

The administration fee payable by the Government to airlines for collection of the air passenger departure tax (APDT) is intended to cover the airlines' cost of providing the collection service, including their administrative expenses and financial costs (e.g. credit card charges and the loss of interest because they may have to pay APDT for passengers first and receive payment from passengers later).

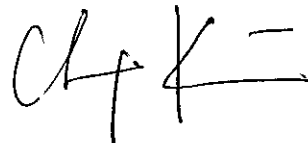
The current fee level, set at a rate of 2.322% (or \$2.786) of every \$120 of the tax collected, is determined based on information supplied by the airlines. The Administration has vetted the information and considered it a

reasonable approximation of the cost incurred by the airline industry as a whole to collect APDT for the Government. The level of administration fee is reviewed every time the amount of APDT is revised.

Review of the Air Passenger Departure Tax Ordinance (Cap. 140)

As air passengers may buy air tickets at different points of sales, only the airlines are able to keep track of the actual departure of air passengers. This is essential for the determination of ADPT payable to the Government. Besides, as there are more than 1 500 local and some overseas travel agents which may be involved in selling air tickets for flights departing Hong Kong, it would be very inefficient for the Government to collect ADPT from and pay the administration fee to each of them. We therefore considered the existing APDT collection arrangement between the Government and the airlines more efficient and effective.

Yours sincerely,



(Kenneth Cheng)

for Secretary for Financial Services
and the Treasury

c.c.

C for Tourism

(Attn.: Ms Joey Lam)

STH

(Attn.: Mr Esmond Lee)