

**立法會**  
**Legislative Council**

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Tel : 2869 9577  
Date : 1 April 2011  
From : Clerk to Subcommittee  
To : Hon WONG Ting-kwong, BBS, JP (Chairman)  
Hon James TO Kun-sun  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Dr Hon Philip WONG Yu-hong, GBS  
Hon Miriam LAU Kin-ye, GBS, JP  
Hon Abraham SHEK Lai-him, SBS, JP  
Hon Audrey EU Yuet-mee, SC, JP  
Hon CHEUNG Hok-ming, GBS, JP  
Hon KAM Nai-wai, MH  
Hon CHAN Hak-kan  
Hon CHAN Kin-por, JP  
Hon WONG Sing-chi  
Hon IP Kwok-him, GBS, JP  
Hon Tanya CHAN  
Hon Albert CHAN Wai-yip

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**Subcommittee on Public Revenue Protection**  
**(Motor Vehicles First Registration Tax) Order 2011**

**Follow-up to meeting on 24 March 2011**

At the above meeting, Subcommittee members requested information on the First Registration Tax rates on private cars under the Revenue Ordinance 2003 and the Administration's original proposal announced in the 2003-2004 Budget. In this connection, extracts from the Official Record of Proceedings of the Council meeting on 25 June 2003 and a comparison table are attached at **Appendices I and II** respectively for members' reference.

(Ms Joanne MAK)  
Clerk to Subcommittee

Encl.

cc Hon Cyd HO Sau-lan (non-Subcommittee Member)  
CPIO  
ALA9

**Extract**

**CLERK** (in Cantonese): Revenue Bill 2003.

Council went into Committee.

**Committee Stage**

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**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): Madam Chairman, I move the amendments to the clauses read out just now.

Under clauses 6(d), 7(f) and 8 originally proposed, vehicle owners are required to declare to the Transport Department (TD) any accessories fitted within six months after first registration and make payment for the additional first registration tax (FRT). This measure seeks to prevent someone from fitting accessories after the payment of FRT for the purpose of avoiding tax.

Some Members hold the view that tax avoidance in some cases is not deliberate. For instance, a vehicle owner may be required by his insurance company to replace anti-theft devices. In this case, the vehicle owner should be required only to pay the difference of the old and newly-fitted devices even if the accessories or device purchased within six months after first registration is more expensive. Having referred to the opinions expressed by Honourable Members, we propose to make the following arrangement: the calculation of FRT for the new accessory fitted within six months after first registration for tax assessment should be on the difference between the value of the old and newly fitted accessory instead of on the value of the new accessory. No FRT will be levied in the event that the value of the new accessory is lower than the one being replaced. However, the difference in FRT will not be returned.

As it is not necessary for the value of each accessory to be declared for the purpose of first registration, we propose to require the relevant persons to submit supporting documents to the TD to facilitate the implementation of the arrangement in a fair manner. These documents should be able to prove that the relevance between the accessory being replaced and the declared vehicle, the value of the replaced accessory, the removal of the accessory, and so on. The TD is empowered to conduct evaluation on its own if it considers the declared values do not tally with the market values of the replaced and new accessories. This will help reduce abuses of the new deduction arrangement.

Owing to the relative complexity of enforcement of the proposed deduction, a review will be conducted a year later to examine, among other things, the occurrence of tax avoidance, if there are no objective standards for judging the value of the device.

Furthermore, we propose to amend clauses 2, 6, 10(a) and 10(a)(ii) to require that an employee or agent authorized by a registered distributor to make a declaration with respect to the first registration of a vehicle under section 4D(3) should be held legally liable should he (not the registered distributor) eventually fail to deliver the declaration. An authorized employee or agent making a false declaration will contravene offences under section 4I(1). All authorized employees and agents, as well as registered distributors, will be notified by the TD in writing of their legal liability subject to the passage of Committee stage amendments in this Council.

Madam Chairman, I urge Honourable Members to support the amendments. Thank you, Madam Chairman.

*Proposed amendments*

**Clause 2 (see Annex II)**

**Clause 6 (see Annex II)**

**Clause 7 (see Annex II)**

**Clause 8 (see Annex II)**

**Clause 10 (see Annex II)**

**CHAIRMAN** (in Cantonese): Does any Member wish to speak?

(No Member indicated a wish to speak)

**CHAIRMAN** (in Cantonese): I now put the question to you and that is: That the amendments moved by the Secretary for Financial Services and the Treasury be passed. Will those in favour please raise their hands?

(Members raised their hands)

**CHAIRMAN** (in Cantonese): Those against please raise their hands.

(No hands raised)

**CHAIRMAN** (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

**CLERK** (in Cantonese): Clauses 2, 6, 7, 8 and 10 as amended.

**CHAIRMAN** (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

**CHAIRMAN** (in Cantonese): Those against please raise their hands.

(No hands raised)

**CHAIRMAN** (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

**CLERK** (in Cantonese): Clause 11.

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**SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY** (in Cantonese): To start with, Madam Chairman, I would like to thank you, Madam President, again for giving us permission to move this amendment today. I would like to explain that we absolutely respect the procedures laid down by the Council. As pointed out by the President, the application was made by the Government in the light of Members' request that the resumption of the debate on the Second Reading of the Bill be moved today. In this connection, I would like to thank the President.

I move that items 1, 6, 7 and 8(b) in the Schedule under clause 11 be amended to give effect to the new proposal made by the Government with respect to the rates of FRT for motor vehicles.

Item 1 in the Schedule deals with FRT rates for private cars. The marginal FRT rates originally proposed were as follows: 35% for the first \$150,000, 75% for the next \$150,000, 105% the next \$200,000, and 150% for above \$500,000. Under the original proposal, the average effective rates for the four bands of private cars were 35%, 46%, 65% and 95% respectively.

Under the Government's new proposal, the marginal FRT rates for private cars will be lowered to 35%, 65%, 85% and 100%, whereas the proposed tax bands and the proposed abolition of exemption items will be retained. The effective rates will then be adjusted accordingly to 35%, 43%, 57% and 74% on average. Subsequent to the Government's new proposal, the average effective rates for private cars have been lowered considerably, compared with the original proposal. Assuming there is no change in the distributors' pricing strategy and the additional tax liability will be entirely transferred onto consumers, the retail prices for the four bands of private cars will rise 9%, 9%, 5% and 14% on average, lower than the increases in retail prices under the

original proposal, that is, 9%, 11%, 11% and 29%.

The Government's new proposal has taken into account the impact of the outbreak of Severe Acute Respiratory Syndrome (SARS) on the trade.

It is anticipated that the Government's new proposal will bring the coffers an additional revenue of \$350 million annually. This figure has taken into account a possible reduction in the number of registrations of private cars because of a change in marketing strategy by car distributors.

Item 8(b) in the Schedule deals with the tax rates for van-type light goods vehicle not exceeding 1.9 tonnes. The Government has proposed to bring the FRT rates for van-type light goods vehicle not exceeding 1.9 tonnes in line with those for private cars in order to prevent tax avoidance.

Items 6 and 7 in the Schedule deal with the FRT rates for motorcycles and motor tricycles. The Government's newly proposed FRT rate is 35%, lower than the 40% as originally proposed.

Honourable Members, the Government has over the past couple of months listened attentively to the views expressed by the trade and members of the Bills Committee on the FRT system for motor vehicles and the FRT rates. It has also taken into account such factors as the fairness of the relevant proposals, the overall economic environment and financial conditions, and carefully balanced the pros and cons of various proposals before presenting this final proposal to Members. The proposal should be acceptable to the community and be able to raise revenue suitably.

The motor trade has addressed a letter to the Bills Committee to express its support for the Government's new proposal. The majority of members of the Bills Committee support the proposal, too. Both Ms Audrey EU and Mrs Selina CHOW have decided to withdraw their amendments.

I would like to appeal to Honourable Members to support the amendments moved by the Government to the FRT rates. Thank you, Madam Chairman.

*Proposed amendment*

**Clause 11 (see Annex II)**

**CHAIRMAN** (in Cantonese): Ms Audrey EU, do you wish to speak?

**MS AUDREY EU** (in Cantonese): Madam Chairman, I agree and confirm that we have withdrawn the amendments.

**CHAIRMAN** (in Cantonese): Mrs Selina CHOW, do you wish to speak?

(Mrs Selina CHOW indicated that she did not wish to speak)

**CHAIRMAN** (in Cantonese): Does any other Member wish to speak?

(No Member indicated a wish to speak)

**CHAIRMAN** (in Cantonese): Secretary for Financial Services and the Treasury, do you wish to reply?

(The Secretary for Financial Services and the Treasury indicated that he did not wish to reply)

**CHAIRMAN** (in Cantonese): I now put the question to you and that is: That the amendment moved by the Secretary for Financial Services and the Treasury be passed. Will those in favour please raise their hands?

(Members raised their hands)

**CHAIRMAN** (in Cantonese): Those against please raise their hands.

(No hands raised)

**CHAIRMAN** (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

**CLERK** (in Cantonese): Clause 11 as amended.

**CHAIRMAN** (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

**CHAIRMAN** (in Cantonese): Those against please raise their hands.

(No hands raised)

**CHAIRMAN** (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

**CHAIRMAN** (in Cantonese): Council now resumes.

Council then resumed.

### **Third Reading of Bill**

**PRESIDENT** (in Cantonese): Bill: Third Reading.

### First registration tax rates for private cars

| Vehicle type | Tax bands and rates proposed in the Revenue Bill 2003  | Tax bands and rates under the *Revenue Ordinance 2003                              |
|--------------|--|--|
| Private cars | (a) for first \$150,000 of taxable value   | 35% @  |
|              | (b) for next \$150,000   | 75% @  |
|              | (c) for next \$200,000   | 105% @   |
|              | (d) for the balance (i.e. for taxable value over \$500,000)  | 150% @   |
|              | Under the proposed tax system, no exemption will be given to air-conditioners, audio equipment, anti-theft devices or distributors' warranties. Also, the marginal tax system will be adopted for private cars and van-type light goods vehicles not exceeding 1.9 tonnes. | The proposed tax bands and the proposed abolition of exemption items are retained. |

@ These are marginal tax rates

\* The Revenue Ordinance 2003, including the new tax rates, took effect on 27 June 2003.