

**For information
on 11 April 2011**

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

Purpose

This paper provides the Administration's responses to the questions raised by Members at the meeting of the Subcommittee on 4 April 2011 in relation to the Public Revenue Protection (Motor Vehicles First Registration Tax) Order (the PRPO) 2011.

Impact of growth in private cars on traffic congestion

2. The traffic congestion situation in Hong Kong is closely related to the number of private cars. Private cars are a less efficient mode of land transport. At present, on roads of Hong Kong, apart from the about 30% of passenger trips that are made by railways, about 10% of passenger trips use private car, which account for 40% of road usage; whereas 60% of passenger trips are carried by road-based public transport, which has a road usage of only 30%. From 2004 to 2010, the licensed private car fleet had experienced continuous growth, with year-on-year growth rate increased from 1.7% to 5.4%. The growth in private cars directly reduces the overall efficiency of vehicles on roads and affects traffic condition.

3. On the other hand, as revealed by the Travel Characteristics Survey of the Transport Department (TD), people with access to private cars made about 60-80% more trips than others; and 55% of them used their private cars on at least five days a week. As a result, increase in private cars will lead to higher road usage.

Calculation of vehicle journey speed

4. TD conducts annual vehicle journey time survey on a total of 60 routes throughout the territory, including 28 routes in urban areas and 32 routes in the New Territories. The survey result will be used to derive the regional and overall average journey speeds.
5. TD would calculate the vehicle journey time of specified roads in accordance with the guidelines in the Transport Planning and Design Manual, which will be used to measure the relevant vehicle journey speed. Such a survey was conducted during the morning peak hours (i.e. from 8:00a.m. to 9:30a.m.) on a normal weekday between September and December each year. Surveyors of TD would conduct 4 to 8 surveys in respect of each selected route to measure the travelling time between pre-determined checkpoints along the route. Any anomalous survey result (e.g. the vehicle journey time recorded during the survey is prolonged due to traffic accidents) identified would be checked by additional re-runs.
6. The vehicle journey speeds of some major roads of Hong Kong are shown in **Annex I** for reference. In general, actual vehicle journey speed will better illustrate the impact of traffic flow on road users, whereas volume to capacity ratios is more suitable to be used as an indicator of traffic condition for planning and design of roads.

First registration of imported used private cars and the emission standard

7. All private cars first registered in Hong Kong are subject to first registration tax (FRT), regardless of whether the private car concerned is a brand new private car, imported private used car or private car imported for self-use. The numbers of imported private used cars and private cars imported for self-use in the past 5 years are at **Annex II**.
8. For a private car imported for self-use which has been registered in the name of the importer in a foreign region before it is imported to

and first registered in Hong Kong, the Government would calculate the relevant depreciation rate¹ and taxable value in accordance with the Motor Vehicles (First Registration Tax) Ordinance (Cap.330) and its regulation in determining the amount of FRT payable. The depreciation rate does not apply to the calculation of taxable value of an imported private used car.

9. According to the Road Traffic Ordinance (Cap 374), all motor vehicles seeking first registration in Hong Kong are required to comply with the vehicle emission standards provided in the law regardless of their ages². The prevailing emission requirements are set at Euro IV level as stipulated in the Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Cap. 311J).

Measures to encourage scrapping of old private cars

10. The Government launched an incentive scheme to encourage scrapping of old private cars in June 1996. The objective of implementing the scheme at that time was to encourage owners of private cars of 10 or more years old or without catalytic converters to scrap their old private cars, so as to reduce the number of old private cars and improve the air quality. This was because private cars of 10 or more years old and without catalytic converters were one of the major sources of air pollution at that time. The one-off scheme had achieved its goals and came to an end in 2003.

11. At present, over one-third of the private cars of Hong Kong comply with the Euro IV emission standard, and another one-third meet the Euro III emission standard. The proportions of private cars that are in Euro I and Euro II emission standards are 7.7% and 22% respectively. According to the information provided by the Environment Protection Department (EPD), private cars only contribute to 1% and 5% of the total vehicular emission of respirable suspended particulates (RSP) and

¹ According to the Motor Vehicles (First Registration Tax) (Depreciation) Regulation (Cap.330A), the depreciation rate in respect of petrol-driven motor vehicles is 25% per annum; the rate for all other vehicles is 20% per annum.

² Except for classic vehicles that aged 20 years or above, equipped with original engine and powered by petrol.

nitrogen oxides (NO_x) respectively. The overall age of private cars is also relatively young. In fact, the major source of roadside air pollution in Hong Kong is diesel commercial vehicles, accounting for about 95% and 88% of the total vehicular emission of RSP and NO_x respectively, which are the two main air pollutants at the roadside. As such, the existing incentive scheme for car replacement only covers replacing old diesel commercial vehicles.

12. If vehicle owners are encouraged to scrap their old private cars and replace them with a new one, the number of private cars will not be reduced and the policy objective of reducing the vehicles using our roads will not be achieved.

Consequences of repealing the Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011 (the PRPO)

13. The PRPO was made for the purpose of the Motor Vehicles (First Registration Tax) (Amendment) Bill 2011 (the Bill). The objectives of the PRPO are to maintain the smooth, clear and orderly operation of the market, to protect public revenue, and to give temporary effect to the Bill. Repealing the PRPO would not affect the introduction and scrutiny of the Bill. The Administration will introduce the Bill into Legislative Council on 13 April 2011 as scheduled.

14. As provided in section 34(2) of the Interpretation and General Clauses Ordinance (Cap.1), the resolution to repeal the PRPO will not prejudice anything done under the PRPO. Separately, section 5 of the Public Revenue Protection Ordinance (Cap.120) does not provide for the repeal of the Order and hence, the refunding arrangement provided under section 6 of PRPO will not apply when the Order is repealed. In this connection, if the PRPO is repealed, there will not be immediate refund in respect of the excess taxes collected for vehicle owners whose private cars were first registered when the PRPO was in force. The refund will take place only after the Bill is deliberated and the FRT rates are finalized. On the other hand, after the Bill is passed, any FRT underpaid by the relevant vehicle owners for the period from after the PRPO is repealed will have to be recovered. This will lead to confusion and

inconvenience and is not in the interest of both the trade and vehicle buyers.

15. The same issue was considered by the Subcommittee on Public Revenue Protection (Revenue) Order 2003. The Subcommittee agreed that repealing the PRPO will cause confusion to the trade and vehicle buyers and pose operational problems. Furthermore, the Subcommittee considered that the refunding mechanism under Public Revenue Protection Ordinance is fair and the interest of car owners would not be jeopardized. Having considered the consequences of repealing the Order and the confusion it may result, the Subcommittee considered it inappropriate to repeal the Order. We are of the view that the same considerations of the Subcommittee at that time are equally applicable to the Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011 and are therefore opposed to any suggestion to repeal the PRPO.

**Transport Branch
Transport and Housing Bureau
April 2011**

Annex I**Vehicle Journey Speeds of Major Roads in Hong Kong**

District	Street / Road	Section		2008	2009	2010
		From	To	Speed (km/hr)	Speed (km/hr)	Speed (km/hr)
Hong Kong Island	Connaught Road Central	Des Voeux Road West	Murray Road	13.8	12.1	11.9
	Connaught Road Central	Murray Road	Des Voeux Road West	17.7	15.3	14.3
	Gloucester Road	Arsenal Street	Cross Harbour Tunnel Approach Road	36.5	26.6	18.5
	Gloucester Road	Canal Road	Arsenal Street	34.2	34.5	29.6
	Harcourt Road	Arsenal Street	Murray Road	46.2	44.0	40.2
	Hennessy Road	Yee Woo Street	Johnston Road	16.6	16.2	14.4
Kowloon	Salisbury Road	Under Cheong Wan Road Flyover	Star Ferry Concourse	29.3	28.6	24.3
	Tai Po Road (Kln Section)	Caldecott Road	Shek Kip Mei Street	40.8	34.3	33.5
	Waterloo Road	Lung Cheung Road	Ferry Street	20.9	21.4	17.5
	Lung Cheung Road	Po Kong Village Road	Nam Cheong Street	52.8	45.1	29.7
The New Territories	Tai Po Road (NT Section)	Caldecott Road	Nam Wan Road	47.1	50.5	46.8

District	Street / Road	Section		2008	2009	2010
		From	To	Speed (km/hr)	Speed (km/hr)	Speed (km/hr)
	Castle Peak Road	Tuen Mun Road	Sam Shing Street	40.4	37.8	37.0
	Tate's Cairn Highway	Chak Cheung Street	Toll Plaza	49.4	36.8	27.3
	Tolo Highway	Yuen Chau Tsai Interchange	Chak Cheung Street	80.3	77.2	75.0
	N.T. Circular Road	Fanling Roundabout	Au Tau	62.6	66.9	57.2
	Sai Sha Road	Ma On Shan Road	Tai Mong Tsai Road	46.8	44.6	42.4
	Ma On Shan Bypass	Diverging Point to Sai Sha Road	Ma On Shan Road	69.3	70.5	63.4
	Sha Tin Wai Road	Sha Tin Road	Tai Chung Kiu Road	29.1	25.2	23.7
	New Clear Water Bay Road	Clear Water Bay Road (East)	Clear Water Bay Road (West)	36.7	40.9	29.9
	Clear Water Bay Road	Hiram's Highway	New Clear Water Bay Road	49.2	55.3	47.5

Annex II

The numbers of imported private used cars and private cars imported for self-use in the past 5 years

Year	Imported private used cars	Private cars imported for self-use
2006	2 920	71
2007	3 244	64
2008	3 604	157
2009	4 384	265
2010	9 085	327