

FACT SHEET

Selected cases of implementation of revenue proposals made in the Budget

2010-2011 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
<p>Increasing the transaction cost of property speculation with appropriate tax measures to reduce the risk of creating a property bubble. With effect from 1 April 2010, the rate of stamp duty on transactions of properties valued more than HK\$20 million would be increased from 3.75% to 4.25%, and buyers would no longer be allowed to defer payment of stamp duty on such transactions.</p>	<p>(a) The Bills Committee formed to study the <i>Stamp Duty (Amendment) Bill 2010</i> questioned the efficacy of the two measures in curbing property speculation and the rationale for setting the threshold of HK\$20 million, as well as the rate of increase of stamp duty from 3.75% to 4.25%.</p> <p>(b) Some members enquired whether consideration could be given to extending the disallowance for deferment of payment of stamp duty chargeable on an agreement for sale made in respect of residential property to properties valued more than HK\$10 million.</p> <p>(c) Some members were of the view that specific measures, such as introducing profits tax and capital gains tax for property transactions, and prohibiting sub-sale through confirmors, would be more effective in curbing property speculation than increasing stamp duty.</p>	<p>Amendments were proposed to impose an additional stamp duty rate of 2% on sub-sale through confirmors valued more than HK\$20 million on top of the increased stamp duty rate of 4.25% proposed in the <i>Stamp Duty (Amendment) Bill 2010</i>, with a view to curbing this type of speculative activities.</p> <p>The amendments proposed by Hon James TO were negated at the Council meeting held on 17 July 2010.</p>	<p>The revenue proposal was implemented by publishing the <i>Public Revenue Protection Order 2010</i>, with a four-month temporary effect, in the Gazette, dated 26 February 2010, No. 8 Vol. 14 – Legal Supplement 2, and was tabled in the Legislative Council as subsidiary legislation for negative vetting on 3 March 2010.</p> <p>The <i>Stamp Duty (Amendment) Bill 2010</i> was introduced on 23 April 2010. A Bills Committee was set up to examine the <i>Bill</i> which was subsequently passed by the Legislative Council on 17 July 2010.</p>

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2009-2010 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
<p>Increasing the duty on cigarettes by 50% from around HK\$0.8 to about HK\$1.2 per stick.</p>	<p>(a) The Bills Committee formed to study the <i>Dutiable Commodities (Amendment) Bill 2009</i> queried that the new measure could not achieve its desired effect and only prompted smokers to switch to consuming illicit cigarettes.</p> <p>(b) Some members expressed concern about the impact of the new measure on the livelihood of newspaper hawkers, who had lost out on the sale of duty-paid cigarettes that accounted for a sizeable portion of their monthly income.</p> <p>(c) Some members questioned whether the additional tax revenue collected would be used for setting up a dedicated fund for smoking cessation services.</p>	<p>A resolution was proposed by Hon Albert CHAN to repeal the part pertaining to the increase of tobacco duty under the <i>Public Revenue Protection Order 2009</i>, to reflect the Administration's different treatment of matters hazardous to the physical health of the public given that there was a significant increase in tobacco duty while duty reduction had been introduced for wine.</p> <p>The proposed resolution was negated at the Council meeting held on 2 April 2009.</p>	<p>The Administration published the <i>Public Revenue Protection Order 2009</i>, with a four-month temporary effect, in the Gazette dated 25 February 2009, No. 6 Vol. 13 – Legal Supplement 2, which was tabled in the Legislative Council as subsidiary legislation for negative vetting on 4 March 2009.</p> <p>The <i>Dutiable Commodities (Amendment) Bill 2009</i> was introduced on 30 April 2009. A Bills Committee was set up to study the <i>Bill</i> which was subsequently passed by the Legislative Council on 17 June 2009.</p>

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2009-2010 financial year (cont'd)			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
Extending the validity period of the exemption of electric vehicles from first registration tax for five years to 31 March 2014 to promote environmental protection.	<p>(a) Some Members requested for more effective financial incentives and ancillary facilities to encourage the use of electric vehicles, such as establishing recharging network and toll concessions on using the tunnels.</p> <p>(b) Some Members urged the Administration to work with the private car parks or other operators in providing the facilities for recharging electric vehicles and set the level of electricity tariffs for recharging.</p>	Nil.	The resolution made under the <i>Motor Vehicles (First Registration Tax) Ordinance</i> to give effect to this measure was passed by the Legislative Council on 18 March 2009.

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2008-2009 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
Waiving the hotel accommodation tax to promote inbound tourism and enhance the competitiveness of the hotel industry.	Some members of the Bills Committee considered that lowering the accommodation tax might not benefit hotel guests as hotel operators would take the opportunity to raise room tariffs.	Nil.	The <i>Revenue Bill 2008</i> was introduced on 25 April 2008. A Bills Committee was set up to examine the <i>Bill</i> which was subsequently passed by the Legislative Council on 26 June 2008.
Exempting the duties on wine, beer and all other alcoholic beverages except spirits, which would cost the Government about HK\$560 million a year.	Some Members urged the Administration to consider that granting tax exemption for all alcoholic drinks to further promote the industry.	Nil.	The Administration published the <i>Public Revenue Protection Order 2008</i> , with a four-month temporary effect, in the Gazette dated 27 February 2008, No. 4 Vol. 12 – Legal Supplement 2, which was tabled in the Legislative Council as subsidiary legislation for negative vetting on 5 March 2008. The <i>Dutiable Commodities (Amendment) Bill 2008</i> was introduced on 25 April 2008 and passed by the Legislative Council on 28 May 2008.

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2007-2008 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
<p>Reducing the duty on wine from the ad valorem rate of 80% to 40% and that on alcoholic beverages with an alcoholic strength not more than 30% (other than wine) from 40% to 20%, to promote the development of the catering industry, tourism and wholesale and retail alcoholic beverage trade.</p>	<p>(a) The Bills Committee formed to study the <i>Revenue Bill 2007</i> considered that the benefit of tax concession should pass to the consumers.</p> <p>(b) Some Members proposed to fully exempt the duty rates on wine with a view to building Hong Kong into a regional distribution centre or auction centre of wine at the Council meeting on 28 March 2007.</p>	<p>Amendment was proposed by Hon SIN Chung-kai to amend the <i>Revenue Bill 2007</i> by providing a validity period of one year for the proposed change, so that the Legislative Council could review the effectiveness of the proposal annually.</p> <p>The proposed amendment was negated at the Council meeting held on 13 June 2007.</p>	<p>The Administration published the <i>Public Revenue Protection (Revenue) Order 2007</i>, with a four-month temporary effect, in the Gazette dated 28 February 2007, No. 7 Vol. 11 – Legal Supplement 2, which was tabled in the Legislative Council as subsidiary legislation for negative vetting on 7 March 2007.</p> <p>The <i>Revenue Bill 2007</i> to amend the <i>Dutiable Commodities Ordinance</i> was introduced on 20 April 2007. A Bills committee was formed to study the <i>Bill</i> which was subsequently passed by the Legislative Council on 13 June 2007.</p>

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2006-2007 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Implementation of the revenue proposal
Extending the validity period of the exemption of electric vehicles from first registration tax for three years to 31 March 2009 to promote environmental protection.	Some Members urged the Administration to set an example of using electric vehicles wherever possible and implement ancillary measures to promote energy conservation and reduce air pollution.	Nil.	The resolution made under the <i>Motor Vehicles (First Registration Tax) Ordinance</i> to give effect to this measure was passed by the Legislative Council on 8 March 2006.

Selected cases of implementation of revenue proposals made in the Budget (cont'd)

2005-2006 financial year			
Proposed change in the Budget	Concerns raised by Members	Amendments proposed by Members	Way of implementing the change
Exempting offshore funds from tax for profits derived from qualified transactions in Hong Kong to maintain and strengthen Hong Kong's competitiveness as an international financial centre.	<p>(a) The Bills Committee formed to study the <i>Revenue (Profits Tax Exemption for Offshore Funds) Bill 2005</i> examined the possibility of whether the scope of qualified transactions should be expanded to common activities carried out by offshore funds.</p> <p>(b) The Bills Committee suggested that the Administration should review whether adjustment should be made to the definition of the term "securities", which would not cover financial instruments such as certificates of deposits, swaps, spot foreign exchange contracts.</p> <p>(c) Some members worried about the impact of the <i>Bill</i> on onshore funds and the local financial services industry, given that the proposal of exempting offshore funds from profits tax might make offshore funds more attractive to investors.</p>	The Administration moved some technical amendments to the <i>Bill</i> in response to the Members' concerns. These amendments were all passed at the Council meeting on 1 March 2006.	The <i>Revenue (Profits Tax Exemption for Offshore Funds) Bill 2005</i> was introduced on 30 June 2005. A Bills Committee was set up to examine the <i>Bill</i> which was passed by the Legislative Council on 1 March 2006.

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