

LEGISLATIVE COUNCIL BRIEF

Import and Export Ordinance
(Chapter 60)

Import and Export (Registration) (Amendment) Regulation 2012

INTRODUCTION

At the meeting of the Executive Council on 17 April 2012, the Council ADVISED and the Acting Chief Executive ORDERED that -

- (a) there should be a reduction of import and export declaration charges (TDEC) payment -
 - (i) in respect of import declarations for all food items (regardless of value from \$0.5 to \$0.2); and
 - (ii) in respect of other import and export declarations (for the first \$46,000 of the value from \$0.5 to \$0.2 and the subsequent incremental TDEC rate from \$0.25 to \$0.125 per \$1,000); and
- (b) the Import and Export (Registration) (Amendment) Regulation 2012 (“Amendment Regulation”), at **Annex A**, should be made under section 31 of the Import and Export Ordinance.

JUSTIFICATIONS

2. The Financial Secretary announced in his Budget Speech on 1 February 2012 a package of support measures for the business sector. One of the measures is to reduce TDEC across-the-board by half to ease the business cost for the import and export trade. According to the figures provided by the Census and Statistics Department, we estimate that the reduction would help a company that lodges trade declarations in Hong Kong to save about \$9,000 a year on average.

3. While \$9,000 per year may not be a big sum for large companies, it could be quite significant for small and medium-sized enterprises, particularly in the current difficult business environment. When reduction of TDEC was introduced for import and domestic export in 1998 and re-exports in 1999, the move was welcomed by the import and export sector as a timely relief for business. Since the recent announcement of the TDEC reduction in the 2012-13 Budget Speech, the business sector has reacted positively to the initiative. The reduction would also encourage the development of Hong Kong's external trade and the business of the trading and logistics sector, by lowering the transaction cost of trade for Hong Kong.

4. When the TDEC reduction proposal was being formulated, the Government had not engaged the Government Electronic Trading Services (GETS) service providers on technicalities. The service providers receive trade documents from traders and transmit them to the Government in electronic form, and in the process collect the TDEC charges. Following the Budget announcement on 1 February 2012, the GETS service providers informed the Government that of the 19 million TDEC transactions done in 2010-11, about 5% involved payment in cash over the counter. They indicated that they would have problems collecting odd cents in such transactions if the TDEC charges were reduced by half (i.e. from \$0.5 to \$0.25). To address this problem, we propose to round down the "25 cents" charges (i.e. half of "50 cents") to 20 cents of the import declarations of all food items and the import and export declarations of other items, as stipulated under regulation 8(1)(a), 8(1)(b)(i), 8(1)(b)(ii), 8(1)(c)(i), 8(1)(c)(ii), 8(1)(d)(i) and 8(1)(d)(ii) of the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E) ("Regulation"), to facilitate the collection of TDEC in these cases.

THE AMENDMENT REGULATION

A 5. The Amendment Regulation to make the necessary amendments to the Regulation is at **Annex A**. Section 3 of the Amendment Regulation provides for the following reduction of charges -

- (a) in respect of an import declaration relating to an article specified in Appendix I of the Imports and Exports Classification List, a reduction from 50 cents to 20 cents;
- (b) in respect of any other import declaration or an export declaration –
 - (i) if the relevant value does not exceed \$46,000, a reduction from 50 cents to 20 cents; or
 - (ii) if the relevant value exceeds \$46,000–
 - (A) for the first \$46,000 of the value, a reduction from 50 cents to 20 cents; and
 - (B) for each additional \$1,000 of the value or part of it, a reduction from 25 cents to 12.5 cents, rounded up to the nearest \$0.1.

LEGISLATIVE TIMETABLE

6. The Amendment Regulation will be tabled in the Legislative Council for approval by resolution on 9 May 2012 in accordance with section 31(4) of the Import and Export Ordinance. If the Legislative Council approves the Amendment Regulation, we will arrange gazettal to effect the reduced TDEC on 1 June 2012.

IMPLICATIONS OF THE PROPOSAL

B 7. The proposal has economic and financial implications as set out at **Annex B**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no civil service, productivity, environmental or sustainability implications. The proposal does not affect the current binding effect of the Import and Export Ordinance.

PUBLIC CONSULTATION

8. The proposed reduction of TDEC has been well received by the business community after its announcement on 1 February 2012. The proposed TDEC reduction was supported by the Legislative Council's Panel on Commerce and Industry at its meeting on 21 February 2012.

PUBLICITY

9. A press release in relation to the reduction of TDEC has been issued on 18 April 2012. Subject to the approval of the Legislative Council, publicity will be arranged to promulgate the revised charges to the business community.

BACKGROUND

10. TDEC was introduced in 1966 by the Import and Export Ordinance (Cap. 60) to raise additional revenue to fund Hong Kong's trade promotion activities and the work of the Hong Kong Trade Development Council. Under the Regulation, any person who imports, exports or re-exports any article other than an exempted article is required to lodge with the Commissioner of Customs and Excise an import or export declaration within 14 days and pay the charges. Currently, for food items, the charge for an import declaration is 50 cents irrespective of the value. For other import or export declarations, the charge is 50 cents for the first \$46,000 of the value of goods declared and 25 cents for each additional \$1,000 or part thereof and rounded up to the nearest \$0.1.

ENQUIRY

11. Any enquiries in the brief should be addressed to Mrs Candy Yeung, Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) at telephone number 2810 2855.

Commerce and Economic Development Bureau
April 2012

Import and Export (Registration) (Amendment) Regulation 2012

(Made by the Chief Executive in Council under section 31 of the Import and Export Ordinance (Cap. 60) subject to the approval of the Legislative Council)

1. Commencement

This Regulation comes into operation on 1 June 2012.

2. Import and Export (Registration) Regulations amended

The Import and Export (Registration) Regulations (Cap. 60 sub. leg. E) are amended as set out in sections 3 and 4.

3. Regulation 8 amended (charges payable on lodgement of declarations)

(1) Regulation 8(1)(a)—

Repeal

“50”

Substitute

“20”.

(2) Regulation 8(1)(b)(i)—

Repeal

“50”

Substitute

“20”.

(3) Regulation 8(1)(b)(ii)—

Repeal

“50”

Substitute

“20”.

(4) Regulation 8(1)(b)(ii)—

Repeal

“25”

Substitute

“12.5”.

(5) Regulation 8(1)(c)(i)—

Repeal

“50”

Substitute

“20”.

(6) Regulation 8(1)(c)(ii)—

Repeal

“50”

Substitute

“20”.

(7) Regulation 8(1)(c)(ii)—

Repeal

“25”

Substitute

“12.5”.

(8) Regulation 8(1)(d)(i)—

Repeal

“50”

Substitute

“20”.

(9) Regulation 8(1)(d)(ii)—

Repeal

“50”

Substitute

“20”.

(10) Regulation 8(1)(d)(ii)—

Repeal

“25”

Substitute

“12.5”.

4. Regulation 16 added

After regulation 15—

Add

“16. Transitional provision (Import and Export (Registration) (Amendment) Regulation 2012)

Regulation 8(1), as amended by the Import and Export (Registration) (Amendment) Regulation 2012, applies in relation to—

- (a) import declarations relating to articles imported on or after 1 June 2012; and
- (b) export declarations relating to articles exported (including re-exported) on or after 1 June 2012.”.

Clerk to the Executive Council

COUNCIL CHAMBER

2012

Explanatory Note

This Regulation amends regulation 8(1) of the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E) to reduce the charges for import and export declarations.

2. The particulars of the reduction of charges are as follows—
 - (a) in respect of an import declaration relating to an article specified in Appendix I of the Imports and Exports Classification List, a reduction from 50 cents to 20 cents;
 - (b) in respect of any other import declaration or an export declaration—
 - (i) if the relevant value does not exceed \$46,000, a reduction from 50 cents to 20 cents; or
 - (ii) if the relevant value exceeds \$46,000—
 - (A) for the first \$46,000 of the value, a reduction from 50 cents to 20 cents; and
 - (B) for each additional \$1,000 of the value or part of it, a reduction from 25 cents to 12.5 cents.

Economic and Financial Implications

Economic Implications

The proposed reduction of import and export declaration charges carries positive economic implications for Hong Kong's external trade as it would lower transaction cost, directly benefitting the import and export sector generally. Some logistic companies that lodge trade declarations in their operation would also be benefitted. We estimate that the proposal will help each company that lodges trade declarations to save about \$9,000 a year on average. The proposed reduction would also echo our efforts in enhancing Hong Kong's competitiveness as an international trading centre.

Financial Implications

2. We estimate that the proposed TDEC reduction will result in about \$750 million loss in revenue for the Government in each year. Implementation of the proposal will not require additional resources from the Government.