

For discussion
on 21 February 2012

**LEGISLATIVE COUNCIL PANEL
ON COMMERCE AND INDUSTRY**

Reduction of the Import and Export Declaration Charges

PURPOSE

The Financial Secretary announced on 1 February 2012 a package of measures to support our enterprises by reducing their operating costs and enhancing our competitiveness in the face of a worsening external economic environment. One of these measures is to halve the import and export declaration charges (TDEC) to provide timely assistance to the import and export trade. This paper seeks Members' views on the proposed reduction of TDEC.

BACKGROUND

2. TDEC was introduced in 1966 under the Import and Export Ordinance (Cap. 60) to raise additional revenue to fund Hong Kong's trade promotion activities. Under the Import and Export (Registration) Regulations (Cap. 60E), 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 Excises an import or export declaration within 14 days and pay the charges.

3. The import and export industry has all along been one of the pillar industries of Hong Kong. According to the Census and Statistics Department (C&SD), the import and export trade alone brought about \$336.9 billion economic contribution to Hong Kong in 2010, which amounts to about one-fifth (i.e 19.8%) of the GDP of Hong Kong in the same year.

4. Similar to other industries in Hong Kong, the import and export industry is mainly composed of small and medium sized enterprises (SMEs). The C&SD's statistics show that among the 88,400 establishments engaged in the import and export trade in 2010, 99.1% of them were companies employing less than 50 persons. The import and export industry employed nearly 505 000 persons in the third quarter of 2011, which represents 13.9% of Hong Kong's total employment.

5. The external business environment has become increasingly difficult in recent months, largely due to the lingering eurozone sovereign debt crisis and the slow economic recovery in the major matured economies. Total exports and imports of goods rose by 3.6% and 4.8% in real terms in 2011 respectively as compared with 2010 but the increase was mainly led by better performance of the Mainland and some Asian countries. Trade statistics show that the US and European Union markets remained sluggish and our exports to many other Asian markets have already slowed down. Against this background, the outlook for Hong Kong's merchandise trade is uncertain and the import and export trade will likely face some strong headwinds in 2012.

PROPOSED REDUCTION IN TDEC

6. To assist the import and export industry weather the difficult economic situation, we propose to halve TDEC across-the-board to ease their business cost. The proposed new rates are set out in the table at **Annex A**. According to the figures provided by C&SD, we estimate the reduction would help import and export company in Hong Kong save about \$9,000 a year on average.

7. While a saving of \$9,000 per year may not be a big sum for large companies, it is quite significant for SMEs. In fact, the proposed reduction of TDEC has been well received by the public especially the business community after its announcement on 1 February 2012. The reduction is also expected to have positive effect on the business of the trading and logistics sector, by lowering the cost of moving goods through Hong Kong.

8. It is estimated that the proposal will result in about \$750 million loss in revenue for the Government per annum. The amount of total TDEC receipts collected in recent years are summarised at **Annex B**.

WAY FORWARD

9. Subject to Members' views, we will implement the proposed reduction of TDEC by introducing legislative amendments to the Import and Export (Registration) Regulations (Cap. 60E). Our current plan is to complete all the necessary procedures as soon as possible so as to enable the proposal to come into operation within this legislative year.

**Commerce and Economic Development Bureau
February 2012**

Existing and Proposed Rates for TDEC

	Existing Rates	Proposed Rates
Imports	<p><i>Non-food items:</i></p> <ul style="list-style-type: none"> • \$0.5 in respect of the first \$46,000 of the value of the goods • \$0.25 in respect of each additional \$1,000 or part thereof and rounded up to the nearest \$0.1. <p><i>Food items:</i></p> <ul style="list-style-type: none"> • \$0.5 per declaration irrespective of the value 	<p><i>Non-food items:</i></p> <ul style="list-style-type: none"> • \$0.2 in respect of the first \$46,000 of the value of the goods • \$0.125 in respect of each additional \$1,000 or part thereof and rounded up to the nearest \$0.1. <p><i>Food items:</i></p> <ul style="list-style-type: none"> • \$0.2 per declaration irrespective of the value
Exports (i.e. domestic exports and re-reports)	<ul style="list-style-type: none"> • \$0.5 in respect of the first \$46,000 of the value of the goods • \$0.25 in respect of each additional \$1,000 or part thereof and rounded up to the nearest \$0.1. 	<ul style="list-style-type: none"> • \$0.2 in respect of the first \$46,000 of the value of the goods • \$0.125 in respect of each additional \$1,000 or part thereof and rounded up to the nearest \$0.1.

Amount of Total TDEC Receipts Collected

Financial Year	Total TDEC Receipts (<i>\$' million</i>)
2005/06	\$ 1,041.6
2006/07	\$ 1,161.2
2007/08	\$ 1,278.5
2008/09	\$ 1,263.2
2009/10	\$ 1,235.9
2010/11	\$ 1,514.7
2011/12	\$ 1,618.0 (*)

[Note: () estimated figure as per 2012/13 Budget Estimates.]*