

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1313/13-14  
(These minutes have been seen  
by the Administration)

Ref : CB1/SS/9/13/1

**Subcommittee on Rating (Exemption) Order 2014**

**Minutes of the first meeting on  
Thursday, 13 March 2014, at 10:45 am  
in Conference Room 2A of the Legislative Council Complex**

**Members present** : Hon Andrew LEUNG Kwan-yuen, GBS, JP (Chairman)  
Hon LEE Cheuk-yan  
Hon WONG Ting-kwong, SBS, JP  
Hon Cyd HO Sau-lan  
Hon Starry LEE Wai-king, JP  
Hon YIU Si-wing  
Hon CHAN Chi-chuen  
Hon CHAN Yuen-han, SBS, JP  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Elizabeth QUAT, JP

**Public officers  
Attending** : Ms Mable CHAN, JP  
Deputy Secretary for Financial Services and the  
Treasury (Treasury)

Ms Shirley KWAN  
Principal Assistant Secretary for Financial Services and  
the Treasury (Treasury) (Revenue)

Mr IP Pak-keung  
Assistant Commissioner (Rating and Valuation)  
Rating and Valuation Department

Ms Monica LAW  
Senior Assistant Law Draftsman  
Department of Justice

**Clerk in attendance** : Ms Angel SHEK  
Senior Council Secretary (1)4

**Staff in attendance** : Mr Bonny LOO  
Assistant Legal Adviser 3

Mr Hugo CHIU  
Council Secretary (1)4

Ms Sharon CHAN  
Legislative Assistant (1)4

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Action

**I Election of Chairman**

Mr Andrew LEUNG, the member with the highest precedence among those who were present at the meeting, presided over the election of the Chairman of the Subcommittee. He invited nominations for the chairmanship of the Subcommittee.

2. Mr Andrew LEUNG was nominated by Mr WONG Ting-kwong and the nomination was seconded by Ms Starry LEE. Mr Andrew LEUNG accepted the nomination. There being no other nomination, Mr Andrew LEUNG was elected Chairman of the Subcommittee.

3. Members agreed that there was no need to elect a Deputy Chairman.

**II Meeting with the Administration**

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|-----------------------------------|--|
| (LC Paper No. CB(1)1068/13-14(01) | — Administration's paper on "Rates Exemption Proposal in the 2014-15 Budget" |
| L.N. 26 of 2014                   | — Rating (Exemption) Order 2014  |
| LC Paper No. LS31/13-14           | — Legal Service Division Report  |

LC Paper No. CB(1)1068/13-14(02) — Background brief on the Rating (Exemption) Order 2014 prepared by the Legislative Council Secretariat)

Discussion

4. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

5. The Subcommittee completed scrutiny of the provisions of the Rating (Exemption) 2014 Order ("the Order").

Follow-up actions to be taken by the Administration

6. In relation to the rates exemption measure in the 2014-15 Budget, the Administration was requested to provide information/response to members' views as follows:

- (a) a breakdown of properties which would benefit from the measure by property type (i.e. public housing/private residential properties/non-residential properties), the amount of rates to be payable by each property type, and the rateable/rental value of the properties;
- (b) the amount of rates concession to be received by the top 100 organizations (excluding organizations providing public housing) and the number of rateable properties held by these organizations;
- (c) the number of ratepayers whose properties were subject to rates payment below \$1,500 per quarter and hence could not fully utilize the rates concession of \$3,000, and the rateable value of such properties; and
- (d) some members' concerns about:
  - (i) the rates exemption measure was lopsided towards the rich (e.g. property developers, owners of properties subject to higher rates payment, owners with many properties) and failed to achieve its purpose of helping the grassroots (in particular those who could not benefit from other one-off relief measures in the 2014-15 Budget and the elderly who lived in small properties with low rates payments); and

- (ii) how the rates exemption measure would benefit tenants where the rents they paid had included rates, especially operators of small businesses.

7. On the following proposals suggested by members, the Administration was requested to provide information on: (a) the number and profile of properties (i.e. residential and non-residential, rateable value, etc.) to be benefited from each of the proposals; (b) the amount of one-off revenue forgone and other financial implications (if any) in relation to each of the proposals:

- (a) waiving rates for four quarters in the period from 1 April 2014 to 31 March 2015, subject to a ceiling of \$750 per quarter;
- (b) waiving rates for four quarters in the period from 1 April 2014 to 31 March 2015, subject to a ceiling of \$700/\$650/\$600 per quarter;
- (c) waiving rates for four quarters in the period from 1 April 2014 to 31 March 2015, subject to an appropriate ceiling per quarter which would enable more households to fully utilize rates concession while maintaining the total revenue forgone at \$6,135 million (this proposal should not result in additional one-off revenue forgone for the Government); and
- (d) waiving rates in respect of residential properties only for four quarters in the period from 1 April 2014 to 31 March 2015, subject to a ceiling of \$750 per quarter.

8. The Administration was requested to advise whether it would consider any of the proposals referred to in paragraph 7 above, and if not, the reasons.

9. The Administration was also requested to provide views on a proposed resolution to be moved by Members of the Legislative Council ("LegCo") to amend the Order without entailing any additional one-off revenue forgone for the Government beyond the amount (i.e. approximately \$6,135 million) already envisaged under the Order, including whether such a proposed resolution would have any charging effect within the meaning of Rule 31(1) of the Rules of Procedure ("RoP") of LegCo.

10. In respect of the rates exemption measures implemented in the past 10 years, the Administration was requested to provide information on:

- (a) the amount of rates concession involved and administrative costs incurred in each of the measures implemented in 2003-2004, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013 and 2013-2014; and

- (b) the amount of rates concession received by the top 100 organizations (excluding organizations providing public housing), and the number of rateable properties held by these organizations.

11. The Legal Adviser of the Subcommittee ("the Legal Adviser") was requested to prepare a note to advise the Subcommittee on the following issues:

- (a) the genesis of Rule 31(1) of RoP and whether that rule was inconsistent with Article 74 of the Basic Law which provided, inter alia, that "Bills which do not relate to public expenditure or political structure or the operation of the government may be introduced individually or jointly by members of the Council"; and
- (b) whether a Member's proposed amendment to the Order that would not affect the amount of rates to be forgone (i.e. \$6,135 million) under the Order would have any charging effect for the purposes of Rule 31(1) of RoP.

### **III Any other business**

#### Invitation of views

12. Members agreed that it was unnecessary for the Subcommittee to invite the public or relevant parties to give views on the Order.

#### Way forward

13. The Chairman said that the information to be provided by the Administration and the Legal Adviser on issues arising from the discussions at the meeting would be circulated to members when ready. Subject to views members might have on the papers, the Chairman would decide whether it was necessary to hold a further meeting.

*(Post-meeting note: The papers provided by the Administration and the Legal Service Division respectively were circulated to members vide LC Paper Nos. CB(1)1133/13-14 and CB(1)1142/13-14 on 21 March 2014. As the Secretariat has not received any views from members by the deadline of noon on 24 March 2014, the Chairman has instructed that no further meeting of the Subcommittee will be held and the Subcommittee has completed scrutiny of the Order. Members were informed accordingly vide LC Paper No. CB(1)1166/13-14 issued on 25 March 2014.)*

14. Members noted that the scrutiny period of the Order would expire at the Council meeting of 16 April 2014, and that the deadline for giving notice of amendment to the Order was 9 April 2014. Members agreed that it was unnecessary to extend the scrutiny period. Members noted that the Chairman would give a verbal report of the Subcommittee's deliberations to the House Committee at its meeting on 28 March 2014.

15. There being no other business, the meeting ended at 12:05 pm.

Council Business Division 1  
Legislative Council Secretariat  
24 April 2014

**Proceedings of the  
Subcommittee on Rating (Exemption) Order 2014  
First meeting on Thursday, 13 March 2014, at 10:45 am  
in Conference Room 2A of the Legislative Council Complex**

<b>Time Marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action Required</b>
000129 – 000307	Mr Andrew LEUNG Mr WONG Ting-kwong	Election of Chairman	
000308 – 000333	Chairman	Introductory remark	
000334 – 000602	Administration	Briefing by the Administration on the Rating (Exemption) Order 2014 ("the Order"). (LC Paper No. CB(1)1068/13-14(01))	
000603 – 000705	Chairman Administration	In response to the Chairman's enquiry, the Administration advised that –  (a) the concession period of rates exemption measures implemented in past years varied from one to four quarters of the financial year concerned; and  (b) while rates were waived for four quarters in 2013-2014, and for two quarters in 2014-2015 under the Order, both were subject to the same ceiling of \$1,500 per quarter for each rateable property.	
000706 – 001539	Chairman Ms Cyd HO Administration	Ms Cyd HO's views and suggestion –  (a) as the rates of some properties were lower than \$1,500 per quarter, households of such properties could not fully utilize the rates concession (i.e. \$3,000 in total); and  (b) the Administration should consider how the concession measure could better assist the grassroots (in particular those who could not benefit from other relief measures in the 2014-15 Budget), such as by extending the rates concession period to four quarters, subject to a lower ceiling of \$750 per quarter for each rateable property (i.e. the total amount of rates concession remained at \$3,000).  The Administration responded that –	

Time Marker	Speaker	Subject(s)	Action Required
		<p>(a) when drawing up the one-off relief measures including the rates exemption in the 2014-15 Budget, the Government had taken into account the recurrent measures introduced by the Government earlier to help the grassroots, the economic outlook for the next financial year, especially a slight slowdown in inflation, and the financial position in the current financial year;</p> <p>(b) the rates exemption measure was implemented on an equal-footing basis. All ratepayers were exempted from rates, regardless of the type and rateable value of the relevant properties;</p> <p>(c) rates concession measure should be carefully considered as it involved significant financial implications. If the measure was extended from two to four quarters with the ceiling lowered to \$750 per quarter, this would increase the Government's financial commitment by about \$2,100 million; and</p> <p>(d) on the basis of maintaining the financial commitment at \$6,135 million, if the rates concession arrangement was to be extended to four quarters, the ceiling had to be further adjusted downwards, which would reduce the full-year amount of rates concession enjoyed by ratepayers of all private domestic and non-domestic properties (including shops and office/factory spaces owned/rented by small and medium-sized enterprises ("SMEs")).</p> <p>The Administration was requested to provide information on the number of ratepayers whose properties were subject to rates payment below \$1,500 per quarter, and the rateable value of such properties.</p>	<p>The Administration to take actions as per paragraph 6(c) of the minutes</p>
001540 – 002216	Chairman Mr CHAN Chi-chuen Administration	Mr CHAN Chi-chuen stated that Members belonging to People Power were opposed to using rates exemption as a one-off relief measure. Noting that in 2012-2013, the top	



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		<p>private organization and the top ten private organizations received rates concession of as much as about \$90 million and \$200 million respectively, Mr CHAN considered that the Administration should limit the number of properties in respect of which any one ratepayer would be eligible for rates exemption.</p> <p>The Administration responded that –</p> <ul style="list-style-type: none"> <li>(a) valuation and collection of rates were conducted on the basis of tenements, not individual landlord/occupier/agent of the rateable tenements;</li> <li>(b) to implement Mr CHAN's suggestion, the Rating and Valuation Department ("RVD") would need to revamp its database and conduct extensive data verification work;</li> <li>(c) more importantly, there would be complicated legal issues and practical difficulties in determining objectively the number of properties that should be capped, and which properties of the same ratepayer should benefit from rates concession. Complications might arise in respect of ownership of properties held in different forms (such as joint ownership); and</li> <li>(d) based on the latest information collected by RVD, among the top ten ratepayers that received the largest amounts of rates concession, over 85% of their tenancy agreements were rates-exclusive, i.e. the tenants paid the rates and should therefore benefit when there was rates concession. If landlords were only allowed to enjoy rates concession for up to a certain number of properties, there would be occasions where individuals or business establishments renting properties and were liable for rates payment under their tenancy agreements could not benefit from the rates concession.</li> </ul>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>Mr CHAN requested the Administration to provide the following information –</p> <ul style="list-style-type: none"> <li>(a) the amount of rates concession involved and administrative costs incurred in each of the rates concession measures implemented in 2003-2004, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013 and 2013-2014;</li> <li>(b) the amount of rates concession received by the top 100 organizations (excluding organizations providing public housing), and the number of rateable properties held by these organizations in the above financial years and in 2014-2015; and</li> <li>(c) how the rates exemption measure would benefit tenants where the rents were rates-inclusive.</li> </ul>	<p>The Administration to take actions as per paragraphs 6(b), 6(d) and 10 of the minutes</p>
002217 – 003109	Chairman Ms CHAN Yuen-han Administration	<p>While not opposing the rates exemption measure, Ms CHAN Yuen-han was concerned about how the measure could better help low-income persons who could not benefit from the 2014-15 Budget's relief measures (i.e. the "N have-nots" who did not receive CSSA, pay tax or live in public housing).</p> <p>The Administration responded that –</p> <ul style="list-style-type: none"> <li>(a) five one-off relief measures were introduced in the 2014-15 Budget and the rates exemption measure was one of them. Apart from one-off relief measures, the Administration had increased its recurrent expenditures in 2014-2015 by 7.8% to implement various measures that would benefit people from different walks of life; and</li> <li>(b) the rates exemption measure was meant to benefit all properties currently assessed to rates payment (about 3.11 million). Provision of assistance to the "N have-nots" concerned wider issues that should not be addressed in the context of the rates exemption measure.</li> </ul>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>In response to Ms CHAN's suggestion to limit the number of rateable properties pertaining to the same ratepayer that could enjoy rates exemption, the Administration reiterated the practical difficulties in implementing the suggestion (e.g. how to determine objectively which properties of the same ratepayer should be exempted from rates payment).</p>	
003110 – 003727	Chairman Mr LEE Cheuk-yan Administration	<p>Mr LEE Cheuk-yan criticized that the measure appeared to be lopsided towards the rich and failed to achieve its purpose of helping the grassroots who paid lower rates. He supported Ms Cyd HO's suggestion of extending the rates concession measure to four quarters, subject to a lower ceiling of \$750 per quarter for each rateable property.</p> <p>The Administration reiterated its considerations for drawing up one-off relief measures, the provision of other one-off relief measures in the 2014-15 Budget and the Government's additional financial commitment of about \$2,100 million for extending the rates concession measure to four quarters as proposed by Ms HO.</p> <p>Mr LEE further suggested the Administration to exclude non-residential properties from the measure so as to make available more resources for extending the rates concession period and enabling more households to fully utilize the rates concession.</p> <p>The Administration advised that about 0.4 million rateable properties were non-residential ones, including properties owned/rented by SMEs. The Administration considered that the rates concession measure should also benefit these properties and help relieve the financial pressure of SMEs.</p>	
003728 – 004327	Chairman Mr LEE Cheuk-yan Ms SIN Chung-kai Assistant Legal Adviser 3 ("ALA3")	<p>Discussion on whether a Member's proposed amendment to the Order to extend the rates concession to four quarters with a lower ceiling would have any charging effect for the purposes of Rule 31(1) of the Rules of Procedures ("RoP") of the Legislative Council ("LegCo") if (a) the amendments would incur additional one-off revenue forgone or (b) the amount of</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>one-off revenue forgone was maintained at \$6,135 million.</p> <p>At the request of Mr SIN Chung-kai, ALA3 agreed to prepare a note to further advise the Subcommittee in relation to the scenario stated in (b) above. The Administration was also requested to provide its views (if any) on the matter.</p> <p>Mr LEE indicated that he might consider proposing amendments to the Order.</p>	<p>The Administration and ALA3 to take actions as per paragraphs 8 and 11(b) respectively of the minutes</p>
<p>004328 – 004724</p>	<p>Chairman Mr YIU Si-wing Administration</p>	<p>In reply to Mr YIU Si-wing, the Administration advised that the one-off revenue forgone under the rates exemption measure in 2013-2014 was \$12 billion.</p> <p>Mr YIU's views that –</p> <p>(a) he did not support the suggestion to limit the number of rateable properties of the same ratepayer to be exempted from rates as this might affect the interests of SMEs; and</p> <p>(b) the Administration might consider extending the rates concession period to four quarters with a lower ceiling of \$750 per quarter as suggested by some members, given this would bring about a less abrupt reduction in rates concession to ratepayers from those granted in the recent years, and as there would be additional revenue from rates in 2014-2015 compared to 2013-2014.</p> <p>The Administration responded that rates concession measure of individual financial years was considered based on the prevailing circumstances of the relevant year such as the economic conditions and the fiscal position of the Government. The rates concession measure was implemented for only one quarter in some financial years.</p>	
<p>004725 – 004919</p>	<p>Chairman Ms Cyd HO ALA3</p>	<p>Discussion on the genesis of Rule 31(1) of RoP and whether that rule was consistent with Article 74 of the Basic Law.</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>At the request of Ms Cyd HO, ALA3 agreed to provide information to advise the Subcommittee on the above matter.</p> <p>The Chairman echoed ALA3's advice that the admissibility of a Member's proposed amendments to the Order was ultimately a matter for the President of LegCo to decide.</p>	<p>ALA3 to take actions as per paragraph 11(a) of the minutes</p>
<p>004920 – 005329</p>	<p>Chairman Mr SIN Chung-kai Mr CHAN Chi-chuen Administration</p>	<p>At the request of Mr SIN Chung-kai and Mr CHAN Chi-chuen, the Administration undertook to provide information on the number and profile of properties to be benefited; the amount of one-off revenue forgone and other financial implications (if any) in relation to waiving rates for four quarters subject to an appropriate ceiling per quarter which would enable more households to fully utilize rates concession while maintaining the total one-off revenue forgone at \$6,135 million.</p>	<p>The Administration to take actions as per paragraphs 7(c) and 8 of the minutes</p>
<p>005330 – 005758</p>	<p>Chairman Ms CHAN Yuen-han Administration</p>	<p>Ms CHAN Yuen-han indicated that –</p> <p>(a) she did not support the suggestion of excluding non-residential properties from the measure as this would affect the rates concession for SMEs; and</p> <p>(b) the Administration should consider some members' suggestions to extend the rates concession period to four quarters subject to a lower ceiling, or limit the number of properties of the same ratepayer that could be exempted from rates payment.</p> <p>The Administration advised that –</p> <p>(a) if rates concession was only made available to a certain number of properties, apart from the downside that individuals or business establishments renting properties and being liable for rates payment under their tenancy agreements could not benefit from the rates concession, there would be practical difficulties for RVD to ascertain which and how many rateable properties were pertaining to the same owner for the purpose of limiting the number of rateable properties of the same owner to be exempted from rates payment since the</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>database of RVD did not maintain records of whether ratepayers were owners, tenants or occupiers. There would also be complicated legal issues concerning different forms of property ownership; and</p> <p>(b) on the basis of maintaining the financial commitment at \$6,135 million, if the rates concession was to be extended to four quarters, the ceiling would need to be adjusted downwards that would inevitably affect the extent of rates concession enjoyed by properties of higher rateable value. The suggestion might not necessarily benefit grassroots or small property owners taking into account that the rateable value of properties varied with locations and other factors.</p>	
005759 – 010227	Chairman Mr LEE Cheuk-yan Administration	<p>Mr LEE Cheuk-yan reiterated his suggestion to exclude non-residential properties from the measure as ratepayers of non-residential properties could still benefit from rates concession in respect of their residential properties, and the suggestion would avoid transfer of benefits in the form of rates concession to large private organizations owning most of the non-residential properties. In this connection, Mr LEE enquired about the number of rateable non-residential properties in Hong Kong.</p> <p>The Chairman indicated that he was opposed to the suggestion as it would remove rates concession from certain ratepayers including SMEs.</p> <p>The Administration advised that –</p> <p>(a) of some 3.1 million rateable properties in Hong Kong, 0.4 million were non-residential rateable properties; and</p> <p>(b) based on the latest information collected by RVD, most of the tenancy agreements of non-residential properties were rates-exclusive. The tenants should benefit when there was rates concession subject to the tenancy terms.</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>At members' request, the Administration was required to provide information on –</p> <p>(a) a breakdown of properties which would benefit from the measure by property type, amount of rates to be payable under each property type, and the rateable value of the properties; and</p> <p>(b) the amount of one-off revenue forgone and other financial implications (if any) in relation to waiving rates for residential properties only (for four quarters subject to a ceiling of \$750 per quarter for each rateable property).</p>	<p>The Administration to take actions as per paragraphs 6(a), 7(d) and 8 of the minutes</p>
010228 – 010359	<p>Chairman Mr SIN Chung-kai Ms CHAN Yuen-han Administration</p>	<p>At members' request, the Administration was required to provide information on: (a) the number and profile of properties to be benefited; and (b) the amount of one-off revenue forgone and other financial implications (if any) in relation to waiving rates for four quarters, subject to a ceiling such as \$750/\$700/\$650/\$600 per quarter.</p>	<p>The Administration to take actions as per paragraphs 7(a), 7(b) and 8 of the minutes</p>
010400 – 010945	<p>Chairman Ms Cyd HO Administration</p>	<p>In reply to Ms Cyd HO, the Administration advised that 0.76 million of the rateable properties were public domestic properties which involved \$1 billion of rates concession.</p> <p>Ms Cyd HO reiterated her concerns that priority should be accorded to assisting ratepayers who were not eligible for public housing, lived in private properties with lower rates payment, and who could not benefit from other relief measures in the 2014-15 Budget.</p>	
010946 – 011113	<p>Chairman Mr SIN Chung-kai Administration</p>	<p>Mr SIN Chung-kai reiterated his request for information in relation to waiving rates for four quarters subject to an appropriate ceiling per quarter while maintaining the total one-off revenue forgone at \$6,135 million.</p> <p>The Administration confirmed that it would provide the requested information.</p>	<p>The Administration to take actions as per paragraphs 7(c) and 8 of the minutes</p>

Time Marker	Speaker	Subject(s)	Action Required
011114 – 011346	Chairman Mr SIN Chung-kai Ms Cyd HO Administration	<p>Ms Cyd HO said that based on the number of rateable properties in different categories and their respective rates concession amounts as advised by the Administration, she estimated that a per quarter ceiling of \$600 for implementing the rates concession measure for four quarters (or full-year rates concession of \$2,400 for each rateable property) would enable more households of grassroots to fully utilize the rates concession.</p> <p>The Administration maintained its view that rates concession measure was implemented on an equal-footing basis, regardless of the rateable value and type of properties. The Administration did not intend to amend the Order to implement suggestions raised by members at the meeting.</p>	
<b><u>Section-by-section examination of the Order</u></b>			
011347 – 011650	Chairman Administration Ms Cyd HO	<p><u>Rating (Exemption) Order 2014 (L.N. 26 of 2014)</u></p> <p>Section 1 – Commencement</p> <p>Section 2 – Interpretation</p> <p>Section 3 – Exemption from payment of rates</p> <p>Members raised no questions.</p> <p>Ms Cyd HO indicated that she would consider proposing amendments to the Order.</p>	
011651 – 011717	Chairman Ms CHAN Yuen-han Administration	<p>In reply to Ms CHAN Yuen-han, the Administration reaffirmed that it did not intend to amend the Order to extend the rates concession period with a lower ceiling per quarter. Ms CHAN expressed disappointment about the Administration's decision.</p>	
011718 – 012039	Chairman Clerk Ms Cyd HO Mr LEE Cheuk-yan	<p>Invitation of public views</p> <p>Members agreed that it was unnecessary to invite the public or relevant parties to give view on the Orders, or to extend the scrutiny period of the Order.</p>	



<b>Time Marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action Required</b>
		Follow-up arrangements and legislative timetable	

Council Business Division 1  
Legislative Council Secretariat  
24 April 2014