

**For discussion
on 1 December 2014**

Legislative Council Panel on Financial Affairs

**Proposed Revision of Fees and Charges for Services
under the Customs and Excise Department**

PURPOSE

This paper briefs Members on the Administration's plan to revise 20 fee items relating to dutiable commodities and motor vehicles managed under the Customs and Excise Department ("C&ED"). These fees do not directly affect people's livelihood or general business activities.

FEE REVIEW

2. In line with the "user pays" principle, it is Government's policy that fees charged for public services should in general be set at levels sufficient to recover the full cost of providing the services. Since the commencement of the comprehensive fee review as announced in the 2013-14 Budget, policy bureaux and departments have been reviewing various fees and charges with a view to achieving full cost recovery.

3. For the 20 fee items under review by C&ED, except for one item which has not been adjusted since 1974, all of the other 19 items were last revised in 2010. The full cost of providing these services has yet to be recovered. Costing review at the 2014-15 price level shows that the cost recovery levels of these fee items range from 25% to 86%.

THE PROPOSAL

4. Of the 20 fee items proposed to be revised, 17 are under the Dutiable Commodities Regulations (Cap. 109A) and three are under the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330). These

fees include –

- (a) licence fees for traders of dutiable commodities (ten items);
- (b) charges for various certificates and fees for storage of dutiable commodities (three items);
- (c) bonded warehouse supervision charges (four items); and
- (d) registration fees for motor vehicle importer and/or distributor (three items).

5. In accordance with the general fee revision guidelines¹, we intend to revise these fee items by phases so that their cost recovery ratios (currently ranging from 25% to 86%) can improve gradually. Specifically, the extent of fee increases proposed ranges from 10% to 20%, or from \$0.3 to \$2,200 in dollar terms. Details of the proposals are set out at the *Annex*. The fee revision is expected to have limited impact on the business cost of the relevant trades.

EFFICIENCY IMPROVEMENT MEASURES

6. The Administration will continue to enhance efficiency and streamline procedures so as to contain the costs of providing these services. For example, the implementation of a new IT system (namely the Dutiable Commodities System (“DCS”)) will offer trade facilitation and provide more efficient and reliable dutiable commodities related services.

FINANCIAL IMPLICATIONS

7. It is estimated that this fee revision proposal will increase revenue by about \$0.56 million per annum.

¹ According to the revision guidelines, a fee should be increased by 20%, 15% and 10% if its cost recovery rate is less than 40%, 40% to 70%, or more than 70% respectively.

WAY FORWARD

8. Members are invited to note the proposed fee revision as set out in paragraphs 4 to 5 above. The revision to fees under Cap 109A will require legislative amendments.

Financial Services and the Treasury Bureau
November 2014

Fees and charges proposals under the purview of the Customs and Excise Department

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
1	General bonded warehouse or public warehouse licence (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
2	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (with manufacturer's licence) (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
3	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (without manufacturer's licence) (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
4	Import and export licence for liquors, tobacco, hydrocarbon oil and methyl alcohol (annual fee)	April 2010	\$1,090	76%	10%	\$1,200	\$110	83%
5	Special import licence (to keepers of licensed warehouses capable of storing not less than 500 kiloliters of hydrocarbon oil) (annual fee)	April 2010	\$1,090	76%	10%	\$1,200	\$110	83%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
6	Liquors – manufacturer’s licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
7	Liquors – distillery licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
8	Tobacco – manufacturer’s licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
9	For every transfer of or substitution or amendment in any licence, except a transfer from one person to another (per case)	April 2010	\$430	25%	20%	\$515	\$85	30%
10	For every transfer of any licence from one person to another (per case)	April 2010	\$430	25%	20%	\$515	\$85	30%
11	For every certificate of the Government Chemist that any spirits or methyl alcohol are denatured	August 1974	\$5 or 5% of the duty, whichever is the greater	36%	20%	\$6 or 6% of the duty, whichever is the greater	\$1 or 1% of the duty	43%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
12	For every landing certificate, certificate of shortages or breakages of cargo found damaged or short in bond, endorsement, certificate of accuracy or copy of extract from official record, any other certificates on which statistics has been given, etc.	April 2010	\$175	59%	14%	\$200	\$25	67%
13	Fee for storage of dutiable commodities by Customs and Excise Department with the permission of the Commissioner (per package per day or part of a day, after the first 48 hours)	April 2010	\$1.7	46%	18%	\$2	\$0.3	54%
14	Bonded warehouse supervision charges – attendance of an Inspector (per hour or part of an hour)*	April 2010	\$475	77%	10%	\$525	\$50	85%
15	Bonded warehouse supervision charges – attendance of a Chief Customs Officer (per hour or part of an hour)*	April 2010	\$360	69%	15%	\$415	\$55	80%
16	Bonded warehouse supervision charges – attendance of a Senior Customs Officer (per hour or part of an hour)*	April 2010	\$285	67%	16%	\$330	\$45	77%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
17	Bonded warehouse supervision charges – attendance of a Customs Officer (per hour or part of an hour)*	April 2010	\$185	64%	16%	\$215	\$30	74%
18	Registration as a distributor of motor vehicles (per case)	April 2010	\$520	46%	15%	\$600	\$80	53%
19	Registration as an importer of motor vehicles (per case)	April 2010	\$520	46%	15%	\$600	\$80	53%
20	Registration as a distributor and an importer of motor vehicles (per case)	April 2010	\$520	46%	15%	\$600	\$80	53%

* For the “bonded warehouse supervision charges”, revision is proposed for the rates “per hour or part of an hour” only. No change is proposed for the rates “per 8-hour day” or the rates “per month” which have become obsolete in practice. With the implementation of the Open Bond System in April 2003, it is no longer necessary for customs officers to station at bonded warehouses to provide supervision services on a daily or monthly basis.