

Subcommittee on Rating (Exemption) Order 2016

Rating (Exemption) Order 2016

Purpose

In the 2016-17 Budget, the Government proposes to waive rates for four quarters of 2016-17, subject to a ceiling of \$1,000 per tenement per quarter. This paper briefs Members on details of the proposal.

Justifications

2. Rates is a broad-based and stable source of government revenue. At present, there are some 3.17 million tenements liable to rates in Hong Kong. In accordance with the Rating Ordinance (Cap. 116), the valuation and collection of rates is based on tenements. The owner and the occupier shall both be liable for the payment of rates.

3. Taking into account the current macro environment, Government’s fiscal capacity and the need to boost the economy in the short term, we propose to waive rates for four quarters of 2016-17, with a cap at \$1,000 per tenement per quarter.

4. The proposed rates exemption will benefit about 3.17 million properties liable to rates payment. In 2016-17, about 45% of all the properties will be exempted from paying rates, which involve about 90% of public domestic properties, 20% private domestic properties and 30% of non-domestic properties. Such properties have rateable values (RVs) at or below \$80,000 (i.e. about \$6,667 per month). Details are set out as follows –

Type of Properties	Number of properties liable to rates payment ('000)	Number of properties exempted from rates in 2016-17 ('000) [as a % of the total number of the relevant type of properties]
<i>Private Domestic Premises</i>	1 751	372 [21%]
<i>Public Domestic Premises</i>	777	687 [88%]
All Domestic Premises*	2 766	1 296 [47%]
All Non-domestic Premises	409	120 [29%]
All Properties	3 175	1 416 [45%]

* Including car parking spaces (232 000) in domestic premises.

5. The proposed rates exemption measure this year will reduce government revenue by about \$10.6 billion. The magnitude of revenue forgone exceeds that for the rates exemption measure in the past two years, which reduced government revenue by \$6.1 billion (for 2014-15) and \$7.7 billion (for 2015-16) respectively. Furthermore, when compared with the measure in the past two years, the proposed measure this year will bring more benefits to properties with lower RVs. Under the proposal this year, 78% of rateable properties in Hong Kong (which have RVs below \$160,000) will pay less rates in 2016-17, after taking into account the rates concession, when compared with the past two years.

Legal Basis

6. Section 36(2) of the Rating Ordinance provides that the Chief Executive in Council may, by order, declare any class of tenements, or parts thereof, or any part of Hong Kong to be exempted from the payment of rates wholly or in part. In order to effect the proposed rates exemption, the Chief Executive in Council has made the Rating (Exemption) Order 2016 (“the Order”) (see **Annex**) under section 36(2) of the Rating Ordinance. The Order was gazetted on 24 February 2016.

The Order

7. The provisions of the Order are as follows -

- (a) Section 1 provides that the Order comes into operation on 1 April 2016.
- (b) Section 2 provides for the definition of “concession period” (meaning each quarter in the period from 1 April 2016 to 31 March 2017).
- (c) Section 3 provides that a tenement included in a valuation list in force will be exempted from the payment of rates up to the amount of \$1,000 per concession period. The \$1,000 cap will be reduced proportionately if rates would otherwise be payable for only part of the concession period.

Legislative Timetable

8. The Order has been tabled at the Legislative Council on 2 March 2016 for negative vetting.

Financial Implications

9. We estimate that the rates exemption measure will result in one-off revenue forgone of about \$10.6 billion.

Implementation Date

10. The rates exemption measure will be effective from 1 April 2016. As in the past, the rates concession will be reflected in the demand notes for rates payment for the relevant quarters.

Financial Services and the Treasury Bureau
March 2016

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Section 1

L.N. 36 of 2016
B711L.N. 36 of 2016
B713

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Rating (Exemption) Order 2016

(Made by the Chief Executive in Council under section 36(2) of the Rating Ordinance (Cap. 116))

Kinnie WONG
Clerk to the Executive Council

COUNCIL CHAMBER

24 February 2016

1. Commencement

This Order comes into operation on 1 April 2016.

2. Interpretation

In this Order—

concession period (寬免期) means any of the following quarters—

- (a) 1 April 2016 to 30 June 2016;
- (b) 1 July 2016 to 30 September 2016;
- (c) 1 October 2016 to 31 December 2016;
- (d) 1 January 2017 to 31 March 2017.

3. Exemption from payment of rates

For each concession period, a tenement included in a valuation list in force is exempted from the payment of rates by an amount equal to the rates otherwise payable or \$1,000, whichever amount is less. If rates would otherwise be payable for only part of a concession period, the amount of \$1,000 is reduced proportionately.

Explanatory Note

This Order exempts a tenement from the payment of rates up to a maximum of \$1,000 for each quarter in the period 1 April 2016 to 31 March 2017.