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致: [] []
To: Mr Anthony CHU
Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
[]
Central, Hong Kong []

(BY FAX : 2543 9197)

26 May 2017

Dear Mr CHU,

**Public Accounts Committee
Chapter 3 of the Director of Audit's Report No. 68
Management of squatter and licensed structures**

As requested in your letter of 17 May 2017, I provide the information below relating to the work of the Rating and Valuation Department (RVD) –

Charging of rates and government rent for squatter structures (SS)

As pointed out in paragraph 3.2 of the Audit's report, under the Rating Ordinance and the Rent Ordinance, a tenement refers to any land or any building or structure (including SS) or a part of a building or structure, which is held or occupied as a distinct or separate tenancy or holding or under any licence. All tenements, except those which are entitled to exemption under the said Ordinances, are liable for assessment to rates and/or government rent. As it has been part of RVD's routine duties to assess structures standing on private land, we trust that most, if not all, SS on private agricultural land should have been assessed to rates and/or government rent, although the Lands Department (LandsD) has not provided us with the information of the 262,128 SS. As stated in paragraph 3.5 of the Audit's report, a sample check on 30 SS on private land revealed that all of them had been properly handled (either assessed to rates and government rent or exempted from assessment under the relevant ordinances). In the circumstances, we do not foresee a direct link between the collection of rates and government rent and the provision of SS records by LandsD.

As mentioned in paragraph 3.9 (d) of the Audit's report, RVD needs to seriously evaluate the cost-effectiveness of matching all the 260,000 SS records to be provided by LandsD. Since the addresses are incomplete for SS records maintained by LandsD, RVD will have to ascertain the exact location of these structures before matching them with our rating records. The additional workload arising from this tedious manual matching exercise should not be under-estimated given the huge volume of records involved. We estimate that over 300 man-years of staff resources, amounting to some \$170 million, would

****Note by Clerk, PAC: Please refer to Annex for the questions.***

results of the sample check as stated in paragraph 3.5 of the Audit's report and mentioned in the second paragraph above, it is unclear whether such injection of resources would produce a considerable sum of revenue to the Government, given the number of omitted SS not being assessed would likely be insignificant. The value for money aspect of the proposed matching task will need to be considered carefully.

Having said that, as an effort to obtain a clearer picture of the situation, we plan to conduct a broader sample check on the assessment status of SS, in addition to the check already done and mentioned in paragraph 3.5 of the Audit's report, upon receipt of the 260,000 SS records from LandsD. Having regard to the resource availability and work priority, we will check about 500 SS records within a six-month period. An appropriate follow up plan will be formulated after this broader sample check is completed.

Charging of rates for tenements held under Government Land Licenses (GLLs)

According to paragraph 3.10 of the Audit's report, LandsD managed 15,214 GLLs and RVD's computer system maintained distinct rates assessment records of 6,659 GLLs. Based on these figures, the median rates of assessed cases (see Table 7 and paragraph 3.9(a) of the Audit's report) and with appropriate adjustment for exempted cases (e.g. tenements for agricultural use, or of rateable value not exceeding a prescribed amount), we have a broad-brush estimate that about \$2.4 million of rates revenue in 2017/18 would have been generated from the omitted GLLs, before allowing for rates concession applicable in the year. After allowing for rates concession (i.e. at a ceiling of \$1,000 per tenement per quarter in 2017/18), the possible rates receivable therefrom is **nominal** because of the relatively low rateable values of the GLLs involved.

As stated in paragraph 3.14(a) of the Audit's report, since the set-up of the computer system in 2003 to monitor the assessment of the GLLs located in the New Territories, RVD has received 2,650 GLL notifications from LandsD. Up to May 2017, action has been taken on 2,407 (91%) of them. As regards the 18 cases mentioned in paragraph 3.8(c) and Table 7 of the Audit's report, the assessment of one case has been completed, and its low rateable value (i.e. \$3,840) does not produce any rates revenue in 2017-18 after allowing for rates concession in the year. The assessment for the remaining 17 cases is under way and will be completed in three months' time. We will continue to tackle about 230 outstanding cases by phases.

As mentioned in paragraph 3.14(a) of the Audit's report, we will follow up on obtaining the full GLL records from LandsD. We are compiling a comprehensive list of GLL records already received, and will furnish the list to LandsD next month. LandsD will then provide us with records of the rest of the GLLs under its management for our assessment of outstanding licensed structures by phases, with priority given to high value cases.

Please be assured that RVD will continue to conduct the rating exercise having regard to the legal requirements, the priority of the department and the cost and benefits of the work involved.

Yours sincerely,

A handwritten signature in black ink, appearing to be the initials 'P.K. IP' written in a cursive style.

(P.K. IP)

for Commissioner of Rating and Valuation

- c.c. Secretary for Financial Services and the Treasury (fax no. 2147 5239)
- Secretary for Development (fax no. 2147 3691)
- Director of Lands (fax no. 2525 4960)
- Director of Buildings (fax no. 2868 3248)
- Director of Civil Engineering and Development (fax no. 2246 8708)
- Director of Audit (fax no. 2583 9063)

**Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report
Management of squatter and licensed structures**

For the Rating and Valuation Department

Part 3: Rates, government rent and licence fees on squatter and licensed structures

1. According to paragraphs 1.6, 1.14, 3.2 to 3.4 and 3.7, concerning omissions in charging rates and government rent on squatter and licensed structures ("S&L structures"), why had LandsD failed to provide the Rating and Valuation Department ("RVD") with information on all the 262 128 SS structures erected on private agricultural land and all the licensed structures covered under 15 214 GLLs as of March 2016 for the latter to assess and charge rates and government rent as appropriate? What were the estimated rates, government rent and licence fees foregone as a result of the LandsD's omissions as of now? Has LandsD taken any steps to provide RVD with the information so that the latter will be able to assess and charge rates and government rent as appropriate? Please provide details.

2. According to paragraph 3.14(a), up to March 2017, RVD had received information on 2 650 GLLs relating to structures located in the New Territories from LandsD and had taken follow up action on these GLLs. Having regard to resource availability and work priority, RVD will assess the outstanding licensed structures by phases based on LandsD's information, including the 18 cases identified by Audit. What is the progress? In addition, according to paragraph 3.14(b), upon receipt of the addresses, locations and boundaries of the 262 128 SS structures erected on private agricultural land from Lands D, RVD will be able to conduct data matching and check whether the pertinent SS structures have been assessed or exempted from assessment to rates and/or government rent. What is the progress?

Audit recommendations

3. What are the Government's executive plans and timetables to adopt Audit's recommendations in respect of monitoring of S&L structures, rates, government rent and licence fees on S&L structures, and clearance of S&L structures?