

**立法會**  
**Legislative Council**

LC Paper No. CB(1)861/17-18

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**Paper for the House Committee meeting on 27 April 2018**

**Report of the Subcommittee on Rating (Exemption) Order 2018**

**Purpose**

This paper reports on the deliberations of the Subcommittee on Rating (Exemption) Order 2018 ("the Subcommittee").

**Background**

2. In the 2018-2019 Budget, the Financial Secretary ("FS") announced a number of one-off concessionary measures, one of which is the proposal to waive rates for the four quarters of 2018-2019 subject to a ceiling of \$2,500 per quarter for each rateable property. The Government estimates that the rates concession will cover about 3.25 million properties liable to rates payment and reduce government revenue by \$17.8 billion.

**The Rating (Exemption) Order 2018**

3. The Rating (Exemption) Order 2018 ("2018 Order") was made by the Chief Executive in Council under section 36(2) of the Rating Ordinance (Cap. 116) ("RO") to give effect to the rates concession proposed in the 2018-2019 Budget.<sup>1</sup>

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<sup>1</sup> Section 36(2) of the Rating Ordinance (Cap.116) 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.

4. The 2018 Order declares that all tenements are exempted from the payment of rates up to a maximum of \$2,500 for each quarter in the period from 1 April 2018 to 31 March 2019. The amount of \$2,500 will be reduced proportionately if rates are payable for only part of a concessionary period.

5. The 2018 Order was gazetted on 28 February 2018 and tabled at the Legislative Council ("LegCo") meeting of 21 March 2018 for negative vetting. Under section 1 of the 2018 Order, the 2018 Order came into operation on 1 April 2018.

### **The Subcommittee**

6. At the House Committee meeting on 16 March 2018, Members agreed to form a subcommittee to study the 2018 Order. The membership list of the Subcommittee is in **Appendix I**. Under the chairmanship of Hon WONG Ting-kwong, the Subcommittee has held two meetings with the Government to examine the 2018 Order. The Subcommittee has received one submission from a member of the public on the 2018 Order.

7. To allow sufficient time for the Subcommittee to complete the scrutiny of the 2018 Order and compile a report to the House Committee, the Chairman moved a resolution at the Council meeting of 11 April 2018 to extend the scrutiny period of the Order to the Council meeting of 9 May 2018.

### **Deliberations of the Subcommittee**

8. While the Subcommittee does not object to exempt rates to help ease the financial burden of the public, a number of Subcommittee members have expressed grave concern that the rates concession measure in the 2018 Order is lopsided to the rich. The Subcommittee has urged the Government to improve the rates concession measure in achieving a more equitable distribution of the rates concessions among ratespayers to ensure that the measure would benefit the needy more. The major deliberations of the Subcommittee are set out in the ensuing paragraphs.

#### Benefits to the grassroots and needy, and tenants

9. According to the Government, some 3.25 million properties liable to rates in Hong Kong will be covered by the rates concession measure in the 2018 Order, which will result in a total revenue forgone of \$17.8 billion. The Subcommittee has examined the distribution of the concession amount among ratepayers. The Subcommittee notes from the information provided by the

Government<sup>2</sup> that for the top 10 ratepayers who are expected to receive the largest amounts of rates concession, the total rates concession amounts to \$256.5 million involving 40 136 rateable properties. The top ratepayer alone pays rates on 15 645 rateable properties and the total rates concession involved amounts to \$102.6 million. The Government has, however, emphasized that over 82% of the tenancies (mainly involving non-residential properties) of the estimated top 10 ratepayers in 2018-2019 are of rates exclusive basis. In other words, most of the rates concessions will be rebated to the tenants concerned in accordance with the provisions of tenancy agreements although for the sake of management convenience, the owners remain as ratepayers. Nonetheless, Subcommittee members including Hon James TO, Hon WU Chi-wai, Hon CHAN Chi-chuen, Dr Hon KWOK Ka-ki, Dr Hon Fernando CHEUNG and Hon CHU Hoi-dick have expressed grave concern that a small number of ratepayers such as property developers and owners with many rateable properties (especially owners with many non-residential properties, e.g. office premises and shopping malls) will reap a large proportion of the total concession amount. They have criticized that the rates concession measure is lopsided to the rich and returning wealth to the rich, thus runs counter to the Government's objectives of targeting the concessionary measures at the grassroots and the needy, and sharing the fruits of Hong Kong's economic success with the community.

10. Some Subcommittee members including Hon Tony TSE and Hon SHIU Ka-fai have expressed support for the 2018 Order to provide rates concession to property owners in general, who comprise owners of self-occupied properties and small and medium enterprises. The Subcommittee further notes that for ease of management, many owners of non-residential properties when collecting rent from the tenants also collect the amount of rates payable in one go, and then make rates payment on behalf of the tenants who are liable for the payment of rates under the tenancy agreements. Tenants under the aforesaid arrangement would be the actual beneficiaries of the rates concession, and the landlords would rebate the rates concession to the tenants in accordance with the provisions in the tenancies.

11. The Government has advised that the rates concession in 2018-2019 will cover about 3.25 million properties. Under the arrangements effected by the 2018 Order, about 87% of the ratepayers of residential properties and 55% of the ratepayers of non-residential properties (or 83% overall) need not pay any rates. Such properties have rateable values at or below \$200,000 (i.e. about \$16,667 per month). The 3.25 million properties include 796 000 public residential premises such as public rental housing ("PRH") estates owned by the Housing Authority. The Housing Authority will rebate the rates concession to PRH tenants.

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<sup>2</sup> LC Paper No. CB(1)775/17-18(01)

Improvements to the rates concession measure

12. Subcommittee members including Hon James TO, Hon WU Chi-wai, Hon CHAN Chi-chuen, Dr Hon KWOK Ka-ki, Dr Hon Fernando CHEUNG and Hon CHU Hoi-dick have pointed out that the Government has been implementing the rates concession measure for several years, and there have all along been criticisms from LegCo Members and the public about the fairness of the measure. Yet the Government has not taken any action to improve the measure. These members have queried the effectiveness of the rates concession measure in relieving the financial pressure on the general public.

13. The Government has explained that in considering the provision of one-off concessionary measures in the annual budget, it takes a host of factors into account including whether the public at large will benefit from a measure, the cost and time required for implementing the measure, as well as the implications on government revenue. The rates concession for 2018-2019 is proposed having regard to the substantial fiscal surplus in 2017-2018 and with a view to sharing the fruits of Hong Kong's economic success with the community. Given that the rates concession measure can benefit some 3.25 million rateable properties in Hong Kong including those living in PRH, the simple implementation mechanism and low administrative cost involved, the Government considers that the measure is an effective concessionary measure.

14. Subcommittee members including Hon James TO, Hon WU Chi-wai, Hon CHAN Chi-chuen, Dr Hon KWOK Ka-ki, Dr Hon Fernando CHEUNG and Hon CHU Hoi-dick have urged the Government to improve the rates concession measure to achieve a more equitable distribution of the concessions so as to ensure that the measure will benefit the needy more. The proposals raised by these members include:

- (a) limiting the number of rateable properties per ratepayer eligible for rates concession;
- (b) confining the rates concession measure to tenants and owners of self-occupied properties;
- (c) providing rates concession to ratepayers of residential properties only; and
- (d) requiring the ratepayers to apply to the Rating and Valuation Department ("RVD") for claiming rates concession.

15. The Subcommittee has urged the Government to study the above proposals, assess their implications and costs for implementation as soon as possible. The study should cover the necessary adjustments to be made to the existing rates collection system and operation of RVD (e.g. requiring owners of the properties to pay rates and register their own names with RVD ("業主實名登記"), the accounting and computer systems of RVD, and necessary amendments to RO).

16. The Government has explained that, pursuant to RO, the valuation and collection of rates are based on tenements. A ratepayer can be the owner, occupier or agent of the owner or occupier of the ratable property concerned. At present, for the purpose of issuing quarterly demand notes for rates payment, RVD collects information on the names and mailing addresses of the ratepayers, but not their Hong Kong Identity Card numbers, the Business Registration numbers, or information of the owners of the tenements. Any changes to the current rates concession approach may imply the need for making a fundamental change to the rates collection system. Furthermore, such change may also require amendments to be made to RO and replacement of RVD's computer systems and databases with new ones. Moreover, all the relevant information will need to be constantly updated to reflect the latest status. The way of handling jointly-owned properties or properties held via a holding company may also be contentious and problematic. In addition, the proposed new restriction may exclude those tenants who are required to pay rates by the terms of a tenancy agreement from enjoying rates concession. The Government has stressed that all these issues require careful and thorough consideration. Before a concrete improvement proposal to the existing rates concession measure is agreed on, the Government is unable to estimate the precise costs and time required to implement the changes. The Government fully understands the concerns of LegCo Members and the general public. The Government undertakes to study the matter and provide a paper to the relevant LegCo Panel in due course setting out its analysis of options to change or improve the current rates concession mechanism and the implications. Given the complexity of the issues, it will take time for the Government to study the matter. Nonetheless, the Government will endeavor to complete the analysis by the end of 2018.

17. Some Subcommittee members including Hon James TO, Hon WU Chi-wai, Hon CHAN Chi-chuen, Dr Hon KWOK Ka-ki, Dr Hon Fernando CHEUNG and Hon CHU Hoi-dick have questioned why RVD does not collect information relating to the identity of the owner and occupation details of a rateable property and enquired whether relevant government departments like the Land Registry would share their data on property ownership with RVD. These members consider that information on a property such as the identification number of the owner, whether it is owned by an individual or a

company, and whether the property is occupied by the owner would be helpful for implementing improvement to the rates concession measure. In this connection, the Subcommittee has passed a motion urging the Government to improve RVD's information collection and processing systems. The motion also urges the Government, when implementing rates concession in the future, to rectify the current situation that large corporates holding a number of properties could reap a large proportion of the benefits, and to restrict the number of properties to be eligible for rates concession per owner. The wording of the motion is in **Appendix II**.

18. The Government has responded that for rating and valuation purposes, RVD issues from time to time the "Requisition for Particulars of Tenements" (i.e. Form R1A) to obtain the necessary up-to-date information relating to tenements so as to assist in the determination of rateable values for the next general revaluation, when a lease has recently expired, or when a rent has been reviewed. A "Schedule of Tenancy Particulars" is attached to the Form for ratepayers to provide information in respect of a bundle of properties. Information collected by Form R1A and the Schedule mainly relates to rents and key terms of tenancy agreements. There are legal restrictions for departments in sharing their data, in particular personal data, collected from the public when discharging their duties (e.g. there are provisions in RO prohibiting disclosure of information to third parties).

Amendments proposed by Hon James TO and Hon WU-Chi-wai

19. Hon James TO and Hon WU-Chi-wai have suggested making the following amendments to the 2018 Order:

- (a) Each company may only nominate one rateable property to be eligible for rates concession. This restriction will not apply to a company which is a charitable organization eligible for tax exemption under section 88 of the Inland Revenue Ordinance (Cap. 112), or a company's properties where the tenancy agreements concerned stipulate that the payable rents of the properties do not include the payable rates; and
- (b) Completed but unsold residential properties held by developers shall be excluded from the rates concession measure.

20. Mr TO and Mr WU have explained to the Subcommittee that the objectives of their proposed amendments are to achieve a more equitable distribution of the rates concessions and to address the existing problem that the rates concession measure is lopsided to the rich. They have requested the Subcommittee to move the proposed amendments. The Subcommittee notes

that certain essential details of the proposal (such as the operation of the exclusion in respect of a property jointly owned by a company and a charitable organization) require careful consideration and further clarification. After further discussion, Mr TO and Mr WU have agreed that they would consider moving the amendments in their own names.

#### Commencement date of the Rating (Exemption) Order 2018

21. Section 1 of the 2018 Order provides that the Order comes into operation on 1 April 2018. The Government has advised that RVD would start issuing on 28 March 2018 the demand notes (i.e. the quarterly Demands for Rates and/or Government Rent) for rates payment for the quarter of 1 April to 30 June 2018 ("the first quarter"), and the rates concession amount for the first quarter would be reflected in the demand notes.

22. Hon James TO has questioned why RVD needs to issue the demand notes for rates payment for the first quarter before commencement of the 2018 Order on 1 April 2018. He has queried whether such arrangement would be legally in order and appropriate given that the 2018 Order is subject to negative vetting of LegCo and the scrutiny period is to expire at the Council meeting of 11 April 2018 (or that of 9 May 2018 if extended by resolution). The Subcommittee has enquired about the follow-up actions to be taken by the Government if the 2018 Order is amended/repealed by LegCo resulting in changes in the rates concession amount or no rates concession.

23. The Government has responded that according to section 22 of RO, rates shall be payable quarterly in advance to the Commissioner of Rating and Valuation in the first month of each quarter, or at such other frequency as the Commissioner may determine. At present, the "Last Day for Payment" falls on the last working day (excluding Saturday and public holiday) of the first month of each quarter, namely January, April, July and October. Given the huge quantity of demand notes issued by RVD (for example, over 2.2 million demand notes were issued in the quarter from January to March 2018 alone), it has been RVD's practice to print and send the demand notes by batches. In general, RVD starts sending out the demand notes around the end of the month preceding the payment month of each quarter so that ratepayers will have ample time to settle the payment before the end of the payment month. Taking into account that there are public holidays in late March and early April 2018, the arrangement to start issuing the demand notes for the first quarter on 28 March 2018 would facilitate payers to settle the payment by 30 April 2018 (i.e. the "Last Day for Payment"). Similar arrangements have been in place for the rates concession measures introduced in the past years.

24. The Government has supplemented that the rates concession measure in the 2018 Order is one of the concessionary measures in the 2018-2019

Budget. The 2018 Order was gazetted on 28 February 2018, the same day when FS delivered his Budget, and was tabled at LegCo on 21 March 2018 for negative vetting. Having considered that the 2018 Order is to waive rates for four quarters of 2018-2019, the commencement date has been set on 1 April 2018. The Government has stressed that the arrangements of gazettal and tabling, and commencement of the 2018 Order are similar to those of Rating Exemption Orders made in the past years. Given that the "Last Day for Payment" of 30 April 2018 falls on a date after the 2018 Order has come into effect (i.e. the rates to which the Order is applicable are payable only after the Order has come into effect), the arrangement of issuing demand notes for rates payment for the quarter from April to June 2018 before 1 April 2018 is legally in order and appropriate.

25. As regards the follow-up actions to be taken by the Government if the 2018 Order is amended or repealed by LegCo, the Government has advised that RVD will recover the overpaid rates concession by adjusting the amount of rates payment in the remaining quarter(s) of 2018-2019.

### **Recommendation**

26. The Subcommittee has completed scrutiny of the 2018 Order and will not propose amendments to the Order. The Subcommittee also notes that the Administration will not propose amendments to the Order.

### **Advice sought**

27. Members of the House Committee are requested to note the deliberations of the Subcommittee.

Council Business Division 1  
Legislative Council Secretariat  
26 April 2018



**Subcommittee on Rating (Exemption) Order 2018**

**Membership list**

**Chairman** Hon WONG Ting-kwong, GBS, JP

**Members** Hon James TO Kun-sun  
Hon Paul TSE Wai-chun, JP  
Hon WU Chi-wai, MH  
Hon CHAN Chi-chuen  
Dr Hon KWOK Ka-ki  
Hon KWOK Wai-keung, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon Holden CHOW Ho-ding  
Hon SHIU Ka-fai  
Hon CHEUNG Kwok-kwan, JP  
Hon Tony TSE Wai-chuen, BBS

(Total : 14 members)

**Clerk** Ms Connie SZETO

**Legal Adviser** Miss Evelyn LEE

《2018 年差餉(豁免)令》小組委員會  
在 2018 年 4 月 17 日會議上通過的議案

本小組委員會促請政府：

1. 盡快更新差餉物業估價署收集物業業權和使用狀況的資料，並更新電腦系統以處理及儲存相關的資料；及
2. 日後作出差餉寬減措施，必須改變以公司名義持有多個物業的財團不成比例地受惠於豁免措施，令措施變成"還富於富"的情況；限制同一名擁有人或佔用人名下有多於一定數量物業單位時，只可選擇一定數量的物業獲得豁免。

動議人                   ：     郭家麒議員

(Translation)

**Subcommittee on Rating (Exemption) Order 2018**  
**Motion passed at the meeting on 17 April 2018**

This Subcommittee urges the Government to:

1. update as soon as possible information on titles and occupation particulars of properties collected by the Rating and Valuation Department, and update its computer systems for the processing and storage of the relevant information; and
2. when implementing rates exemption measures in the future, alter the situation that consortiums holding a number of properties in the name of a company can reap the benefits of rates exemption disproportionately, therefore rendering such exemption a measure returning wealth to the wealthy people; and impose a restriction that the same owner or occupier holding tenements under his/her name exceeding a certain quantity may only benefit from rates exemption for a certain number of such properties.

Moved by           ：     Dr Hon KWOK Ka-ki