

立法會
Legislative Council

LC Paper No. CB(1)848/18-19

Ref : CB1/SS/9/18

Paper for the House Committee

Report of the Subcommittee on Rating (Exemption) Order 2019

Purpose

This paper reports on the deliberations of the Subcommittee on Rating (Exemption) Order 2019 ("the Subcommittee").

Background

2. In the 2019-2020 Budget, the Financial Secretary announced a number of one-off concessionary measures, one of which is the proposal to waive rates for four quarters of 2019-2020, subject to a ceiling of \$1,500 per quarter for each rateable property. The Administration estimates that the proposed rates exemption will benefit 3.29 million properties liable to rates payment and reduce government revenue by \$15 billion.

The Rating (Exemption) Order 2019

3. The Rating (Exemption) Order 2019 ("2019 Order") is made by the Chief Executive in Council under section 36(2) of the Rating Ordinance (Cap. 116) to give effect to the rates concession proposed in the 2019-2020 Budget.¹ The Order declares that all tenements are exempted from the payment of rates up to a maximum of \$1,500 for each quarter in the period from 1 April 2019 to 31 March 2020. The amount of \$1,500 is reduced proportionately if rates are payable for only part of a concessionary period.

¹ 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 2019 Order was gazetted on 8 March 2019 and tabled at the Legislative Council ("LegCo") meeting of 20 March 2019 for negative vetting. Under section 1 of the Order, the Order comes into operation on 1 April 2019.

The Subcommittee

5. At the House Committee meeting on 15 March 2019, Members agreed to form a subcommittee to study the 2019 Order. The membership list of the Subcommittee is in the **Appendix**. Under the chairmanship of Hon Holden CHOW Ho-ding, the Subcommittee has held one meeting with the Administration to examine the 2019 Order.

Deliberations of the Subcommittee

6. The major deliberations of the Subcommittee are set out in the ensuing paragraphs.

Beneficiaries of the proposed rates concession for 2019-2020

7. The Subcommittee notes from the information provided by the Administration that as a result of the rates concession, about 60.5% of domestic ratepayers and 38.6% of non-domestic ratepayers will not need to pay any rates in 2019-2020. The properties fully exempted from rates in 2019-2020 are of rateable values at or below \$10,000 per month and include the vast majority of public domestic premises. The concession amounts will be rebated to the tenants of the public housing units by the Housing Authority. Moreover, over 82% of the tenancies of the top 10 ratepayers who are estimated to receive the largest amounts of rates concession in 2019-2020 are rates exclusive, meaning that the rates concessions are rebated to the tenants and are not enjoyed by owners. A lot of such tenants are small and medium-sized enterprises ("SMEs").

8. Some members of the Subcommittee have expressed support for the Administration to continue implementing rates concession in 2019-2020 to help ease the financial burden of the public including public housing tenants and SMEs. These members consider that it is reasonable to provide rates concession on the basis of tenements as it is fair for ratepayers to benefit from rates concession based on the amount of rates they pay, subject to a ceiling of \$1,500 per quarter for each rateable property.

9. However, some Subcommittee members have expressed concern that, similar to the rates concession measures introduced in previous years, a small number of ratepayers including property developers, owners of properties subject to higher rates payment and owners with multiple properties (especially owners with many non-residential properties, e.g. office premises and shopping malls) would continue to be the largest beneficiaries of the rates concession measure. These members consider that the rates concession should target at the grassroots and the needy instead. They have pointed out that the distribution of rates concession among ratepayers across-the-board is not in line with the objective of relieving people's burden as stated in the Financial Secretary's speech of the 2019-2020 Budget. In this connection, Mr CHAN Chi-chuen and Mr WU Chi-wai consider that property developers with a large number of non-residential properties, and completed but unsold residential properties held by developers should be excluded from the rates concession measure. Mr CHAN Chi-chuen further considers that certain properties such as automatic teller machines or advertising light boxes should be excluded from the rates concession measure as providing rates concession for these properties cannot help achieve the objective of relieving people's burden.

10. The Administration has responded that rates concession is implemented on an equal-footing basis in that the measure benefits all ratepayers, regardless of the types (domestic or non-domestic) and rateable value of the relevant properties, and whether the ratepayer concerned is the owner or the tenant.

11. As regards the views on rates concession for completed but unsold residential properties held by developers, the Administration has advised that the Transport and Housing Bureau is preparing an amendment bill to introduce "Special Rates" on vacant first-hand private residential units. It is believed that the Bill would incentivize developers to sell newly completed domestic units early.

Proposed modification of the current rates concession mechanism

12. Some Subcommittee members have enquired about the reason for implementing rates concession based on the existing rates concession mechanism, as they note that there have all along been criticisms from LegCo Members and the public that the existing mechanism has resulted in inequitable distribution of the rates concession.

13. The Administration has explained that during the scrutiny of the Rating (Exemption) Order 2018, the relevant subcommittee has urged the Administration to review the current rates concession mechanism so as to achieve a more equitable distribution of the concession and to ensure that the measure would benefit the needy more. Taking on board the views, the

Administration has reviewed the rates concession mechanism and consulted the Panel on Financial Affairs ("FA Panel") in December 2018 on a number of possible options for modifying the mechanism. Among the options explored, the Administration considered that providing rates concession to one rateable property (which can be domestic or non-domestic) for each owner might be a more feasible approach to vary the rates concession mechanism in achieving a more equitable distribution of the rates concession.² After considering the pros and cons, most Panel members objected to modifying the existing rates concession mechanism. One of the main concerns was that after modification, tenants who were required to pay rates under the tenancy agreements would no longer be able to benefit from rates concession. The Panel passed a motion to express reservation over the option and requested the Administration to shelve it for the time being. Noting the diverse views and reservations expressed by Panel members, the Administration has therefore shelved the proposal to modify the rates concession mechanism. Accordingly, the existing rates concession arrangement has been adopted for providing rates concession in 2019-2020.

14. Some Subcommittee members consider that the Administration should continue to review and improve the existing rates concession mechanism, and enhance the Rating and Valuation Department ("RVD")'s information system to pave the way for making modifications to the mechanism in future.

15. Noting that the Administration's paper provided to FA Panel has indicated that an initial set-up cost of \$200 million to \$300 million is required for RVD to build up a property ownership database for implementing the Administration's option, some Subcommittee members have questioned the need to develop the database as RVD can instead modify the existing "Requisition for Particulars of Tenements" (i.e. Form R1A), which it issues from time to time to obtain information relating to tenements, in order to capture information on the ownership of properties. Some Subcommittee members consider that RVD should also explore with the Land Registry on the feasibility of using the latter's database on property ownership. Members have further suggested that RVD should consider using big data in the collection and collation of information to help develop a comprehensive database on property ownership.

16. While acknowledging that the existing rates concession mechanism has its own limitations, the Administration has stressed that rates concession is an effective way to provide one-off relief to a wide spectrum of Hong Kong people. The Administration has studied five options for modifying the existing mechanism in 2018, and each option has its pros and cons. Noting the diverse

² Under this option, special treatment will be accorded to the tenants of public rental housing units of the Housing Authority, the Housing Society and the Hong Kong Settlers Housing Corporation Limited so that they can continue to benefit from rates concession.

views expressed by members during the consultation with FA Panel, the Administration currently has no plan to conduct a further review to modify the rates concession mechanism. Nonetheless, the Administration understands the concerns expressed by some members of the public and individual LegCo Members over the existing mechanism, and the views raised by Subcommittee members. The Administration also welcomes any new proposals for making improvement to the rates concession mechanism.

17. As regards views on enhancing RVD's information system, the Administration has explained that at present, for the purpose of issuing quarterly demand notes for rates payment, RVD maintains basic information including the names of the ratepayers and their mailing addresses, without other identification information, such as their Hong Kong Identity Card numbers, the Business Registration numbers, or information of the owners of the tenements. Form R1A mainly collects information relating to the rents and key terms of the tenancy agreement of a tenement to facilitate the assessment of rateable value of the tenement. Any changes to the current rates concession approach may imply the need for a fundamental change to the rates collection system. RVD needs resources to set up a new computer system for capturing the property ownership information and to update the information on an on-going basis. RVD would also need to obtain property owners' consent for it to verify the owners' information provided by the Land Registry.

18. On the suggestions for the Land Registry or other relevant departments to share their property ownership database with RVD, the Administration has pointed out that due to concern about protection of privacy of personal data, there are legal restrictions for departments to share their data collected from the public when discharging their duties. In particular, departments are under statutory requirement to specify the purpose(s) of collecting information from the public, and are prohibited from using the information collected for other purposes.

19. Mr WONG Ting-kwong has pointed out that given the public concerns over the existing rates concession mechanism, and that any changes to the mechanism may arouse more public controversies due to the possible implications on the existing beneficiaries, the Administration should consider whether it is appropriate to continue providing rates concession as a relief measure in future budgets. The Administration takes note of his view.

Recommendation

20. The Subcommittee has completed scrutiny of the 2019 Order. Both the Subcommittee and the Administration will not propose amendments to the Order.

Advice sought

21. The Subcommittee Chairman gave a verbal report on the deliberations of the Subcommittee at the House Committee meeting on 29 March 2019. Members are requested to note this written report.

Council Business Division 1
Legislative Council Secretariat
4 April 2019

Subcommittee on Rating (Exemption) Order 2019

Membership list

Chairman Hon Holden CHOW Ho-ding

Members Hon WONG Ting-kwong, GBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WU Chi-wai, MH
Hon CHAN Chi-chuen
Dr Hon KWOK Ka-ki
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SHIU Ka-fai
Hon CHAN Chun-ying, JP
Hon AU Nok-hin

(Total : 10 members)

Clerk Ms Connie SZETO

Legal Adviser Ms Wendy KAN