

Subcommittee on Rating (Exemption) Order 2019

Rating (Exemption) Order 2019

Purpose

In the 2019-20 Budget, the Government proposes to waive rates for four quarters of 2019-20, subject to a ceiling of \$1,500 per tenement per quarter. This paper briefs Members on the details of the proposal.

Justifications

2. Rates is a broad-based and stable source of government revenue. At present, some 3.29 million properties are 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. Having regard to the economic outlook in the coming year and the Government's fiscal position, the Government proposes to waive rates for four quarters of 2019-20, capped at \$1,500 per tenement per quarter.

4. The proposed rates concession will benefit all properties (about 3.29 million) liable to rates payment. As a result, about 60.5% of domestic ratepayers and 38.6% of non-domestic ratepayers will not need to pay any rates (or 57.7% overall) in 2019-20. These properties have rateable values at or below \$120,000 (i.e. about \$10,000 per month). Details are set out as follows –

Type of Properties	Number of properties liable to rates payment ('000)	Number of properties fully exempted from rates in 2019-20 ('000) [as a % of the total number of the relevant type of properties]	Rates concession (\$ billion)
<i>Private Domestic Premises</i>	1 820	712 [39.1%]	10.0
<i>Public Domestic Premises</i>	810	781 [96.4%]	2.7
All Domestic Premises*	2 877	1 740 [60.5%]	13.0
All Non-domestic Premises#	417	161 [38.6%]	2.0
All Properties	3 294	1 901 [57.7%]	15.0

* Including 247 000 separately assessed domestic car parking spaces

Including 42 700 separately assessed non-domestic car parks/ car parking spaces

5. In response to the request made by some Legislative Council Members, the Government reviewed the rates concession mechanism last year, and submitted a number of possible options for modifying the mechanism to the Panel on Financial Affairs on 18 December 2018. After considering the pros and cons, most 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 for modifying the mechanism as discussed at the meeting and requested the Government to shelve it for the time being. We note the diverse views and reservations expressed by Members and have therefore shelved the proposal to modify the rates concession mechanism. Accordingly, the implementation arrangement for providing rates concession in 2019-20 will be the same as before.

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 2019 (“the Order”) (see [Annex](#)). The Order was gazetted on 8 March 2019.

The Order

7. The provisions of the Rating (Exemption) Order 2019 are as follows –
- (a) Section 1 provides that the Order comes into operation on 1 April 2019.
 - (b) Section 2 provides for the definition of “concession period”, which means any of the following quarters –
 - (i) 1 April 2019 to 30 June 2019;
 - (ii) 1 July 2019 to 30 September 2019;
 - (iii) 1 October 2019 to 31 December 2019;
 - (iv) 1 January 2020 to 31 March 2020.
 - (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 \$1,500 per concession period. The \$1,500 cap will be reduced proportionately if rates would otherwise be payable for only part of the concession period.

Legislative Timetable

8. The Order was tabled at the Legislative Council on 20 March 2019 for negative vetting.

Financial Implications

9. We estimate that the proposed rates concession will result in one-off revenue forgone of about \$15 billion. The estimated revenue for rates in 2019-20 is about \$19.9 billion.

Implementation

10. The rates concession will be effective from 1 April 2019. As in the past, the rates concession will be reflected in the demand notes for rates payment for the relevant quarters. The Rating and Valuation Department will start issuing rates demand notes for the quarter ending 30 June 2019 in the last week of March 2019.

Financial Services and the Treasury Bureau
March 2019

L.N. 28 of 2019**Rating (Exemption) Order 2019**

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

1. Commencement

This Order comes into operation on 1 April 2019.

2. Interpretation

In this Order—

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

- (a) 1 April 2019 to 30 June 2019;
- (b) 1 July 2019 to 30 September 2019;
- (c) 1 October 2019 to 31 December 2019;
- (d) 1 January 2020 to 31 March 2020.

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 to the extent of an amount equal to the rates otherwise payable or \$1,500, whichever amount is less. If rates would otherwise be payable for only part of a concession period, the amount of \$1,500 is reduced proportionately.

Wendy LEUNG
Clerk to the Executive Council

COUNCIL CHAMBER

27 February 2019

Explanatory Note

This Order exempts a tenement from the payment of rates up to a maximum of \$1,500 for each quarter in the year starting on 1 April 2019 and ending on 31 March 2020.