

**Subcommittee on
Revenue (Reduction of Business Registration Fees and
Branch Registration Fees) Order 2019**

Purpose

It is proposed in the 2019-20 Budget to waive the business registration fees and branch registration fees for 2019-20. This paper briefs Members on the details of the proposal.

Justifications

2. Business Registration Ordinance (Cap. 310) provides that any person carrying on sole proprietorship or partnership business shall apply for business registration. A company incorporated/registered under the Companies Ordinance (Cap. 622) is also required to apply for business registration. One-stop registration service for company incorporation and business registration has been introduced since February 2011. The Inland Revenue Department (IRD) is responsible for the issue of business registration certificates. There are two types of business registration certificate: 1-year certificate at a fee of \$2,000 and 3-year certificate at a fee of \$5,200. For branches of the registered businesses, the fee for a 1-year certificate is \$73 while that for a 3-year certificate is \$189.

3. In the 2019-20 Budget, the Financial Secretary has proposed waiver of business registration fees for reducing the operating cost of business amidst the uncertain economic circumstances ahead. Fees payable for business registration certificates and branch registration certificates with a commencement date falling between 1 April 2019 and 31 March 2020 (both dates inclusive) will be reduced by an amount of \$2,000 and \$73 respectively¹. The proposed one-year waiver of business registration fees will also apply to an incorporation submission that is made between the aforementioned period under one-stop registration service for company incorporation and business registration. We estimate that about 1.4 million business operators will benefit.

¹ Although business registration fees are proposed to be waived, businesses still have to pay the levy of \$250 and \$750 for 1-year and 3-year business registration certificates respectively (and the same respective amounts apply to 1-year and 3-year branch registration certificates) in accordance with section 6 of the Business Registration Ordinance. The levy so collected by the Inland Revenue Department must be paid to the Protection of Wages on Insolvency Fund in accordance with section 21 of the Business Registration Ordinance. No waiver on the levy is granted in the 2019-20 Budget or in previous years.

Legal Basis

4. Section 39A(a) of the Public Finance Ordinance (Cap. 2) provides that the Chief Executive may by order reduce or vary any fee or charge made payable to Government by or under any Ordinance. In order to effect the proposed waiver of business registration fees, the Chief Executive made the Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2019 (“the Order”) (see Annex). The Order was gazetted on 8 March 2019.

Refund Mechanism

5. We also propose to refund businesses which are not yet required to renew their registration certificates within 2019-20 but have nonetheless made payment in respect of business registration certificates or branch registration certificates with validity falling within 2019-20. Further, we propose to make pro-rata refund to businesses which will not renew their registration certificates within 2019-20 due to cessation of business but have nonetheless made payment in respect of business registration certificates or branch registration certificates covering 2019-20 in full or in part. For fees already paid, we will seek the Chief Executive’s approval for refund separately pursuant to section 39A(b) of the Public Finance Ordinance, which provides that any fee or charge made payable by or under any Ordinance to the Government or to any public body or public officer, not being a fee or charge which is regulated by rules of court may be remitted or refunded, in whole or in part, in any particular case and on any special ground by the Chief Executive. The refund will be made by the IRD starting from late July 2019.

The Order

6. The provisions of the Revenue (Reduction of Business Registration Fees and Branch Registration Fees) 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 necessary definitions, including the definition of “concession period” (meaning the period of 12 months beginning on 1 April 2019).

- (c) **Section 3** reduces the fee payable in relation to a business registration certificate that is endorsed with a commencement date that falls within the concession period. However, if the fee is payable in relation to a simultaneous submission made for the purpose of forming a company under the Companies Ordinance (Cap. 622), the reduction applies only if the incorporation submission is made within the concession period.
- (d) **Section 4** reduces the fee payable in relation to a branch registration certificate that is endorsed with a commencement date that falls within the concession period.

Legislative Timetable

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

Financial Implications

8. We estimate that the proposed one-year waiver of business registration fees, including the refund discussed in paragraph 5 above, will result in one-off revenue forgone of about \$2.9 billion.

Implementation Date

9. The proposed one-year waiver of business registration fees will be effective from 1 April 2019.

Financial Services and the Treasury Bureau
March 2019

Revenue (Reduction of Business Registration Fees and Branch Registration Fees)
Order 2019

Section 1

1

**Revenue (Reduction of Business Registration Fees and
Branch Registration Fees) Order 2019**

(Made by the Chief Executive under section 39A(a) of the Public Finance
Ordinance (Cap. 2) after consultation with the Executive Council)

1. Commencement

This Order comes into operation on 1 April 2019.

2. Interpretation

In this Order—

branch registration certificate (分行登記證) means a branch registration certificate issued under section 6(3A) of the Ordinance;

branch registration fee (分行登記費) means the fee set out in item 2(a)(i) or (ii) of the Table in Schedule 2 to the Ordinance;

business registration certificate (商業登記證) means a business registration certificate issued under section 6(3) of the Ordinance;

business registration fee (商業登記費) means the fee set out in item 1(1)(i) or (ii) of the Table in Schedule 1 to the Ordinance;

concession period (寬免期) means the period of 12 months beginning on 1 April 2019;

incorporation submission (成立法團遞呈) has the meaning given by section 2(1) of the Ordinance;

Ordinance (《條例》) means the Business Registration Ordinance (Cap. 310).

Revenue (Reduction of Business Registration Fees and Branch Registration Fees)
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Section 3

2

3. Reduction of business registration fees

- (1) The business registration fee payable in relation to a business registration certificate that is endorsed with a date of commencement that falls within the concession period is reduced by \$2,000.
- (2) The business registration fee payable under section 5A(1)(a) of the Ordinance in relation to an incorporation submission made within the concession period is reduced by \$2,000.

4. Reduction of branch registration fees

The branch registration fee payable in relation to a branch registration certificate that is endorsed with a date of commencement that falls within the concession period is reduced by \$73.



Chief Executive

27 February 2019

Explanatory Note

This Order reduces the fee payable under the Business Registration Ordinance (Cap. 310) (*Ordinance*) for a business registration certificate or branch registration certificate that is endorsed with a date of commencement that falls within the period of 12 months beginning on 1 April 2019 (*concession period*).

2. For the fee payable under section 5A(1)(a) of the Ordinance in relation to a submission made for forming a company under section 67 of the Companies Ordinance (Cap. 622), or for incorporating an open-ended fund company under section 112C of the Securities and Futures Ordinance (Cap. 571), the fee is also reduced if the submission is made within the concession period.