

**Bills Committee on  
Revenue Bill 1999**

**Administration's Response to Concerns  
raised by Members at the meeting on 13 May 1999**

**Deferred payment of stamp duty for agreement for sale of residential property**

- (a) A paper setting out the justifications for requiring a corporate purchaser to submit a banker's undertaking for the purpose of applying for deferred payment of stamp duty for agreement for sale of residential property is at Annex A.

**Annex A**

**Adjustment of stamp duty rates**

- (b) The analysis of the price ranges of the property transfer documents stamped, the distribution of the number of property transfers in each price range and the aggregated *ad valorem* stamp duty collected from the stamping of the property transfers within the price ranges in the past three financial years are set out in **Annex B**. A breakdown by the types of properties is also shown.

**Annex B**

It could be seen that the fall in revenue in 1998-99 as compared to 1997-98 is attributable both to the fall in property prices as well as to the reduction in the number of property transactions. Since both factors came into play concurrently, it is not possible to identify precisely the magnitude of the impact of each factor. However, a reasonable estimate on the effect of each of these two factors is set out in Annex C. We estimate that among the reduction of \$10.9

**Annex C**

billion in the stamp duty collection on all property transactions in the year 1998-99 as compared with that in 1997-98, about \$4 billion was due to the contraction of transaction volume and about \$6.9 billion was attributable to falling property prices.

Although the stamp duty rates for properties costing over \$3 million are proposed to be increased, the actual stamp duty payable on a property transaction as at 1 April 1999 would still be less than that for the same transaction if undertaken on 1 April 1998. This is largely due to the drop in property prices generally over the past year. According to the Actual Price Indices for Selected Residential Developments prepared by the Rating and Valuation Department, the property price index for small-sized (below 70 m<sup>2</sup>) and medium-sized (70 m<sup>2</sup>-99.9m<sup>2</sup>) properties dropped from 125.4 as at 1 April 1998 to 92.6 as at 1 April 1999, while the index for large-sized (100 m<sup>2</sup> and above) properties dropped from 137.4 to 98.3 during the same period. Based on these indices, three examples of property transactions with price ranges falling within the proposed stamp duty rate adjustments are shown in Annex D. It can be seen from the Annex that in each case, the stamp duty payable has decreased (ranging from \$6,713 to \$35,694) despite the increases in stamp duty rates.

We would wish to reiterate that the proposal to increase the stamp duty rates for properties valued over \$3 million is a revenue-raising measure. We expect that the proposed increases would bring in additional revenue of \$1.2 billion in 1999-2000. All the revenue-raising

measures proposed in the 1999-2000 Budget, including the one on increases in stamp duty rates, are made on a highly selective basis to minimise the impact on the community as the other option of raising revenue by widening the tax base would affect more people more seriously.

### **Increase of on-street parking meter charges**

- (c) The main objective of the proposal to increase parking meter charges is to raise additional revenue. In addition, the proposed increase would help achieve the objective of maintaining a 15% availability of on-street parking spaces. With the increased charges, motorists would reduce their parking duration in on-street parking spaces in order to minimise parking expenses as far as possible, thus making more parking spaces available to other motorists. Additionally, the demand for parking spaces may be reduced, and hence making parking spaces more easily accessible.

On the restriction on the maximum duration which vehicles may use on-street parking spaces, a restriction is imposed under the Road Traffic (Parking) Regulations (Cap. 374 sub. leg.). Under regulation 8 of the Regulations, it is an offence to park a vehicle in an on-street parking space for a continuous period of more than 24 hours. The Working Group on Parking, which is an inter-departmental working group, has examined the possibility of shortening the time limit. The Working Group has decided not to pursue the proposal as it would involve substantial enforcement

manpower and effort. Furthermore, a Transport Department survey indicated that most vehicles did not park at metered parking spaces in busy areas for a long period of time. Nonetheless, the Working Group will continue to monitor parking demand and keep the proposal under review.

### **Increase of tunnel tolls**

- (d) Our present revenue receipts from the Cross-Harbour Tunnel come from two sources: royalty and passage tax. In 1998-99, the royalty receipts from the Cross-Harbour Tunnel were about \$47 million and the revenue from passage tax about \$196 million, making a total of about \$243 million. After the reversion of the ownership of the Tunnel to the Government and with the selective toll increases in place, we expect the gross revenue from the Tunnel to be about \$695 million per year. However, the Government will need to incur additional expenditure in managing the Tunnel.
  
- (e) As explained at previous Bills Committee meetings as well as in our written response to the concerns raised by the Bills Committee, the proposed increases in the tolls of Cross-Harbour Tunnel and the Lion Rock Tunnel and in the parking meter charges are revenue-raising measures. Apart from raising additional revenue, the proposed increases would also help achieve certain traffic management objectives. Details of such effects have been set out in items (c) and (d) of our response to the concerns raised by the Bills Committee at the meeting on 4 May 1999.

On the Hon. Albert Ho's proposed amendments to the increases in the Cross-Harbour Tunnel (CHT) tolls and parking meter charges, we do not see strong objective justification for these proposals. However, apart from reducing the additional revenue, his proposal would also have traffic management implications. The toll increases for CHT proposed by Government would divert some traffic from CHT to the other two cross harbour tunnels, thus reducing the traffic congestion in the vicinity of CHT. Both the Western Harbour Tunnel (WHT) and the Eastern Harbour Tunnel (EHT) have spare capacity to take up the additional traffic that may be diverted from CHT. Given the respective locations of CHT and EHT, the proposal to equalise the toll for private cars at \$15 for both tunnels will likely divert some existing traffic from EHT to CHT and will aggravate rather than relieve traffic congestion at CHT.

As regards the proposal to reduce the WHT toll for private cars from \$30 to \$20 to attract more traffic, it should be noted that the WHT Company has examined such a proposal before but did not pursue it further. The charging of tolls below the statutory toll levels is essentially a commercial decision resting with the WHT Company.

As for Government's proposed increases in parking meter charges, the proposed increases in practice mean that the maximum charge for on-street parking will be increased from \$8 per hour to \$16 per hour. The revised level is still well below the charges of the off-street car parks in the busy areas. It should also be noted that not all parking meter charges are at the maximum rate. The charge for

about 3 000 parking meters for various types of vehicles in various locations would only be increased from \$4 per hour to \$8 per hour. Furthermore, charges are not imposed for the use of metered parking spaces between midnight and 8 a.m. The Hon. Albert Ho's amendments to reduce the proposed increase in the maximum parking meter charge from \$4 per 15 minutes to \$3 per 15 minutes will not only reduce the additional Government revenue, but would also reduce the effects of the increases in achieving traffic management objectives.

#### **Increase of fixed penalty for smoky vehicles**

- (f) An information paper on the air quality improvement programme, the Government's plan for a proposal to increase the level of fixed penalty fine for smoky vehicles and the Government's position on the Hon. Christine Loh's proposed amendment to increase the fixed penalty for smoky vehicles to \$5,000 is at Annex E.

#### **Annex E**

Finance Bureau

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**Deferred Payment of Stamp Duty  
for Agreement for Sale of Residential Property**

**PURPOSE**

This paper sets out the justifications for requiring a corporate purchaser to submit a banker's undertaking for the purpose of applying for deferred payment of stamp duty chargeable on an agreement for sale of residential property.

**BACKGROUND**

2. Before 1 April 1999, the stamp duty chargeable on an agreement for sale of residential properties was payable soon after the agreement was executed. The agreement was not acceptable for registration with the Land Registry without the payment of the stamp duty involved. It was incumbent on the solicitors preparing the agreement for sale to ensure that the agreement was duly stamped and registered with the Land Registry in order to protect the interest of the purchaser under the agreement.

3. The Revenue Bill 1999 proposes a scheme for deferring payment of stamp duty chargeable on an agreement for sale until completion of the sale and purchase or upon sub-sale of the property. Under the proposed scheme, an agreement for sale of residential property is allowed to be registered in the Land Registry provided that the agreement is endorsed by the Inland Revenue

Department (IRD) to signify the approval of the deferred stamping. Such relaxation of the restrictions on registration enables the priority of the purchaser's interest in the property to be protected notwithstanding that the agreement has not yet been stamped. This arrangement may also have the effect of relaxing the requirement of the solicitors in handling the transaction to ensure that the agreement is properly stamped when the time for stamping is due, particularly in the case of a confirmor agreement where the property in question is sub-sold by the confirmor.

4. Although the stamp duty chargeable can be recovered by IRD as a civil debt, the Administration is concerned that the arrangement may be abused by property speculators who make use of shelf companies to avoid the stamp duty liability. This could be achieved by dissolving or abandoning the shelf company which holds the property immediately after the property concerned is sold. As stamp duty payment has been allowed to be deferred, IRD would need to recover the stamp duty from the company when it is aware of a sale of the property concerned. However, since the company has been dissolved and it has no assets, the recovery action will unlikely be fruitful. The Administration therefore considers that it is essential to require the submission of a banker's undertaking as security when an agreement with a company purchaser is submitted for deferment of stamp duty payment.

5. At the meeting of the Bills Committee held on 13 May 1999, some members were of the view that under the new arrangement, the conveyance solicitor would still be obliged to take steps to ensure the stamping of all interim sub-sale agreements of a property before the conveyance of the property can be executed. As such, they doubted the need of the requirement for company purchaser(s) to provide a banker's undertaking as a pre-requisite of allowing deferral of payment of the stamp duty chargeable on such an



agreement. They also called for statistical evidence to show the default of corporate purchasers on payment of stamp duty.

## **STATISTICAL EVIDENCE**

6. Under the existing system where stamp duty is payable before sale agreements can be registered with Land Registry, there is virtually no scope for any default in payment of the duty. As such, we cannot gauge the direct evidence on the default rate of corporate purchasers in paying stamp duty.

7. However, the Administration's concern is not unfounded as demonstrated by the following statistics -

- (a) Among all the additional stamp duty cases, i.e. where the value of a property exceeded the transaction price on which stamp duty was paid and hence additional stamp duty has to be demanded by IRD, more than \$32.2 million is outstanding as at 21 May 1999. Out of this figure, \$20.5 million (or 64%) is owed by corporate purchasers.
  
- (b) Of the earnings and profits tax due for payment during the year 1997-98, a total of \$2.2 billion (which excludes the tax held-over pending results of objections) was still outstanding as at 31 March 1999. Out of this figure, \$540 million (also excluding objection cases) was owed by companies which were involved in property dealing activities. This accounts for 25% of the overall tax arrears figure. Put another way, property dealing companies account for 36% of all tax

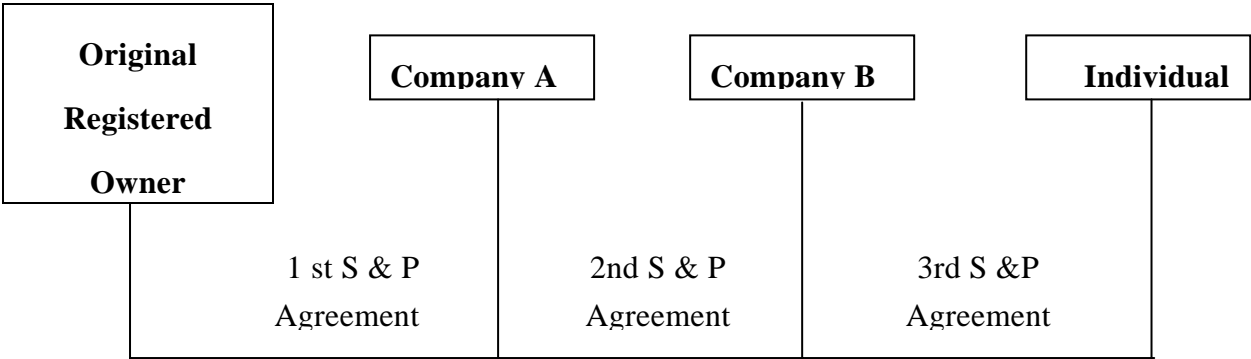
arrears owed by all corporations (\$1,490 million).

- (c) A survey has recently been conducted to review the objections by IRD on applications to de-register a company on the ground that there is outstanding tax liability owed by the company intended to be de-registered. Out of the 1 037 objections reviewed, 72% of them (747 cases with total tax in arrears in excess of \$172 million) are related to property dealing companies.

8. The figures clearly show that the tax default rate of companies involved in property dealings is particularly high. While admitting that the schemes of collection of profits tax and stamp duty are different, the extent of default profits tax payment does give a very important indication as to the risk involved in allowing company purchasers to defer stamp duty payment. The Administration is concerned that after the implementation of the measure for deferred stamping, the IRD will face the same difficulties in recovering from the corporate confirmors the stamp duty chargeable on the confirmor agreements for the sub-sale of property. Property speculators may make use of shelf companies (or companies incorporated overseas) to avoid the charge of stamp duty on speculative activities and hence defeat the anti-speculative objective of the whole scheme of charging stamp duty on agreement for sale of residential property.

**STAMPING OF INTERIM CONFIRMOR AGREEMENTS**

9. Under the existing law, it is not mandatory for the conveyance solicitor to satisfy himself that in the case of a sequence of sub-sales of the same property, all the agreements for sale and purchase are duly stamped before proceeding with conveyance. The position can be illustrated by the following example -



**Requirement For Stamping The Conveyance**

10. In the above scenario, all three agreements for sale are each chargeable to stamp duty under head 1(1A) in the First Schedule to the Stamp Duty Ordinance. However, in conveyancing the property by executing a conveyance on sale in conformity with the third agreement, the conveyance on sale so executed is only chargeable, under section 29D(2)(a), to a fixed stamp duty of \$100 if the **third agreement** is stamped. It is not necessary for the conveyance solicitor to ensure that all three agreements are duly stamped in order to have the conveyance on sale stamped at the fixed duty. Having been so stamped, the conveyance on sale can be registered with the Land Registry and is acceptable in Court proceedings as evidence. As such, there is no direct obligation on the conveyance solicitor to ensure that all other agreements are stamped before proceeding with the conveyancing.

## **Considerations on Land Title**

11. Since the agreement for sale of property is not by itself a deed of title to the property, the stamping and registering of the conveyance on sale would be sufficient proof of the purchaser's title in the property. So long as he can ensure the execution, stamping and registration of the conveyance on sale in conformity with the last sub-sale agreement, there is no obligation on the conveyance solicitor to ensure the stamping of all preceding sub-sale agreements in order to secure the title or interest of the ultimate purchaser in the property.

## **Contingent stamp duty liability on vendor**

12. It may also be of concern to the conveyance solicitor that the stamp duty liability may fall on the vendor as provided in the law even though the parties agreed that the duty is to be borne by the purchaser. It is true that there is an inherent risk that the IRD may recover the outstanding stamp duty from the vendor in the case of default payment, and hence a prudent conveyance solicitor may, for protection of the vendor, insist on the stamping of the first agreement for sale. Despite this, in the above scenario, the second agreement is made between two confirmors and thus both the *vendor* and the *ultimate purchaser* are *not* liable for the stamp duty chargeable on *that* agreement. Therefore, there does not exist any reason for the conveyance solicitor to insist upon the stamping of the interim agreement for sale in such a case.

## **Other means of sub-selling property**

13. Apart from the formal sub-sale case as analysed above, the speculators may effect a sub-sale of property by way of making a *nomination* in favour of a sub-purchaser, or making an arrangement such that the original agreement made between the vendor and the confirmor is *cancelled* and replaced by a fresh agreement made between the vendor and the sub-purchaser introduced by the confirmor. In these cases, there will clearly be no obligation for the conveyance solicitor to ensure that the confirmor agreement (which has been cancelled or is subject to a nomination) is duly stamped before proceeding to conveyancing.

## **CONCLUSION**

14. The above analysis shows that companies involved in dealing with properties have a high tax default rate. Besides, there is no strict obligation on, nor need for, conveyance solicitors to ensure that all interim sub-sale agreements are duly stamped before proceeding to conveyancing. Given the risk of property speculators using a shelf company as a means to avoid payment of stamp duty, the Administration considers that the requirement for providing a banker's undertaking as a condition to the application for deferring the payment of stamp duty on chargeable agreements with company purchasers is **essential** for revenue protection reasons.

Finance Bureau

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## Annex B

**Analysis of Stamp Duty Collected from All Property Transactions  
for 1996-97, 1997-98 and 1998-99**

Consideration Range		1.4.1996 to 31.3.1997		1.4.1997 to 31.3.1998		1.4.1998 to 31.3.1999	
From	To	No. of Cases	Stamp Duty (\$M)	No. of Cases	Stamp Duty (\$M)	No. of Cases	Stamp Duty (\$M)
0	1,000,000	36,534	86	33,743	3	52,281	5
1,000,001	2,000,000	72,698	1,202	56,701	620	49,571	542
2,000,001	3,000,000	36,181	1,516	37,364	1,307	26,933	937
3,000,001	4,000,000	19,746	1,536	23,946	1,592	12,429	843
4,000,001	6,000,000	18,236	2,431	25,602	3,279	8,566	1,087
6,000,001	10,000,000	11,973	2,474	16,098	3,266	4,449	927
10,000,000	and Over	8,297	5,570	10,831	7,062	2,776	1,789
Total stamp duty collected from initial stamping of chargeable agreements/ assignments		203,666	14,816	204,285	17,130	157,005	6,131
Add: Fixed duty and further stamp duty collected due to re-valuation, etc. (no breakdown available)		-	243	-	148	-	204
<b>Total stamp duty collected from property transactions</b>		<b>203,666</b>	<b>15,059</b>	<b>204,285</b>	<b>17,278</b>	<b>157,005</b>	<b>6,335</b>

**Breakdown by Types of Property**

Residential Properties	165,773	12,783	153,166	14,085	94,639	5,032
Home Purchase Scheme Properties	12,654		15,203		41,211	
Non-residential Properties	25,239	2,276	35,916	3,193	21,155	1,303
<b>Total</b>	<b>203,666</b>	<b>15,059</b>	<b>204,285</b>	<b>17,278</b>	<b>157,005</b>	<b>6,335</b>

**Analysis of Reduction in Stamp Duty Collection  
from Property Transactions for 1998-99**

**A. Estimated loss arising from reduction in property transactions**

Revenue from stamping of 204 285 transactions in 1997-98 (see Annex B)	\$17,278m
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Assuming no change in price, the estimated revenue loss due to the contraction of transaction volume from 204 285 transactions to 157 005 transactions in 1998-99 would be - \$17,278m x (204 285 - 157 005) / 204 285	\$3,999m
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say **\$4,000m**

**B. Estimated loss arising from reduction in property values**

Expected revenue for 1998-99 after the effect of contraction in transaction volume only (\$17,278m - \$4,000m)	\$13,278m
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**Less:**

Actual revenue from property transactions in 1998-99	<u>\$ 6,335m</u>
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Estimated revenue loss in 1998-99 due to falling prices	<b><u>\$ 6,943m</u></b>
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Table Showing the Effect of the Proposed Stamp Duty Rates Adjustments

	Small-sized Flats (Below 70m <sup>2</sup> )		Medium-sized Flats (70m <sup>2</sup> - 99.9m <sup>2</sup> )		Large-sized Flats (100m <sup>2</sup> and above)	
	As at 1.4.98	As at 1.4.99	As at 1.4.98	As at 1.4.99	As at 1.4.98	As at 1.4.99
<b>Property Price Index<sup>A</sup></b>	125.4	92.6	125.4	92.6	137.4	98.3
<b>Cost of Property</b>	\$4,000,000	\$2,953,700	\$6,000,000	\$4,430,600	\$10,000,000	\$7,154,300
<b>Stamp Duty Rate</b>	2%	1.5%	2.75%	3%	2.75%	3.75%
<b>Stamp Duty Payable</b>	\$80,000	\$44,306	\$165,000	\$132,918	\$275,000	\$268,287
<b>Stamp Duty Savings</b>		<u>\$35,694</u>		<u>\$32,082</u>		<u>\$6,713</u>

Note A: These indices are prepared by the Rating and Valuation Department based on selected representative residential developments in each district (Actual Price Indices for Selected Residential Developments). The indices as at 1 April 1999 are provisional only. The base index is 100 as at 1995.



**For information  
on 27 May 1999**

**Legislative Council  
Bills Committee on Revenue Bill 1999**

**Increase of Fixed Penalty for Smoky Vehicles**

**INTRODUCTION**

Arising from the discussion of the Bills Committee on Revenue Bill 1999 at the meeting held on 13 May 1999, the following information is provided for Members' information:

- (a) the air quality improvement programme;
- (b) the Administration's plans for a proposal to increase the level of fixed penalty fine for smoky vehicles; and
- (c) the Administration's position on the Hon. Christine Loh's proposed amendment to increase fixed penalty fine for smoky vehicles to \$5,000.

**AIR QUALITY IMPROVEMENT PROGRAMME**

2. A programme comprising a wide range of measures to abate air pollution within the statutory framework provided by the Air Pollution Control Ordinance (Cap. 22) is being implemented. The programme comprises the following key elements for dealing with different air pollution sources:

- (a) **industrial emissions:** major polluting industrial processes are subject to rigorous licensing controls. The operators are required to comply with stringent emission standards and to adopt best practicable emission control measures. Construction of chimneys and furnaces also requires prior approval on their design to minimise their air quality

impacts on the neighbourhood;

- (b) **clean fuel strategy:** the objective is to require the use of the cleanest practicable fuel to minimise emissions of air pollutants from combustion processes. High sulphur industrial fuels have been banned since 1990. The sulphur content of motor diesel has been progressively reduced since 1995. Unleaded petrol was introduced in 1991. Leaded petrol was banned in April 1999;
- (c) **construction dust:** regulatory control to require contractors to implement specified dust suppression measures since 1997. Dust emissions from individual construction sites are reduced by up to 80%; and
- (d) **vehicle emissions:** the strategy is to seek clean alternatives to diesel vehicles, adopt the most stringent vehicle and fuel standards once they are practical and available to Hong Kong, strengthen emission inspection of vehicles, enforcement against smoky vehicles, and step up education and publicity on proper maintenance of vehicles.

3. While considerable improvement has been made in other areas, the rate of growth in the vehicle fleet has been offsetting the benefits of the control measures that have been introduced for vehicle emissions. To tackle this problem, short term, medium term and long term actions are being taken.

4. *For the short term*, we are focussing on more mitigation measures to reduce the impact from the present vehicle fleet. Since last October we have:

- (a) phased out leaded petrol;
- (b) introduced portable smoke meters;
- (c) stepped up enforcement action against illegal fuels and smoky vehicles;
- (d) introduced vapour recovery systems at filling stations; and
- (e) begun diverting bus routes and rationalising bus stops to cut down on congestion, resulting in a reduction of some 1 100 stoppings for buses in a peak hour in Central. Similar

arrangement has been extended to Wanchai.

5. By September, new testing equipment will be introduced in all testing centres for light diesel vehicles.

6. *For the medium term*, we are requiring better emission and engine standards for the vehicle fleet and working to replace certain categories of vehicle with cleaner technologies. Since October 1998:

- (a) new standards are being introduced for motorcycles and for light diesel vehicles;
- (b) controls on evaporative emissions from petrol vehicles have also been put forward;
- (c) we will be introducing every tougher standards as soon as vehicles that can meet these standards are available on the market;
- (d) the government has been working with all relevant parties to help set up the requiring supporting infrastructure for LPG vehicles for all new taxis to use LPG starting end 2000; and
- (e) we are exploring with the public light bus trade the feasibility of launching a trial of LPG public light buses.

7. *For the longer term*, we are developing our off-road transport network and working to introduce new very low emission technology road vehicles. By 2004 our rail network will be increased by 40%, and studies are underway into further expansion of the system. Fuel cell engines, electric vehicles and alternative fuels such as CNG are all being examined.

## **PROPOSED INCREASE IN FIXED PENALTY FINE FOR SMOKY VEHICLES**

8. A poorly maintained vehicle can emit up to 10 times the pollutants emitted by a properly maintained one. For diesel vehicles, an obvious sign of poor maintenance is the emission of black smoke. The emission of excessive smoke or visible vapour from a motor vehicle is a scheduled offence under the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240). The current

level of fixed penalty fine, which is \$450, has been set since June 1994. As part of the general exercise to restore the deterrent value of all fixed penalties in line with inflation under the Revenue Bill 1999, the level of fixed penalty for smoky vehicles will be increased to \$570. Maintaining the deterrent effect previously endorsed by the legislature is a reasonable step. It is a separate issue from that of whether the weight of the penalty for emission of smoke or visible vapour should be increased.

9. The reported number of smoky vehicles decreased (from 67,551 in 1994 to 51,635 in 1995 and 44,665 in 1996) after the fixed penalty fine for such vehicles were increased from \$280 to \$450 in 1994. But the declining trend of the number of smoky vehicles reported has gradually been reversed since then (from 40,536 in 1997 to 46,802 in 1998).

10. The Environmental Protection Department is stepping up its smoky vehicle control programme to catch smoky vehicles for a fix. Advanced smoke test will be introduced for smoky light duty vehicles after the summer and for heavy duty vehicles next year. These more revealing tests will be more effective in detecting improperly maintained vehicles and ultimately leading to better maintenance standards.

11. The Police are also enhancing their enforcement by using portable smoke meters to check the smoke emission of a vehicle. This is a more effective and objective way of conducting enforcement.

12. We expect the new testing and enforcement equipment to have some additional deterrent effect, but not to be sufficient to bring down the level of offences in line with public expectations. We have pledged, therefore, to introduce the relevant legislation to increase the fixed penalty fine for smoky vehicles in 1999-2000 legislative session. The proposed level of further increases in fixed penalty fine for smoky vehicles, on top of inflation, is currently under study and discussion. It is the intention to put forward a proposal to the relevant panels after the summer recess. The proposed fine level will take into account the views of all sections of the community.

#### **HON. CHRISTINE LOH'S PROPOSED AMENDMENT**

13. Two points need to be clarified arising from the briefing note on the Hon. Christine Loh's proposed amendment tabled at the Bill Committee's meeting on 13 May 1999. On the second point of the note, while there is no

fine for smoky vehicles called in for emission testing by the Environmental Protection Department, the vehicles will have to pay a test fee of \$310 per test. In addition, the cancellation of vehicle licence is not based on the number of failures of the emission test. Our requirements are that a spotted smoky vehicle will have to pass a smoke check within 14 days at a designated vehicle emission testing centre. Otherwise, its vehicle licence will be cancelled. Within the 14 days, there is no limit on the number of tests that it takes.

14. As regards Miss Loh's proposed level of fixed penalty fine for smoky vehicles, we believe any proposed fine level must be proportionate to the nature of the offence in relation to other fixed penalties, and supported by the community. We also believe that a specific proposal to increase the weight of a particular fine should be dealt with as a separate exercise from a general adjustment of fines to maintain the real value previously set by the Legislature.

**Planning, Environment and Lands Bureau and  
Finance Bureau  
May 1999**