

立法會
Legislative Council

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**Paper for the House Committee meeting
on 23 June 2000**

**Report of the Subcommittee on resolution under
section 4(2) of the Dutiable Commodities Ordinance (Cap. 109)**

Purpose

This paper reports on the deliberations of the Subcommittee on resolution under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109).

The Resolution

2. The Secretary for the Environment and Food has given notice to move a resolution under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109) at the Council meeting of 26 June 2000. The resolution aims to introduce a concessionary duty rate for ultra low sulphur diesel (ULSD) as a fiscal incentive to encourage the use of this environmentally cleaner fuel.

The Subcommittee

3. The House Committee agreed at its meeting on 16 June 2000 to form a Subcommittee to study the resolution. The Subcommittee met on 19 June 2000 and Hon SIN Chung-kai was elected Chairman. The membership list of the Subcommittee is in **Appendix I**.

Deliberations of the Subcommittee

4. The Subcommittee welcomes the introduction of ULSD into Hong Kong and supports the Administration's proposal to provide a concessionary duty rate for ULSD.

Concessionary duty rate for ULSD

5. The Subcommittee notes that the duty rate on light diesel oil, including ULSD, was reduced in June 1998 from \$2.89 to \$ 2.00 per litre as part of the Administration's relief measures during a time of recession. The temporary concession was subsequently extended to 31 March 2000 and then to 31 December 2000. By virtue of section 2 of the Revenue (No. 2) Ordinance 2000, however, the duty rate will be restored to \$2.89 per litre from 1 January 2001. According to the major oil companies operating in Hong Kong, the import price of ULSD would be about \$0.80 per litre higher than that of regular motor diesel. To offset the higher price of ULSD, the Subcommittee supports the Administration's proposal to set the concessionary duty rate for ULSD at \$2.00 per litre. It is believed that the duty differential of \$0.89 per litre will encourage vehicle drivers to use ULSD.

Effective date

6. As regards the effective date for introducing the concessionary duty rate for ULSD, the Administration proposes that the rate be effective for a 12-month period from 1 January 2001, having regard to an estimate made by oil companies and a leading supplier of ULSD based in Europe that a lead time of about six months would be required to import ULSD from Europe to Hong Kong. However, members of the Subcommittee have pointed out that according to the recent estimate made by one of the major oil companies in Hong Kong, ULSD will be imported into Hong Kong by August and be made available at the retail level by the end of September 2000. Members therefore urge the Administration to advance the effective date. In the light of this latest development, the Administration agrees to advance the effective date to 7 July 2000, the date on which the resolution, if passed by the Council, will be published in the Gazette. To achieve a duty differential of \$0.89 per litre, the Administration will add a new provision to the effect that the concessionary duty rate for ULSD would be \$1.11 from 7 July 2000 to 31 December 2000.

Duty rate for ULSD from 1 January 2002

7. The Subcommittee notes that by the same resolution, the duty rate for ULSD will be put on a par with that of regular motor diesel from 1 January 2002, i.e. \$2.89 per litre. Members have reservation on the need for such a provision at this stage, when the actual import and retail prices of ULSD are still unknown. The Administration points out that under the current proposal, the concessionary duty rate of \$2.00 per litre for ULSD will last for a 12-month period from 1 January 2001. A review will be conducted in mid-2001 to decide whether the rate should be maintained or revised from 1 January 2002. If necessary, a resolution will be moved in due course to put the revised duty rate into effect. The Administration assures members that the Secretary for the Environment and Food will, when moving the resolution at the Council meeting of 26 June 2000, undertake to conduct such a review. In the light of this assurance, the Subcommittee accepts the Administration's proposal.

Recommendations

8. With the support of the Subcommittee, the Administration has withdrawn its notice for the original resolution and has given a fresh notice to move a "revised" resolution incorporating the changes referred to in paragraph 6 above (**Appendix II**). The Subcommittee supports the Administration's proposal to seek the President's agreement to dispense with the notice requirement.

Advice sought

9. Members are requested to support the recommendations of the Subcommittee in paragraph 8 above.

Council Business Division 1
Legislative Council Secretariat
20 June 2000

根據《應課稅品條例》(第 109 章)第 4(2)條提出的決議案
小組委員會

Subcommittee on Resolution under section 4(2) of the
Dutiable Commodities Ordinance (Cap. 109)

委員名單
Membership list

單仲偕議員(主席)	Hon SIN Chung-kai (Chairman)
黃宏發議員	Hon Andrew WONG Wang-fat, JP
劉健儀議員	Hon Mrs Miriam LAU Kin-yee, JP
劉慧卿議員	Hon Emily LAU Wai-hing, JP
羅致光議員	Hon LAW Chi-kwong, JP

合共： 5 位議員
Total: 5 Members

日期： 2000 年 6 月 19 日
Date: 19 June 2000

DUTIABLE COMMODITIES ORDINANCE

RESOLUTION

(Under section 4(2) of the Dutiable Commodities Ordinance
(Cap. 109))

RESOLVED that the Dutiable Commodities Ordinance be amended,

in Part III of Schedule 1 -

(a) in paragraph 1, by repealing "Duty" and
substituting "Subject to paragraph 1A, duty";

(b) by adding -

"1A. Duty shall be payable on ultra low
sulphur diesel at the following rates -

(a) from 7 July 2000 to 31 December
2000 (both dates inclusive), at
\$1.11 per litre;

(b) from 1 January 2001 to 31
December 2001 (both dates
inclusive), at \$2.00 per litre;
and

(c) from 1 January 2002, at \$2.89
per litre.";

(c) by adding -

"5. For the purposes of paragraph 1A, "ultra
low sulphur diesel" (超低含硫量柴油) means a light
diesel oil which -

- (a) contains not more than 0.005% by weight of sulphur as determined by ISO 14596;
- (b) has a cetane number of not less than 51.0 as determined by ISO 5165;
- (c) has a viscosity at 40°C of not less than 2.00 mm²/s and not more than 4.50 mm²/s as determined by ISO 3104;
- (d) has a 95% distillation temperature of not more than 345°C as determined by ISO 3405;
- (e) has a specific gravity at 15°C of not more than 0.835 as determined by ISO 3675; and
- (f) has a distillation percentage recovered at 250°C not more than 65% by volume as determined by ISO 3405.

Note: In this Part, "ISO" followed by a numerical symbol ("ISO number") means the test procedures of the International Organization for Standardization commonly known by that ISO number."