

LEGISLATIVE COUNCIL BRIEF

REVENUE PROPOSALS FOR THE 2000-2001 BUDGET

REVENUE BILL 2000

REVENUE (NO.2) BILL 2000

PUBLIC REVENUE PROTECTION (REVENUE) ORDER 2000

INTRODUCTION

At the meeting of the Executive Council on 14 March 2000, the Council **ADVISED** and the Chief Executive **ORDERED** that-

- Annex A
- Annex B
- Annex C
- (a) the Revenue Bill 2000 at Annex A and the Revenue (No.2) Bill 2000 at Annex B should be introduced into the Legislative Council; and
 - (b) the Public Revenue Protection (Revenue) Order 2000, at Annex C, should be made under section 2 of the Public Revenue Protection Ordinance.

BACKGROUND AND ARGUMENT

2. In the 2000-2001 Budget, the Financial Secretary has proposed the following revenue concessions:

- (a) reducing the rate of stamp duty on stock transactions by 10% after the relevant legislative amendments have been passed by the Legislative Council;
- (b) extending the reduction in diesel duty rate from \$2.89 per litre to \$2 for another nine months, i.e. from 1 April 2000 until 31 December 2000; and

- (c) extending the exemption of electric vehicles from first registration tax (FRT) for another three years, i.e. from 1 April 2000 until 31 March 2003.

3. To give effect to the above concessions, we will introduce two separate bills into the Legislative Council: Revenue Bill 2000 and Revenue (No.2) Bill 2000.

4. Revenue Bill 2000 seeks to amend the Stamp Duty Ordinance to reduce the rate of stamp duty on stock transactions by 10%. The Bill, when enacted, will come into effect on the day of its publication in the Gazette. It is desirable to implement this Budget proposal as quickly as possible.

5. Revenue (No.2) Bill 2000 comprises legislative amendments to subsidiary legislation under the Dutiable Commodities Ordinance to extend the concessionary diesel duty rate of \$2.00 per litre to 31 December 2000, and amendments to subsidiary legislation under the Motor Vehicles (First Registration Tax) Ordinance to extend the exemption of electric vehicles from FRT to 31 March 2003.

6. Since the current concessionary diesel duty rate and FRT exemption for electric vehicles will both lapse on 31 March 2000, we need to bring these legislative proposals into effect on 1 April 2000. We have included them in a single bill, i.e. Revenue (No.2) Bill 2000 under a Public Revenue Protection (Revenue) Order 2000 to be made by the Chief Executive under the Public Revenue Protection Ordinance. Such an Order gives full force and effect to this Bill so long as the Order remains in force (the Order is valid for four months under the Public Revenue Protection Ordinance). The Public Revenue Protection (Revenue) Order 2000 so made will be gazetted on 24 March 2000 and come into effect on 1 April 2000.

THE BILLS

7. The Revenue Bill 2000 amends the Stamp Duty Ordinance. **Clause 2** seeks to amend the First Schedule to the Stamp Duty Ordinance to reduce the rates of Stamp Duty payable on contract notes for sale or purchase of Hong Kong stock and on certain transfers of such stock.

8. Revenue (No.2) Bill 2000 amends two resolutions of the Legislative Council, as follows:

- (a) **Clause 1** provides that the Bill, when enacted, shall be deemed to have come into operation on 1 April 2000.
- (b) **Clause 2** amends a resolution made under the Dutiable Commodities Ordinance so as to extend for nine months to 31 December 2000 the period during which the reduced duty rate of \$2 per litre for light diesel oil applies.
- (c) **Clause 3** amends a resolution made under the Motor Vehicles (First Registration Tax) Ordinance so as to extend the period for the exemption of first registration tax in respect of motor vehicles which are propelled solely by electric power and do not emit any exhaust gas. The extended period will expire on 31 March 2003.

LEGISLATIVE TIMETABLE

9. The legislative timetable is as follows-

(a) **Revenue Bill 2000**

Publication in the Gazette	14 March 2000
First Reading and commencement of Second Reading Debate	15 March 2000
Resumption of Second Reading debate, Committee Stage and Third Reading	to be notified

(b) **Revenue (No.2) Bill 2000**

Publication in the Gazette	24 March 2000
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First Reading and
commencement of Second
Reading Debate

5 April 2000

Resumption of Second Reading
debate, Committee Stage and
Third Reading

to be notified

BASIC LAW IMPLICATIONS

10. The Department of Justice advises that the Revenue Bill 2000 the Revenue (No.2) Bill 2000, and the Public Revenue Protection (Revenue) Order 2000 do not conflict with those provisions of the Basic Law carrying no human rights implications.

HUMAN RIGHTS IMPLICATIONS

11. The Department of Justice advises that the Revenue Bill 2000, the Revenue (No.2) Bill 2000 and the Public Revenue Protection (Revenue) Order 2000 are consistent with the human rights provisions of the Basic Law.

BINDING EFFECT OF THE LEGISLATION

12. The amendments will not affect the current binding effect of the Ordinances concerned.

FINANCIAL AND STAFFING IMPLICATIONS

13. The estimated cost to revenue of the three proposed revenue concessions is \$980 million in 2000-01, and \$4 billion over the Medium Range Forecast period up to 2003-04.

14. The proposals will have no staffing implications for the Government.

ECONOMIC IMPLICATIONS

15. The proposal to reduce the rate of stamp duty on stock transactions by 10% will help sustain the competitiveness of Hong Kong as an international financial centre, in view of the fact that a number of

other major stock markets are not charging any stamp duty. The proposal to extend the reduction in diesel duty for nine months should help contain the operating cost of commercial vehicles, most of which are using light diesel oil as fuel. The proposal to extend the FRT exemption for electric vehicles should help promote the use and development of electric vehicles as a cleaner alternative to vehicles propelled by other kinds of fuel.

PUBLIC CONSULTATION

16. No formal consultation has been conducted for budget sensitivity reasons.

PUBLICITY

17. We will issue a press release on 14 March 2000.

ENQUIRIES

18. In case of enquiries about this brief, please contact Ms Esther Leung, Principal Assistant Secretary for the Treasury (Revenue), at 2810 2370.

Finance Bureau
FINCR 7/2201/99
14 March 2000