

**For information  
on 16 May 2003**

**Paper for Bills Committee on the  
Revenue Bill 2003**

**Purpose**

This paper provides the Administration's response to the questions raised by Members at the meeting of the Bills Committee on the Revenue Bill 2003 (the Bill) held on 24 April.

**Registrations of Private Cars by Companies**

2. Referring to Annex A of our letter to the Clerk to the Subcommittee on the Public Revenue Protection (Revenue) Order 2003 dated 23 April 2003, Members asked for further information as to whether the company which had registered 58 private cars in February 2003 had also registered other cars in January and March 2003 and if so, the numbers respectively. Members also asked for information on the type and brand of cars registered by this company.

3. The Transport Department (TD) has checked its records. It advised that the company Members referred to had registered 10 and 39 private cars respectively in January and March 2003. Of the cars registered in March, 12 were registered prior to the Budget announcement. This company is a vehicle distributor.

4. Section 4K(1) of the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330) provides the following: -

“A person who is employed in carrying out or assisting persons in carrying out the provisions of this Ordinance -

- (a) shall preserve secrecy in all matters relating to the affairs of a person that may come to his knowledge in the performance of a duty under this Ordinance; and

(b) shall not communicate any matter relating to the affairs of a person that may come to his knowledge in the performance of a duty under this Ordinance,

other than in the performance of a duty under this Ordinance.”

Under this provision, it would be inappropriate for TD to disclose the name of the company concerned. As individual vehicle types and brands are generally sold in Hong Kong by one main authorized dealer and only a few parallel importers, disclosure of information on specific vehicle types and brands may effectively constitute disclosure of information about the company involved and hence be in breach of this provision.

5. We have looked at the split between cars registered by private owners and by companies. In the 12 months between 1 April 2002 and 31 March 2003, the split was 69% and 31% and the split in the month before the Budget was 65% and 35%. According to some vehicle distributors, they need to register cars in the name of their companies throughout the year for various purposes, including using them as demonstration cars for test drives, for the company’s own use, for rental, and so forth.

### **Vehicle Registration**

6. We believe that the slow-down in car sales would be only a temporary phenomenon, that car sales should pick up after the initial psychological impact of the tax increase on consumers has faded, and that this should have a limited impact on the trade.

7. As reported before, there were 1,636 private car first registrations in the week before the Budget this year, which represented 287% of the weekly average number of registrations in 2002-03. As the market would have needed some time to digest this surge in volume, the number of private car registrations dropped to 59 (10% of the weekly average) during the week after the Budget announcement (i.e. from 6 March to 12 March). However, the numbers picked up again after the initial period. In the month following the Budget announcement, there

were 898 first registrations for private cars, representing 36% of the monthly average for 2002-03. In the second month after Budget announcement, the number rose to 1,353, representing 55% of the 2002-03 monthly average. The most recent figures are 422 registrations for the week beginning 28 April, representing some 74% of the 2002-03 weekly average. The sales situation is therefore gradually picking up as expected.

8. We have also analysed the situation during the last two FRT adjustments back in 1990-91 and 1991-92 and detected a similar sales pattern. The number of private car registrations in the week before Budget Day in 1990-91 and 1991-92 respectively increased to 283% and 218% of the weekly average for their previous financial year. The percentages fell to 14% and 23% in the week after Budget announcements. The first registration numbers took a while to rise back. In the month after Budget announcements of these two years, the percentages were 50% and 62% of their respective relevant monthly average, and at the end of both financial years, the tax increases yielded significant additional revenue in the order of \$1,400 million and \$320 million respectively.

9. There were 105 motorcycle first registrations in the week before the Budget this year. The number dropped to 61 for the week from 6 to 12 March. However, this has started to rise after this initial period. For the month following the Budget announcement there were 316 first registrations for motorcycles. For the second month after, the number rose to 321, representing some 87% of the monthly average of 368 for 2002-03.

## **Employment**

10. As reported earlier, according to Census and Statistics Department statistics, the number of persons engaged in the wholesale, retail (including fitting of accessories) and import and export trade of motor vehicles, motorcycles and bicycles was about 12,330 persons in 2002. Except those dealing only in bicycles, they represent the group whose business might be affected most by the Budget proposals on FRT. According to the Customs and Excise Department, there are about 40 and

123 authorized dealers and parallel importers respectively. Separately, the 10,000 persons who were engaged in the servicing and repairing of motor vehicles and motorcycles as at March 2002 might benefit if people tend to hold on to their existing vehicles for a longer period. The Labour Department advises that, as of 30 April 2003, there was no record of labour disputes handled by the Department involving major vehicle distributors or accessories businesses closing down after the Budget proposals took effect on 5 March.

### **SARS Relief Measure**

11. As an immediate relief for businesses to tide over cashflow and business difficulties during the outbreak of Severe Acute Respiratory Syndrome (SARS), the Administration proposed on 23 April and the LegCo Finance Committee approved on 25 April the setting up of a \$3.5 billion loan guarantee scheme for restaurants and hotels, travel agents and related operations, retail outlets as well as cinemas and karaokes. Under the scheme, the Government will provide 100% guarantee for loans made by participating lending institutions to operators in these four industries. The loans must be used solely for paying the wages of employees. There is no ceiling or floor on the number of employees. For the retail sector, companies which have more than half of the applicant's turnover deriving from the sale of tangible goods/products would qualify. The guarantee ceiling for each retail operation is \$300,000. Interest charged will be the average best lending rate of the note-issuing bank minus 3%.

12. Vehicle distributors should be eligible for the scheme if they are suffering from business losses due to the SARS outbreak.

Treasury Branch  
Financial Services and the Treasury Bureau  
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