

**For discussion  
on 25 June 2003**

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

**Purpose**

This paper informs Members of the Administration's proposal to move a new Committee Stage Amendment (CSA) on the tax rates to the Revenue Bill 2003.

**Government's New CSA**

2. Having reflected upon the views expressed by the motor trade and Members at the Bills Committee meetings, the Administration has decided to put forward a new proposal regarding the first registration tax rates. The new proposal is to adjust downward the marginal rates from 35-75-105-150% for private cars, 35-75-105% for van-type light goods vehicles not exceeding 1.9 tonnes and 40% for motorcycles under the original Budget proposal to 35-65-85-100% for private cars, 35-65-85% for van-type light goods vehicles not exceeding 1.9 tonnes and 37.5% for motorcycles. The tax bands will remain the same as proposed (i.e. four bands of first \$150,000, next \$150,000, next \$200,000 and above \$500,000 for private cars and three bands of first \$150,000, next \$150,000 and above \$300,000 for van-type light goods vehicles not exceeding 1.9 tonnes). The average effective tax rates for private cars in the four bands under the new proposal will be 35-43-57-74% respectively. The CSA embodying the new proposal is at *Annex A*.

3. An impact analysis of the new proposal on FRT rates raised by the Administration and the proposals suggested by Members is at *Annex B*. We consider that the new proposal represents a package of concessions which strikes the most appropriate balance between the impact on the motor trade and the need to raise revenue from those who can afford it to help improve the budget deficit situation. We appeal to Members for support of the Government's new proposal.

Treasury Branch  
Financial Services and the Treasury Bureau  
June 2003

## Revenue Bill 2003

### Impact Analysis of Different Proposals on Private Car Motor Vehicles First Registration Tax (FRT)

Pre-03/04 Budget Rates	Original Budget Proposal (Effective On 5.3.2003 By Virtue of PRPO)		Intended CSAs By Hon Audrey Eu On Behalf of Bills Committee		Intended CSAs By Hon Selina Chow		Administration's New Proposal	
Global Rates	Marginal Rates	Effective Rates	Marginal Rates	Effective Rates	Marginal Rates	Effective Rates	Marginal Rates	Effective Rates
<\$100,000 @40%	First \$150,000 @35%	≤\$150,000 @35%	First \$150,000 @35%	≤\$150,000 @35%	First \$150,000 @35%	≤\$150,000 @35%	First \$150,000 @35%	≤\$150,000 @35%
\$100,001- @45%	Next \$150,000 @75%	\$150,001- @46%	Next \$150,000 @55%	\$150,001- @40%	Next \$150,000 @60%	\$150,001- @42%	Next \$150,000 @65%	\$150,001- @43%
\$200,000		\$300,000		\$300,000		\$300,000		\$300,000
\$200,001- @50%	Next \$200,000 @105%	\$300,001- @65%	Next \$200,000 @75%	\$300,001- @51%	Next \$200,000 @85%	\$300,001- @55%	Next \$200,000 @85%	\$300,001- @57%
\$300,000		\$500,000		\$500,000		\$500,000		\$500,000
>\$300,000 @60%	>\$500,000 @150%	>\$500,000 @95%	>\$500,000 @95%	>\$500,000 @67%	>\$500,000 @105%	>\$500,000 @74%	>\$500,000 @100%	>\$500,000 @74%
	<b>Impact on retail price of cars in different bands</b>		<b>Impact on retail price of cars in different bands</b>		<b>Impact on retail price of cars in different bands</b>		<b>Impact on retail price of cars in different bands</b>	
No. of cars	Average	Example	Average	Example	Average	Example	Average	Example
13776	≤\$150,000 9%	Nissan Prairie: 9%	≤\$150,000 9%	Nissan Prairie: 9%	≤\$150,000 9%	Nissan Prairie: 9%	≤\$150,000 9%	Nissan Prairie: 9%
10740	\$150,001- \$300,000 11%	Toyota Camry: 9%	\$150,001- \$300,000 7%	Toyota Camry: 7%	\$150,001- \$300,000 8%	Toyota Camry: 8%	\$150,001- \$300,000 9%	Toyota Camry: 8%
3408	\$300,001- \$500,000 11%	Mercedes E240V6 – Avantgarde: 12%	\$300,001- \$500,000 1%	Mercedes E240V6 – Avantgarde: 4%	\$300,001- \$500,000 4%	Mercedes E240V6 – Avantgarde: 6%	\$300,001- \$500,000 5%	Mercedes E240V6 – Avantgarde: 8%
1860	>\$500,000 29%	Porsche – 911 Carrera Coupe: 27%	>\$500,000 10%	Porsche – 911 Carrera Coupe: 8%	>\$500,000 15%	Porsche – 911 Carrera Coupe: 12%	>\$500,000 14%	Porsche – 911 Carrera Coupe: 12%
	<b>Additional Revenue</b>		<b>Additional Revenue</b>		<b>Additional Revenue</b>		<b>Additional Revenue</b>	
	\$700 million*		\$181 million*		\$317 million*		\$352 Million *	

\* on assumption of average FRT drops by 10% and first registrations drops by 15% pursuant to adjustments, which are on top of a 4% drop in first registrations due to natural decline.

# Motorcycles Rate: 37.5% Van-type light goods vehicles below 1.9 tonnes marginal rates: first \$150,000 @35%; next \$150,000 @65%; and value above \$300,000 @85%.