

Bills Committee on Boundary Facilities Improvement Tax Bill

**Summary of deputations' views and the Administration's response
(Position as at 23 September 2003)**

Subject/Clause No. of the Bill	Name of organizations/individuals	Major views on the Bill	Administration's response
Objectives and timing of introduction of Boundary Facilities Improvement Tax (BFIT)	<ul style="list-style-type: none"> • Star Cruises (HK) Ltd. (SCL) • Public Omnibus Operators Association Ltd. (POOA) 	The objective of the Bill to finance improvements to boundary facilities and help mitigate fiscal deficit is supported.	Noted.
	<ul style="list-style-type: none"> • The Goods Vehicle Fleet Owners Association Ltd (GVFOA) • Federation of Hong Kong Industries (FHKI) 	The introduction of BFIT in order to improve boundary crossing facilities is supported.	
	Hong Kong Liner Shipping Association	No specific comment on the Bill	
	Kowloon-Canton Railway Corporation (KCRC)	KCRC has no fundamental objection to the introduction of BFIT.	

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<p>Objectives and timing of introduction of BFIT (Cont'd)</p>	<p>The Sino-Hong Kong Private Cars' Rights Association (SHKPCRA)</p>	<p>Given that the infrastructure facilities in Hong Kong are very well developed, introduction of BFIT is not justified.</p> <p>Levying BFIT will give overseas investors an impression of unreasonable government levies.</p>	<p>There were a total of 139 million passengers using the land and sea boundary facilities in 2002, representing an increase of 80% over 1996. The number of boundary crossing vehicles has been increasing rapidly. For example, the daily vehicle departure trips at Lok Ma Chau have grown by 76% between 1996 and 2002. The Government has invested enormous resources to improve the boundary crossing facilities to facilitate the flows of people and trade between the Mainland and Hong Kong. The collection of BFIT at a reasonable rate will help finance the improvement of boundary facilities, relieve the financial burden in this respect, and help mitigate the fiscal deficit.</p>
	<p>East Pacific (Holdings) Ltd. (EPL)</p>	<p>EPL strongly opposes to the introduction of BFIT because BFIT contravenes the spirit of the Mainland/Hong Kong Closer Economic Partnership Arrangement. During the present unfavourable economic environment, HKSAR Government should diminish expenditure but not to impose any new tax.</p>	<p>At present, passengers departing Hong Kong by air and at marine ferry terminals (the China Ferry Terminal and Macao Ferry Terminal) have to pay a flat-rate tax at \$80 and a fixed fee at \$18 respectively to the Government. It should be equitable to apply the tax to all persons departing Hong Kong by land and by sea.</p>

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<p>Objectives and timing of introduction of BFIT (Cont'd)</p>	<p>Sinolink Worldwide Holdings Ltd (SWHL)</p>	<p>SWHL strongly opposes to the introduction of BFIT.</p> <p>Some staff of the company needs to commute between Hong Kong and Shenzhen. BFIT will cause significant increase in the burden on these employees and other frequent commuters.</p> <p>Some companies may reduce the number of Hong Kong employees and move their existing headquarters in Hong Kong to Shenzhen following the introduction of BFIT.</p>	<p>To ease people's burden, we propose that a monthly concessionary tax rate pitched at a level equivalent to the tax payable for 15 trips (\$270) be provided for frequent commuters. People would be free to decide whether to go for the monthly tax concession or the per trip-based tax. The fixed rate of \$270 represents a 50% discount for commuters who travel across the boundary every day. We consider that this amount is generally affordable to the public.</p>
	<p>Lok Ma Chau China-Hong Kong Freight Association (LMCFA)</p>	<p>LMCFA does not support levying BFIT within one country.</p>	<p>There are many examples where a tax is levied to help finance infrastructural facilities, e.g. the Airport. Given the enormous amount of resources put into Hong Kong - Mainland boundary facilities, it is reasonable to levy BFIT to help finance them.</p>
<p>BFIT for individual</p>	<ul style="list-style-type: none"> • GVFOA • FHKI 	<p>The proposed tax rate of \$18 per passenger is supported.</p>	<p>Noted.</p>
<p>BFIT for private cars</p>	<ul style="list-style-type: none"> • FHKI 	<p>The proposed tax rate of \$100 per private car is considered acceptable.</p>	<p>Noted.</p>

Subject/Clause No. of the Bill	Name of organizations/individuals	Major views on the Bill	Administration's response
BFIT for private cars (Cont'd)	<ul style="list-style-type: none"> • SHKPCRA • GVFOA • 中港私家車主協會 • LMCFA 	It is not fair to charge BFIT at a flat rate of \$100 per car. The tax charge for private cars should be based on the number of passengers in each car.	Under the existing arrangements, private car passengers are not required to alight from the car for immigration clearance so as to facilitate traffic flow. The tax rate of \$100 per car is proposed after taking into account the affordability of private car owners and the fact that clearance procedures for them are more convenient than those for other passengers departing by land and by sea. Since it is more cost-effective to levy the tax on a per vehicle basis than on a per person basis and disturbance to the traffic flow will be kept to a minimum, we consider it reasonable to adopt a different charging basis for private car passengers.
Exemption from BFIT and concessionary BFIT rates	Mr LI Chun-wah	Mr LI considers that the proposed monthly concessionary BFIT rate of \$270 (equivalent to BFIT payable for 15 trips) for frequent commuters should be adjusted downward to \$180 (equivalent to BFIT payable for 10 trips).	To ease people's burden, we propose that a monthly concessionary tax rate pitched at a level equivalent to the tax payable for 15 trips (\$270) be provided for frequent commuters. People would be free to decide whether to go for the monthly tax concession or the per trip-based tax. The fixed rate of \$270 represents a 50% discount for commuters who travel across the boundary every day. We consider that this amount is generally affordable to the public.

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Exemption from BFIT and concessionary BFIT rates <i>(Cont'd)</i>	SCL	Passengers departing from the Ocean Terminal, which is a private terminal, do not enjoy any border facilities provided by the Government, and thus should be exempted from BFIT.	<p>At present, passengers departing Hong Kong by air and at marine ferry terminals (the China Ferry Terminal and Macao Ferry Terminal) have to pay a flat-rate tax at \$80 and a fixed fee at \$18 respectively to the Government. It should be equitable to apply the tax to all persons departing Hong Kong via any land or sea control points.</p> <p>To facilitate the flows of people and trade between the Mainland and Hong Kong, the Government has invested a lot of resources to improve the boundary crossing facilities. The collection of a BFIT at a reasonable rate will help finance the improvement of all boundary facilities at the various land and sea departure points and lessen the consequent financial burden.</p>

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Exemption from BFIT and concessionary BFIT rates <i>(Cont'd)</i>	SWHL	People whose jobs require them to travel frequently between Hong Kong and the Mainland should be exempted from BFIT.	To ease people's burden, we propose that a monthly concessionary tax rate pitched at a level equivalent to the tax payable for 15 trips (\$270) be provided for frequent commuters. People would be free to decide whether to go for the monthly tax concession or the per trip-based tax. The fixed rate of \$270 represents a 50% discount for commuters who travel across the boundary every day. We consider that this amount is generally affordable to the public.
	SHKPCRA	Drivers of private cars should be exempted from BFIT.	We propose to levy BFIT on private car owners, not the drivers. The proposed tax rate is \$100 per private car, and not based on the number of boundary crossing persons. This has taken into account the affordability of private car owners, and the fact that the boundary crossing facilities which they use are different.

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Exemption from BFIT and concessionary BFIT rates (Cont'd)	FHKI	<p>FHKI agrees with the Government's proposal to grant local children, students, drivers of cross-boundary vehicles and overseas transit passengers full tax exemption.</p> <p>Transit passengers using direct cross-boundary road passenger transportation services from Chek Lap Kok Airport to Pearl River Delta cities should be exempted from BFIT.</p>	<p>Noted.</p> <p>The passengers taking land transport vehicles from the Airport to the Pearl River Delta have to enter Hong Kong first, and then depart through Hong Kong's land control point. Since these passengers need to enter Hong Kong, they can stay in Hong Kong. As such, it would be very difficult to enforce an exemption for these passengers. Furthermore, these passengers have used Hong Kong's facilities. The Administration does not propose to exempt these passengers.</p>
BFIT collection mechanism	中港私家車主協會	BFIT vouchers or means akin to Octopus may be used for collection of BFIT for private cars.	The Administration believes the main consideration is that smooth passenger and traffic flows must be maintained at the control points. We propose to use the Customs and Excise Department's existing Automatic Vehicle Recognition System (AVRS) to issue bills to owners whose private cars have crossed any land departure points. This method, whereby tax is collected after departure, is more cost-effective and will not cause obstruction to the traffic flow.

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BFIT collection mechanism (Cont'd)	中港私家車主協會 (Cont'd)		<p>In working out the tax collection modes, we have considered various options, including on-site tax collection. For instance, Immigration or Customs Officers at various boundary control points can collect the BFIT through means akin to “Octopus”. The on-site collection method, if adopted, is expected to increase the average time required for clearing a departing vehicle and affect the smooth flow of private cars. Even a slight hiccup will seriously disrupt the clearance procedure and prolong the clearance time for vehicles. Moreover, the daily average of vehicles passing through Lok Ma Chau, for example, reached 24 000 in 2002 and went up to 26 500 during busy periods. The number of boundary crossing vehicles has been increasing substantially. Taking Lok Ma Chau as an example, the daily vehicle departure trips have grown by 76% between 1996 and 2002. Therefore, we consider on-site collection by Immigration and Customs Officers infeasible.</p>

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<p>BFIT collection mechanism (<i>Cont'd</i>)</p>	<p>中港私家車主協會 (<i>Cont'd</i>)</p>		<p>We propose to make use of the information captured by the Customs and Excise Department's existing AVRS and to develop a software programme through the Transport Department for preparing and issuing bills to owners whose private cars have crossed any land departure points. The capital cost of AVRS is already funded, and only the marginal cost of developing the software system for billing and the recurrent cost of future operation will be incurred if the BFIT is collected through AVRS.</p> <p>AVRS is more cost-effective. The initial capital cost of the AVRS option is estimated to be 46% and 66% less than those of Autotoll and Octopus respectively, and the recurrent cost 4% and 49%. From the view point of vehicle flow management, which is a main consideration, the AVRS option will not cause any disturbance to the clearance procedure while collecting the BFIT. This system will not be disrupted by any driver who has not installed the pre-arranged Autotoll facility, or who does not have a valid pre-paid Octopus card with him or has to search for it.</p>

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BFIT collection mechanism <i>(Cont'd)</i>	GVFOA	Detailed deliberation on the mechanism for collecting BFIT is required as the tax collection activities might cause hiccups to traffic flow in peak hours.	The Administration believes the main consideration is that smooth passenger and traffic flows must be maintained at the control points. As for private cars, we propose to use the Customs and Excise Department's existing Automatic Vehicle Recognition System (AVRS) to issue bills to owners whose private cars have crossed any land departure points. This method, whereby tax is collected after departure, is more cost-effective and will not cause obstruction to the traffic flow.

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<p>BFIT collection mechanism (<i>Cont'd</i>)</p>	<ul style="list-style-type: none"> • POOA • Dalia Tour Agency Ltd (DTA) 	<p>POOA & DTA do not support off-site collection of BFIT by transport operators as the arrangement will shift the statutory responsibility of tax collection from the Government to operators.</p> <p>POOA & DTA support on-site collection of BFIT and the use of electronic means such as Octopus for on-site BFIT collection.</p> <p>The responsibilities placed on transport operators and their employees to collect BFIT, check exemptions and concessions, and file manifests are too onerous.</p>	<p>In the information paper for the Bills Committee meeting on 24 September, the Administration has given a detailed analysis of the problems of on-site collection and the practicability of off-site collection. The Administration has also held three consultative meetings with the Public Omnibus Operators Association. In considering the collection mode for the BFIT, the principal considerations of the Administration are that collection and enforcement against evasion should not cause disruption or delay to the flows of people and vehicles, or crowd management problem at the control points; and that it should be convenient to the taxpayers. After carefully examining various options for collecting the BFIT, including on-site collection, the Administration has come to the view that on-site collection is not desirable.</p>

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BFIT collection mechanism <i>(Cont'd)</i>	<ul style="list-style-type: none"> • POOA • Dalia Tour Agency Ltd (DTA) <i>(Cont'd)</i>		If the immigration officers have to, as advocated by some parties, collect tax coupons from passengers, check their exemption status, explain to them how to get a tax coupon if the tax-liable persons have not paid the tax etc., the immigration processing time and the queuing time may substantially increase. If tax collection machines are installed inside the departure halls, it is not unforeseeable, especially during busy hours, that a bottleneck or tailback will be created, thus causing serious adverse effects on the flow of people. Even during the less busy hours, a slight hiccup will cause congestion at the departure halls, leading not only to delay to the people and vehicles, but also crowd control and safety problems under the worst case scenario, which may in turn lead to dangerous consequences. Some advocates of on-site collection suggest that people would get used to the tax arrangements with experience and there would be less and less hiccups over time.

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BFIT collection mechanism <i>(Cont'd)</i>	<ul style="list-style-type: none"> • POOA • Dalia Tour Agency Ltd (DTA) <i>(Cont'd)</i>		<p>However, over 17% of the travellers who make use of our land and sea control points are non-HK identity card holders and most of them are visitors. Tourists might lack knowledge of our local tax arrangements. They may not possess the Hong Kong currency when they reach the boundary crossing points. It would not be in the interest of the development of our tourism industry if there is any disruption to boundary crossing, as the confusion and inconvenience would leave a bad impression among our visitors.</p> <p>The Administration recognizes that with off-site collection the risks of tax evasion and under-collection would be higher than on-site collection. We will thus put in place appropriate monitoring and risk-management systems to minimise the risk of revenue leakage as far as possible. We will also put in place appropriate support mechanisms to help operators enforce the tax. To help operators and drivers enforce the requirements of the law, we will draw up a set of manual/guidance notes on tax collection arrangements to set out requirements on collection and enforcement of the tax.</p>

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<p>BFIT collection mechanism (Cont'd)</p>	<p>POOA</p>	<p>POOA considers that the operators will be forced to pay the tax in advance for hirers of their vehicles and hence impose pressure on their cashflow requirements. The operators will suffer losses if the hirers fail to pay the monthly rent.</p> <p>If the Government insists on off-site collection of BFIT, it should contract out the tax collection work and the contractor concerned should operate on commercial principles.</p> <p>Transport operators and their employees should not be punished for unintentional faults in collecting BFIT and filing returns.</p> <p>Transport operators should not be liable to offences which are attributable to their drivers' faults.</p>	<p>The Administration considers that collecting the tax when collecting the transport fares by transport operators is the most convenient arrangement for taxpayers, and is along the same line as the current arrangements for the Air Passenger Departure Tax and the Passenger Embarkation Fee. The BFIT Bill proposes that passengers should pay the BFIT before departing Hong Kong. Cross-border coach operators may ask their agents for collecting the tax, including travel agencies, to collect the BFIT from passengers before they depart Hong Kong. We believe that the above measure will help reduce the possibility of bad debts.</p> <p>We are aware that the usual practice in the industry is for operators to provide travel agencies which hire the coach with a driver, and the driver will fill out and submit returns detailing the number of passengers at the control points. It would not be fair to require contractors, as the third party, to pay the tax to the Government according to the number of passengers indicated in the returns.</p>

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<p>BFIT collection mechanism (<i>Cont'd</i>)</p>	<p>POOA (<i>Cont'd</i>)</p>		<p>The basic principle of off-site collection is that the operator collects BFIT when collecting transport fare. Inspection is also done by the operator. It would be very difficult and ineffective to have a contractor collecting tax and conducting inspection on an operator's behalf.</p> <p>Having taken into consideration the anticipated difficulties faced by the operators in enforcing the tax, the Administration will step up publicity after the introduction of the BFIT to inform people of the requirement to pay the tax to the operators when they depart by land or by sea. We propose in the BFIT Bill that a statutory defence be provided in respect of certain offences to operators who have already exercised all due diligence to collect the tax. Besides, before introducing the BFIT and after consulting relevant operators, we will draw up manuals/guidance notes on tax collection arrangements to familiarise operators with the Administration's requirements for enforcing the tax and remove their doubts about their legal liabilities.</p>

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BFIT collection mechanism (<i>Cont'd</i>)	POOA (<i>Cont'd</i>)		We plan to allay the industry's concerns by other ways. We are considering the inclusion of a cost factor of "under collection" in the administrative fee paid to the operators by the Administration. By including the cost factor of bad debts in the administrative fee, operators will be less likely to suffer loss arising from bad debts.
	DTA	If the Government insists on off-site collection of BFIT, and the Kowloon-Canton Railway Corporation and Yellow Bus adopt electronic means for BFIT collection, the Government should render assistance to other operators to use the same collection mode. It is unfair to apply different collection modes to difference operators.	The Administration has proposed the same tax collection method (i.e. off-site collection) for different land and sea transport operators, and has fully consulted and discussed with all operators on the detailed arrangements for tax collection.

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BFIT collection mechanism (Cont'd)	DTA (Cont'd)		At present, the KCRC and Yellow Bus collect transport fare by electronic means such as the Octopus card. Factoring the BFIT into the ticket fare by the use of Octopus card or other electronic means may be one of the more cost-effective methods. However, for operators who do not collect fare through Octopus or other electronic means, it would not be fair to force them to do so. The Administration therefore proposes that operators should collect tax when selling land / marine transport tickets, and that it would be up to individual operators to decide on their own whether to adopt electronic means for this purpose.
	KCRC	<p>KCRC would be willing to help the Government collect BFIT provided that -</p> <ul style="list-style-type: none"> • it is fully empowered to do so; • it is fully reimbursed its capital and annually recurrent costs; and • such collection responsibilities are consistent with KCRC's duties and responsibilities under the KCRC Ordinance (KCRCO), particularly those involving the safety and efficiency of its services. 	<p>Upon enactment of the BFIT Bill, by virtue of clause 4 of the Bill and section 4(4) of KCRCO, KCRC has a statutory obligation to collect BFIT.</p> <p>Under section 27 of the Bill, the Financial Secretary may authorize the payment to an operator of a fee for collection of the tax. We welcome KCRC to provide their cost estimation on the capital and recurrent costs incurred to collect BFIT on Government's behalf for our consideration.</p>

Subject/Clause No. of the Bill	Name of organizations/individuals	Major views on the Bill	Administration's response
BFIT collection mechanism (<i>Cont'd</i>)	KCRC (<i>Cont'd</i>)	<p>The Bill places a responsibility on KCRC to enforce the tax and KCRC's major concern is the practical problem it would face in enforcing the tax.</p> <p>Given the large volume of passengers and space constraints at Lo Wu, KCRC staff could at best carry out random checks for cross-boundary passengers.</p> <p>BFIT could not be collected in emergency situations.</p> <p>The Government should clearly stipulate the manner by which ticket inspection is to be carried out by KCRC staff and at the least agree with KCRC the minimum levels of performance or standards which are to be achieved. Sensible standards should be prescribed in the legislation, or at least in appropriate guidelines, to ensure that KCRC officers would not breach any provisions in KCRCO while enforcing the collection of BFIT at railway stations.</p>	<p>The Administration believes the main consideration is that smooth passenger flows must be maintained at the control points. We therefore propose off-site collection of BFIT. For example for Lo Wu, which is the busiest control point, we propose collecting tax together with transport fare through the use of Octopus or train ticket. This will be the most convenient and efficient arrangement for passenger, and the most desirable mode of collection. We believe that it is in line with the duties and responsibilities of KCRC laid down in the KCRCO for KCRC to collect the tax.</p> <p>The Administration understands KCRC's concerns on the possible difficulties in undertaking tax collection due to huge passenger flows and space constraints. The Administration notes that KCRC staff could only carry out random checks for cross-boundary passengers. We will continue to discuss with KCRC the details of random checking and effective means of enforcement.</p>

Subject/Clause No. of the Bill	Name of organizations/individuals	Major views on the Bill	Administration's response
BFIT collection mechanism (<i>Cont'd</i>)	KCRC (<i>Cont'd</i>)		We have proposed a set of manual/guidance notes on tax collection arrangements, which sets out the relevant tax collection and enforcement requirements. It will help KCRC to understand the Administration's expectations and the requirements for enforcing the legislation. It covers the collection arrangements in emergency situations. We will discuss with KCRC a mutually agreeable inspection arrangement.
Operational manual for operators for BFIT collection	KCRC	A BFIT operational manual, in the form of Guidance Notes, has been proposed by the Administration and KCRC has been consulted on the draft Guidance Notes. KCRC considers that the contents of the Guidance Notes should be decided by mutual agreement between the Government and KCRC, and not unilaterally by the Government. The Bill should be amended to incorporate sufficient reference to the contents of the Guidance Notes, or the Government should agree to convert the Guidance Notes to a contractual agreement between the Government and KCRC.	As the KCRC has said, the Administration has consulted KCRC on many occasions on the manual/guidance notes on tax collection arrangements. The Administration will fully consult KCRC and consider its concerns in finalizing the implementation details and the manual/guidance notes.

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Operational manual for operators for BFIT collection <i>(Cont'd)</i>	KCRC <i>(Cont'd)</i>		<p>The Bill has addressed some of the major concerns of KCRC, e.g. enforcement difficulties, and we have made adjustments to the Bill where appropriate. It would be inflexible to incorporate the administrative arrangements into the legislation or to convert the guidance notes into a contract.</p> <p>There is also a need for the Administration to set out its basic requirements. Nevertheless, we have undertaken to fully consult the affected transport operators before finalizing the related arrangements and guidance notes. We will continue to discuss with KCRC in this respect.</p>
Date of implementation of BFIT collection by KCRC	KCRC	KCRC needs to carry out modification of the hardware and software of its automatic revenue collection and ticketing system, and hence KCRC could only begin collection of BFIT some 12 months after the Government agrees on the modifications necessary to permit collection of BFIT. The modifications are dependent on the final scope of the proposed legislation.	The Administration notes the lead time required by KCRC to modify its systems. KCRC has also undertaken to shorten the lead time as far as practicable.

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Clause 4(5) - Collection of tax	KCRC	KCRC does not have the power to collect taxes or act as Government's agent in this regard. Government must empower KCRC properly by either gazetting a Permitted Activities Order under Section 4(1)(e) of KCRCO or advising the Chief Executive in Council to give a direction under Section 6 of KCRCO.	Upon enactment of the BFIT Bill, by virtue of clause 4 of the Bill and section 4(4) of KCRCO, KCRC has a statutory obligation to collect BFIT.

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<p>Clause 5(1) - Records</p> <p>Clause 6(2) - Returns</p>	<p>KCRC</p>	<p>KCRC is not able to obtain, and hence maintain records of, details of persons carried on trains as required by Clause 5(1)(a) and Clause 6(2)(b) of the Bill. KCRC is a mass transit carrier and does not keep record of details of passengers travelling on the trains apart from passenger figures and revenue.</p>	<p>It will not be necessary for KCRC to keep record of or provide the personal particulars of its passengers. Pursuant to clauses 5(1)(a) and 6(2)(b) of the Bill, the information required of KCRC will mainly be the number of passengers with breakdown into categories and payment methods. This will be similar to the requirement for other transport operators, and has been set out in the proposed Tax Collection Arrangements. The information to be provided by different transport operators will vary in accordance with their specific mode of operation. Due to the significant number of transport operators involved and the variety of mode of operation, it will be more appropriate to set out the detailed requirements in the Tax Collection Arrangements.</p>

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<p>Clause 7(1)(b) Clause 7(2) Clause 7(4) - Payment of tax by operators</p>	<p>KCRC</p>	<p>The Commissioner for Transport's (the Commissioner) assessment of the amount of tax due by the operator should not be final. KCRC would be willing to assist in any investigation on any "material discrepancies" found between its returns and information obtained by the Commissioner through other sources. However, unless KCRC accepts responsibility for the shortfall, KCRC should not be required to pay to the Government the amount of the tax falling short of the Commissioner's assessment.</p> <p>In case of emergencies or major service disruptions, passengers may need to be evacuated from the stations. It will be impossible and even undesirable to require passengers to process their Octopus cards or hand over the single ride tickets to station staff before leaving the paid area of the stations. Under such circumstances, KCRC cannot guarantee that all passengers would have paid the BFIT and that KCRC's patronage records are without errors.</p>	<p>Although the Commissioner may assess the amount of tax payable by transport operators, the Bill has proposed an avenue for the operators who disagree with the assessment to raise their objections with the Commissioner or appeal to the District Court.</p> <p>As regards the question of under-collection in case of emergencies or major service disruptions, the Administration accepts that for safety reasons, KCRC may evacuate passengers by allowing them to leave the paid area without processing their Octopus cards or handing over the single ride tickets to station staff. There are provisions in the Tax Collection Arrangement allowing waiver for KCRC from the tax under emergency situations. We are prepared to discuss further with KCRC their concerns in this area and reflect the necessary arrangements in the Tax Collection Arrangement.</p>

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Clause 26(2) - Appointment of agent	KCRC	KCRC should not be required to seek prior approval from the Commissioner for appointment of an agent who maintains records pursuant to Clause 5(1) but does not deal with the Government direct. KCRC currently appoints agents to sell through train tickets but these agents should have no direct dealing with Government in respect of submission of reports and returns of BFIT collected. Such activities will be carried out by KCRC.	If KCRC keeps records, furnishes returns and pays tax to the Commissioner in accordance with the Bill, the agents keeping records for KCRC will not be agents within the meaning of clause 26 of the Bill. The requirement for the Commissioner's prior approval before the appointment of an agent will not apply. As such, clause 5(1) of the Bill will not affect the existing operation of KCRC.
Clause 27 - Collection fee	KCRC	The Government should reimburse KCRC all capital and recurrent costs incurred to facilitate the collection of BFIT on behalf of Government.	Under section 27 of the Bill, the Financial Secretary may authorize the payment to an operator of a fee for collection of the tax. We welcome KCRC to provide their cost estimation on the capital and recurrent costs incurred to collect BFIT on Government's behalf for our consideration.

Council Business Division 1
Legislative Council Secretariat

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