

立法會
Legislative Council

LC Paper No. CB(1)1777/02-03

(These minutes have been seen
by the Administration)

Ref: CB1/SS/5/02/1

**Subcommittee on
Public Revenue Protection (Revenue) Order 2003 made under
section 2 of the Public Revenue Protection Ordinance (Cap. 120)**

**Minutes of Meeting
held on Tuesday, 25 March 2003 at 6:30 pm
in Conference Room B of the Legislative Council Building**

Members present : Hon Audrey EU Yuet-mee, SC, JP (Chairman)
Dr Hon David CHU Yu-lin, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Hon Miriam LAU Kin-yee, JP
Hon Emily LAU Wai-hing, JP

Members absent : Hon Cyd HO Sau-lan
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Michael MAK Kwok-fung

Public officers attending : Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury

Miss Erica NG
Principal Assistant Secretary for Financial Services and
the Treasury

Mr Edward MAK
Assistant Secretary for Financial Services and the
Treasury

Ms Monica LAW
Senior Assistant Law Draftsman

Clerk in attendance : Ms Connie SZETO
Chief Assistant Secretary (1)4

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr Stephen LAM
Assistant Legal Adviser 4

Mr S C TSANG
Senior Assistant Secretary (1)7

Action

I Election of Chairman

Dr David CHU, the Member who had the highest precedence in the Council amongst those who were present at the election, presided over the election of Chairman for the Subcommittee. He advised members that three applications for membership were received after the deadline, and invited Assistant Secretary General 1 (ASG1) to brief members on the procedure relating to the handling of late applications for membership.

2. ASG1 advised members that there was no procedure on late membership in the Rules of Procedure. Reference however could be made to House Rules 23(a) and (b). In the present three cases, the applications were outside the scope of Rule 23(a) which only referred to applications on grounds of indisposition and absence from Hong Kong. House Rule 23(b) therefore applied and it was for the Subcommittee to deal with the applications. ASG1 however pointed out that it was recently found that the way House Rule 23(b) was written had given rise to the question of whether late membership should be dealt with before or after the election of chairman. She recapped that the House Rule 23(b) was added to House Rules upon the recommendation of the Committee on Rules of Procedure (CRoP) in May 1999. Prior to that, acceptance of late membership was decided by the chairman. House Rule 23(b) was added to allow the committee instead of the chairman to decide on cases not covered by House Rule 23(a). Whether late membership should be dealt with before or after the election of chairman had never been an issue as late membership had all along been decided by the chairman after he/she was elected. Nevertheless, since the present House Rule 23(b) was not clear in this respect, ASG1 invited the Subcommittee to decide on the matter having regard to the background of House Rule 23(b).

3. Ms Miriam LAU advised that she was a member of CRoP at the time the proposed House Rule 23(b) was considered. She confirmed that there had never been any intention to change the long standing practice of deciding on late

membership after the chairman was elected. The House Rule on late membership was to safeguard any manipulation of membership for the purpose of the election of chairman. Mr SIN Chung-kai said that he had no strong view on the matter. He however requested the Secretariat to rectify House Rule 23(b) to remove any ambiguity.

4. Having regard to the background of House Rule 23(b), the Subcommittee was of the view that it was not appropriate for the present three late applications for membership to be dealt with before the Chairman of the Subcommittee was elected. It decided that the applications should be dealt with after the Chairman was elected.

5. Dr CHU invited nominations for the chairmanship of the Subcommittee. Ms Audrey EU was nominated by Mr SIN Chung-kai and the nomination was seconded by Ms Miriam LAU. Ms EU accepted the nomination. There being no other nomination, Ms Audrey EU was declared Chairman of the Subcommittee.

6. The Chairman invited members to consider the applications for late membership from Mr CHAN Kam-lam, Mr Abraham SHEK Lai-him and Mr MAK Kwok-fung. Members agreed to their applications.

II Meeting with the Administration

- (LC Paper No. CB(1) 1196/02-03(01) -- Members' brief
- LC Paper No. CB(1) 1196/02-03(02) -- Marked-up copy of the Public Revenue Protection (Revenue) Order 2003
- LC Paper No. CB(1) 1196/02-03(03) -- Submission dated 22 March 2003 from “電單車大聯盟” referred by the Complaints Division of the LegCo Secretariat
- LC Paper No. CB(1) 1196/02-03(04) -- Submission dated 20 March 2003 from The Motor Traders Association of Hong Kong referred by Hon Emily LAU Wai-hing
- LC Paper No. CB(1) 1226/02-03(01) -- Administration's response to the letter from the Clerk to the Subcommittee dated 22 March 2003
- LC Paper No. CB(1) 1226/02-03(02) -- Submission dated 25 March 2003 from “汽車業界「反對增加汽車登記稅大聯盟」”)

7. The Subcommittee deliberated (Index of proceedings attached at the Annex).

8. Members agreed that the Chairman of the Subcommittee would move a resolution at the Council meeting of 9 April 2003 to extend the scrutiny period of the Public Revenue Protection (Revenue) Order 2003 (the Order) to 30 April 2003 to allow sufficient time for the scrutiny. The decision would be reported to the House Committee meeting at its meeting scheduled for 28 March 2003.

9. Members agreed to invite submissions from the following organizations:

- (a) The Motor Traders Association of Hong Kong;
- (b) Hong Kong Right Hand Drive Motors Association Ltd.;
- (c) Hong Kong Motorcycle of Commerce;
- (d) Hong Kong Vehicle Repair Merchants Association;
- (e) Hong Kong Auto Parts Industry Association;
- (f) Hong Kong Automobile (Parts & Machinery) Association Ltd.;
- (g) Hong Kong Small and Medium Enterprises Association;
- (h) Marketing Association of Chinese Mainland & Hong Kong SAR;
- (i) Hong Kong Motorcycle Association; and
- (j) 電單車大聯盟

10. Members also agreed to invite views from District Councils and place a notice on the website of the Legislative Council to invite views from the public.

Admin 11. The Administration undertook to take follow-up actions as below:

- (a) To provide details of the impact assessment of the 2003-04 Budget proposals relating to motor vehicles first registration tax (FRT) on the economy of Hong Kong, including the impact on the business and employment of the motor trade and related sectors.
- (b) To provide details on how the projected additional revenue of \$700 million from the Budget proposals on FRT was arrived at, including the assumptions made.
- (c) To provide details on the situations of the motor trade and car registration during pre-budget and post-budget periods, and the revenue collected from FRT for the past ten years, in particular, for the periods in 1982 and 1994 when FRT system was revised or tax rates were increased.
- (d) To consider providing exemption to distributors' stocks and cars for which orders had been placed before the Order took effect.

III Any other business

12. Members agreed to hold the next meeting on **Thursday, 3 April 2003 at 10:45 am** to meet with deputations and the Administration.

13. There being no other business, the meeting ended at 7:40 pm.

Council Business Division 1
Legislative Council Secretariat
27 May 2003

**Proceedings of the meeting of the Subcommittee on
Public Revenue Protection (Revenue) Order 2003 made under
section 2 of the Public Revenue Protection Ordinance (Cap. 120)
on Tuesday, 25 March 2003 at 6:30 pm
in Conference Room B of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 - 000015	Dr David CHU	Opening remarks	
000015 - 000510	ASG1 Ms Miriam LAU	Clarification on the background and intent behind House Rule 23 concerning late membership of Committees	
000510 - 000605	Dr David CHU	Election of Chairman	
000605 - 000640	Chairman	Acceptance of late membership from three members	
000640 - 001058	Ms Miriam LAU Ms Emily LAU	Discussion on the need to meet with the trade and other relevant parties to solicit their views on the budget proposals relating to motor vehicles first registration tax (FRT) as set out in the Financial Secretary's Budget Speech 2003-04 to be effected temporarily by the Public Revenue Protection (Revenue) Order 2003 (the Order)	
001058 - 001332	Chairman Ms Miriam LAU	Extension of scrutiny period of the Order	
001332 - 001800	Chairman Ms Miriam LAU Ms Emily LAU Mr SIN Chung-kai Dr David CHU Clerk	Date of next meeting	
001800 - 002100	Clerk Ms Miriam LAU Ms Emily LAU Mr SIN Chung-kai Administration	Suggestions on deputations to be invited for submissions and attending the next meeting	

Time marker	Speaker	Subject(s)	Action required
002100 - 003110	Administration	Briefing on the Administration's paper tabled at the meeting (subsequently issued vide LC Paper No. CB(1) 1226/02-03(01) on 27 March 2003) which responded to the letter from the Clerk to the Subcommittee dated 22 March 2003	
003110 - 003828	Ms Emily LAU Chairman Administration	<p>Concern on the impact of the budget proposals on FRT on the motor trade and related sectors</p> <p>The Administration estimated that the budget proposals on FRT would bring about an additional revenue of \$1.4 billion in 2003-04, if consumer demand and vehicle prices were completely inelastic. Assuming for revenue estimate purposes that the number of registration would drop by 15% due to lower demand as a result of the tax increase, and that the average tax payable would drop by 10% due to possible changes in the pricing strategy of vehicle dealers as a result of the Budget measures, the projected additional revenue would be reduced by 50%, i.e. to \$ 700 million in 2003-04.</p> <p>The Administration undertook to provide details on how the projected additional revenue was arrived at, including the assumptions made.</p>	Admin
003828 - 004840	Ms Miriam LAU Ms Emily LAU Mr CHAN Kam-lam Dr David CHU Chairman Administration	<p>Concern that many buyers had cancelled orders after the announcement of the budget proposals on FRT. This would be a serious blow to the motor trade and would create financial hardship to small and medium size car dealers due to cash flow problems.</p> <p>Request for the Administration to provide details on the situations of the motor trade and car registration during pre-budget and post-budget periods, and the revenue collected from FRT for the past ten years,</p>	Admin

Time marker	Speaker	Subject(s)	Action required
		in particular, for the periods in 1982 and 1994 when FRT system was revised or tax rates were increased	
004840 - 005245	Ms Miriam LAU Chairman Administration	<p>Concern on the impact of the budget proposals on FRT on the economy of Hong Kong</p> <p>The Administration considered 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 had faded and that this should have limited impact on the motor trade. The Administration undertook to provide details of the impact assessment of the budget proposals on FRT on the economy of Hong Kong, including the impact on the business and employment of the motor trade and related sectors.</p>	Admin
005245 - 005500	Dr David CHU Ms Emily LAU Chairman	<p>Concern that the proposed tax increase for motor vehicles would deter vehicle purchases, thus counter-productive to the objective of raising government revenue</p> <p>Enquiry on the consultation conducted by the Administration before drawing up the budget proposals on FRT</p>	
005500 - 005700	Ms Emily LAU ALA4	Request for the Assistant Legal Adviser to provide a written response on the Administration's paper tabled at the meeting (LC Paper No. CB(1) 1226/02-03(01))	LSD
005700 - 010056	Chairman ALA4 Administration	<p>Discussion on the mechanism for refund of tax collected under the Order</p> <p>Confirmation that in the event that the Revenue Bill 2003 was rejected by the Legislative Council, refund of tax collected under the Order would be made in accordance with section 6 of the Public</p>	

Time marker	Speaker	Subject(s)	Action required
		Revenue Protection Ordinance (Cap. 120)	
010056 - 010850	Chairman Ms Miriam LAU Ms Emily LAU Dr David CHU Administration	<p>Possibility of granting exemption to distributors' stocks and cars for which orders had been placed before the Order took effect</p> <p>The Administration indicated that there would be enforcement difficulties in verifying the timing of orders placed by vehicle buyers.</p> <p>Members considered that the Customs and Excise Department should have all the details of the motor vehicles imported into Hong Kong, and hence be able to identify those cars ordered before Budget announcement.</p> <p>The Administration was requested to consider providing exemption to distributors' stocks and cars for which orders had been placed before the Order took effect.</p>	Admin