

立法會
Legislative Council

LC Paper No. CB(1)1778/02-03

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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 Thursday, 3 April 2003 at 10:45 am
in the Chamber of the Legislative Council Building**

Members present : Hon Audrey EU Yuet-mee, SC, JP (Chairman)
Dr Hon David CHU Yu-lin, JP
Hon Cyd HO Sau-lan
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Hon Miriam LAU Kin-yee, JP
Hon Emily LAU Wai-hing, JP
Hon Michael MAK Kwok-fung

Member absent : Hon Abraham SHEK Lai-him, JP

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

Attendance by invitation : Mr Michael LEE
Chairman, The Motor Traders Association of Hong Kong

Mr WONG Yiu-kwong
Honorary Secretary, Hong Kong Vehicle Repair Merchants Association

Mr Jackson LAU
Chairman, Hong Kong Right Hand Drive Motors Association Ltd.

Mr SHI Kai-biu
Chairman, Hong Kong Small and Medium Enterprises Association

Mr Paul LAW
Convener, Motor Alliance

Mr WONG Man-yin
Temporary Secretary, Hong Kong Motorcycle Association

Mr YAM Chi-kwan
Secretary, Hong Kong Motorcycle of Commerce

Mr Wilson LAW
Representative, Marketing Association of Chinese Mainland & Hong Kong SAR

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

Staff in attendance : Mr Stephen LAM
Assistant Legal Adviser 4

Mr S C TSANG
Senior Assistant Secretary (1)7

Ms Christina SHIU
Legislative Assistant

I Meeting with deputations

- (LC Paper No. CB(1) 1352/02-03(01) -- Submission dated 31 March 2003 from The Motor Traders Association of Hong Kong
- 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」”
- LC Paper No. CB(1) 1352/02-03(02) -- Joint submission dated 1 April 2003 from the Hong Kong Motorcycle Association, Hong Kong Motorcycle of Commerce and 電單車大聯盟
- LC Paper No. CB(1) 1352/02-03(03) -- Submission from Mr DIK Kong-sang
- LC Paper No. CB(1) 1394/02-03(01) -- Submission dated 19 March 2003 from "電單車大聯盟"
- LC Paper No. CB(1) 1394/02-03(02) -- Letter dated 12 March 2003 from the Motor Traders Association of Hong Kong
- LC Paper No. CB(1) 1403/02-03(01) -- Submission from the Hong Kong Small and Medium Enterprises Association
- LC Paper No. CB(1) 1403/02-03(02) -- A table showing the tax increase effected by the Order on motorcycles provided by the Hong Kong Motorcycles Association
- LC Paper No. CB(1) 1403/02-03(03) -- Tables showing the tax increase effected by the Order on six major brands of private motor cars provided by the Motor Alliance)

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

2. The Subcommittee received representations from the following organizations:

- (a) The Motor Traders Association of Hong Kong;
- (b) Hong Kong Vehicle Repair Merchants Association;
- (c) Hong Kong Right Hand Drive Motors Association Ltd.;
- (d) Hong Kong Small and Medium Enterprises Association;
- (e) Motor Alliance;

- (f) Hong Kong Motorcycle Association;
- (g) Hong Kong Motorcycle of Commerce; and
- (h) Marketing Association of Chinese Mainland & Hong Kong SAR.

3. The Subcommittee noted the written submission from Mr DIK Kong-sang, a member of the public who had not attended the meeting. The Subcommittee also noted the written submission from the Hong Kong Small and Medium Enterprises Association tabled at the meeting and subsequently circulated to members vide LC Paper No. CB(1) 1403/02-03(01) on 9 April 2003.

II Meeting with the Administration

(LC Paper No. CB(1) 1352/02-03(04) -- Administration's responses to the letter dated 26 March 2003 from the Clerk to the Subcommittee

LC Paper No. LS 86/02-03 -- Responses from Assistant Legal Adviser to the Administration's paper (LC Paper No. CB(1) 1226/02-03(01))

Admin 4. The Administration undertook to take follow-up actions as below:

- (a) As far as possible, to provide further information on the increase in motor vehicles first registration tax in 1982-83 mentioned in paragraph 14 of the Administration's paper (LC Paper No CB(1) 1352/02-03(04)) submitted for the meeting on 3 April 2003, including details on the background, purpose, impact on the revenue and motor trade.
- (b) To provide details on the registration of motorcycles during pre-budget and post-budget periods in 2003.
- (c) To provide breakdown on details of private cars registered in 2002-03 by different price ranges to illustrate the impact of tax increase on vehicles of different price ranges.
- (d) To provide a breakdown of private cars registered by companies and individuals one week before the Budget Day on 5 March 2003 and on number of cars registered by the same companies.
- (e) To respond to Assistant Legal Adviser's paper submitted for the meeting on 3 April 2003 (LC Paper No. LS 86/02-03).

III Any other business

5. Members agreed to hold the next meeting on **Thursday, 10 April 2003 at 8:30 am.**

6. There being no other business, the meeting ended at 1:00 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 Thursday, 3 April 2003 at 10:45 am
in the Chamber of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 - 000300	Chairman	Opening remarks	
000300 - 000615	The Motor Traders Association of Hong Kong (MTAHK)	Presentation of views (LC Paper No. CB(1) 1352/02-03(01))	
000615 - 001100	Hong Kong Right Hand Drive Motors Association Ltd (HKRHDMA)	Presentation of views	
001100 - 001410	Hong Kong Small and Medium Enterprises Association (HKSMEA)	Presentation of views (submission tabled at the meeting and subsequently circulated to members vide LC Paper No. CB(1) 1403/02-03(01) on 9 April 2003)	
001410 - 001835	Motor Alliance (MA)	Presentation of views (LC Paper No. CB(1) 1226/02-03(02))	
001835 - 002240	Hong Kong Motorcycle Association (HKMA)	Presentation of views (LC Paper No. CB(1) 1352/02-03(02))	
002240 - 002557	Hong Kong Motorcycle of Commerce (HKMC)	Presentation of views (LC Paper No. CB(1) 1352/02-03(02))	
002557 - 002750	Marketing Association of Chinese Mainland & Hong Kong SAR (MACMHK)	Presentation of views	
002750 - 002778	Chairman	Submission from a member of the public who was unable to attend the meeting (LC Paper No. CB(1) 1352/02-03(03))	

Time marker	Speaker	Subject(s)	Action required
002778 - 003157	Ms Emily LAU MTAHK	<p>Enquiry on how the new First Registration Tax (FRT) system would enhance the level playing field of the motor trade as suggested by MTAHK</p> <p>MTAHK considered that the new FRT system would help addressing the tax evasion problem as removal of existing exemptions would provide certainty on the base for calculation of FRT. The Public Revenue Protection (Revenue) Order 2003 (the Order) would help avoiding confusion on tax compliance before the passage of the Revenue Bill 2003.</p>	
003157 - 003410	Ms Emily LAU MTAHK	Concern that the rise in FRT had led to cancellation of orders and caused serious negative impact on the motor trade	
003410 - 003645	Mr SIN Chung-kai HKRHDMA	Confirmation that the views of the HKRHDA were the same as those of the MA	
003645 - 004032	Mr SIN Chung-kai HKMC	Clarification that the motorcycle trade had no objection to the removal of tax exemptions. It requested the tax rates for motorcycles be reduced	
004032 - 004800	Ms Miriam LAU HKRHDMA HKSMEA MA Administration	<p>Confirmation that assessment of the taxable value of exempted items was made by the Customs and Excise Department</p> <p>As car dealers had subsidized buyers by lowering the price for vehicles, dealers might not benefit from the refund of tax even after the passage of the Revenue Bill 2003.</p> <p>In view of recent adversities in the economy, HKRHDMA, HKSMEA and MA envisaged that many small and medium size car dealers would not survive with the new FRT.</p>	
004800 - 005339	Ms Miriam LAU Chairman MTAHK	Concern that some large car dealers might stock up vehicles and register them in the name of companies to evade the new FRT	

Time marker	Speaker	Subject(s)	Action required
		<p>MTAHK was not aware of the above practice in the trade.</p> <p>MTAHK was supportive to adopting a progressive tax system and the removal of tax exemptions. It had concern about the high tax rates.</p> <p>MTAHK agreed to provide its views on FRT rates submitted to the Financial Secretary.</p>	MTAHK
005339 - 010200	Ms Miriam LAU Ms Cyd HO	Concern that small and medium size firms might not have the flexibility as large authorized dealers in making arrangements with distributors and banks to overcome cash flow problems	
010200 - 010232	Chairman Ms Cyd HO HKRHDMA	<p>Discussion on subsidies provided by car dealers to buyers</p> <p>Although the arrangement varied depending on the agreement between individual car dealers and buyers, majority of the subsidies amounted to approximately 50% of the increase in tax.</p>	
010232 - 010734	Ms Cyd HO MTAHK	Discussion on the registration situation of private cars during pre and post budget periods	
010734 - 010854	Mr CHAN Kam-lam MTAHK	Enquiry on the price range of private cars likely to be most affected by the tax increase	
010854 - 011418	HKMA HKMC	Concern on the negative impact of the new FRT on sale of motorcycles	
011418 - 012112	Ms Miriam LAU Mr SIN Chung-kai MA MACMHK HKRHDMA	Discussion on the tables showing the tax increase on six major brands of private cars provided by the MA (tabled at the meeting and subsequently circulated to members vide LC Paper No. 1403/02-03(03) on 9 April 2003)	
012112 - 012613	Ms Emily LAU Chairman	Concern on the significant drop in the number of private cars registered one month after the Budget as shown in the	

Time marker	Speaker	Subject(s)	Action required
		Administration's paper (LC Paper No. CB(1) 1354/02-03(04))	
012613 - 013113	Mr SIN Chung-kai Ms Miriam LAU MTAHK HKRHDMA MA	Confirmation that car dealers would normally require buyers to place a deposit of about 10% of the retail price of a private car. It was the trade practice to refund the deposit if the buyer cancelled the order and the dealer had no legal right to forfeit the deposit.	
013113 - 014048	Administration	Briefing on the Administration's responses to the letter from the Clerk to the Subcommittee dated 26 March 2003 (LC Paper No. CB(1) 1352/02-03(04))	
014048 - 014305	Ms Emily LAU Administration	Discussion on registration of private cars during the pre-budget and post-budget periods in 2003	
014305 - 014845	Ms Miriam LAU Chairman Administration	Request for further information on the increase in FRT in 1982-83 mentioned in paragraph 14 of the Administration's paper (LC Paper No. CB(1) 1352/02-03(04))	Admin
014845 - 015250	Chairman Administration	Discussion on the impact of the new FRT and removal of exemptions on registration of motorcycles The Administration undertook to provide details on the registration of motorcycles during pre-budget and post-budget periods in 2003.	Admin
015250 - 015535	Mr CHAN Kam-lam Administration	Concern that the high FRT rates would not be revenue productive	
015535 - 015610	Mr SIN Chung-kai Administration	Request for a breakdown on details of private cars registered in 2002-03 by different price ranges to illustrate the impact of tax increase on vehicles of different price ranges	Admin
015610 - 020010	Ms Miriam LAU Chairman	Reservation on the Administration's refusal to consider granting exemptions for vehicles imported or ordered before the Budget Day	

Time marker	Speaker	Subject(s)	Action required
020010 - 021145	ALA4	Briefing on the legal consequences of repealing or not repealing the Order (LC Paper No. LS 86/02-03)	
021145 - 021310	Ms Emily LAU Ms Miriam LAU	Request for Administration's responses to the Assistant Legal Adviser's paper (LC Paper No. LS 86/02-03) Request for a breakdown of private cars registered by companies and individuals one week before the Budget Day and on number of cars registered by the same companies	Admin Admin
021310 - 021623	Chairman Ms Miriam LAU Mrs Selina CHOW Clerk	Date of next meeting	

Note: The audio records of the above proceedings are kept at the Legislative Council Library.

Council Business Division 1
Legislative Council Secretariat
 27 May 2003