

**STATEMENT ON THE PUBLIC REVENUE PROTECTION  
(Revenue Order 2003)  
From the  
MOTOR TRADERS ASSOCIATION OF HONG KONG  
31 MARCH 2003**

The Motor Traders' Association of Hong Kong, whose members account for 90% of new car sales in the SAR, is pleased to present its views before the Subcommittee on Public Revenue Protection (Revenue Order 2003).

In short, MTA supports this Order, and our concerns and views relate solely to the timely enforcement of the first registration tax for motor vehicles. We do, however, remain concerned over the proposed very high First Registration Tax rates which could deter new automotive purchases thereby reducing net tax revenues.

MTA members keenly support the Government's decision to create a simple and uniform basis for calculating the First Registration Tax on new motor vehicles. This Order provides that tax fees take immediate effect from the date of the budget speech, with the provision that they would be refundable if the bill to implement the tax change is not passed or is amended by the Legislative Council. We believe this is a fair and practical system.

Without this order, there would be an extended gap between the 5 March 2003 budget speech and the Legislative Council reading in which implementing legislation takes effect. MTA is adamant that such a gap would dislocate on the automotive market in Hong Kong opening opportunities for seriously deleteriously corrupt practices.

MTA gauged that such a period would encourage potential car buyers to advance their purchase, enjoying a lower tax and pre-empt the car market during this gap. This would also open to abuse by unscrupulous dealers.

As an example, MTA fears that any dealer could license unsold cars under a company name and enjoy the low tax rate during the "grace period". These cars would be stocked up and slowly supplied to the market over an extended period of time, defeating the objective of the budget proposal.

Clearly such a scenario subverts the very reasons why Government proposed new First Registration Tax language in the budget to begin with.

From the beginning, MTA members supported a level playing field for the entire motor trade in Hong Kong. We believe the new First Registration Tax proposals and this order provide this foundation.

We thank the Subcommittee for their consideration of MTA's views and welcome any further enquiries from Members.