

立法會
Legislative Council

LC Paper No. LS8/07-08

**Paper for the House Committee Meeting
on 2 November 2007**

**Legal Service Division Report on
Proposed Resolution under section 4(2) of the
Dutiable Commodities Ordinance (Cap. 109)**

The Secretary for the Environment (the Secretary) has given notice to move a motion under section 4(2) of the Dutiable Commodities Ordinance (Cap. 109) (the Ordinance) at the Council meeting on 14 November 2007.

2. Section 4(2) of the Ordinance provides that the Legislative Council may by resolution amend Schedule 1 and in particular, may amend it to impose any duty on any dutiable goods or any class of dutiable goods, and to impose new duties on any dutiable goods or class of dutiable goods.

3. The effect of the motion is to amend Part III of Schedule 1 to the Ordinance by:

- (a) reducing the duty on light diesel oil which complies with the Euro V Standard (Euro V diesel) to a concessionary rate of \$0.56 per litre from 1 December 2007 to 30 November 2009 (both dates inclusive). The duty will be at the rate of \$2.89 from 1 December 2009; and
- (b) including the technical specifications of Euro V diesel.

4. Euro V diesel is currently subject to the same time-limited concessionary duty rate as ultra-low sulphur diesel (ULSD), which is \$1.11 per litre, and is selling at the same retail price. The Administration plans to impose a lower time-limited concessionary duty rate of \$0.56 per litre on Euro V diesel from 1 December 2007 to 30 November 2009 (both dates inclusive) in order to provide incentive to increase both its demand and supply. The duty will be \$2.89 from 1 December 2009. The Administration will review this tax concession arrangement before making Euro V diesel the statutory standard for motor vehicle diesel in 2009.

5. According to the LegCo Brief on Dutiable Commodities Ordinance (Cap. 109) issued by the Environmental Protection Department in October 2007 (File Ref: EP11/VI/75 Annex 13) (the LegCo Brief) and the draft speech of the Secretary on the

proposed resolution (the draft speech), the Administration plans to start phasing out ULSD in favour of Euro V diesel and tighten the relevant standards in tandem with the European Union.

6. The Administration has consulted the oil companies on the proposal and expects that they should have no difficulty in increasing the supply of Euro V diesel. According to the LegCo Brief, it was stated that "In fact, they have already supplied 40% of motor vehicle diesel meeting the Euro V standard in the first eight months of this year.". The Administration expects that the community in general and the green groups will welcome the proposal. However, the transport trades are concerned about the retail prices of Euro V diesel even with the concessionary duty rate of \$0.56 per litre. The Environmental Protection Department has already followed up with the oil companies to encourage them to reflect the tax concession when pricing Euro V diesel, so as to benefit the general public as well as the relevant industries.

7. The proposal was raised at the meeting of the Panel on Environmental Affairs on 22 October 2007 when the Panel was briefed by the Secretary on the policy initiatives related to the environment portfolio in the Policy Address. While not opposing to the proposed concession to encourage the use of the more environment-friendly Euro V diesel, some members requested supplementary information on the price difference between ULSD and Euro V diesel, the cost to be borne by the drivers as a result the switch from ULSD to Euro V diesel, and the measures which the Administration would take to ensure that the concession would benefit the drivers direct instead of allowing profiteering by the oil companies. The Administration was requested to provide the required information before 7 November 2007.

8. No difficulties relating to the legal and drafting aspects of the proposed resolution have been identified.

Prepared by

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