

立法會
Legislative Council

LC Paper No. CB(2)1220/12-13
(These minutes have been seen
by the Administration)

Ref : CB2/BC/3/12

Bills Committee on Betting Duty (Amendment) Bill 2013

**Minutes of the meeting
held on Wednesday, 8 May 2013, at 8:45 am
in Conference Room 2A of the Legislative Council Complex**

Members present : Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon James TO Kun-sun
Hon Abraham SHEK Lai-him, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon IP Kwok-him, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon MA Fung-kwok, SBS, JP
Hon Martin LIAO Cheung-kong, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Public Officers attending : Item II

Ms Gracie FOO, JP
Deputy Secretary for Home Affairs

Ms Winnie TSE
Principal Assistant Secretary for Home Affairs

Ms Y Y TSE, JP
Assistant Commissioner
Inland Revenue Department

Mr HONG Wai-kuen
Senior Superintendent of Stamp Office
Inland Revenue Department

Mr Lawrence PENG
Senior Assistant Law Draftsman
Department of Justice

Ms Angie LI
Senior Government Counsel
Department of Justice

Clerk in attendance : Ms Alice LEUNG
Chief Council Secretary (2) 2

Staff in attendance : Mr Bonny LOO
Assistant Legal Adviser 3

Miss Josephine SO
Senior Council Secretary (2) 2

Miss Emma CHEUNG
Legislative Assistant (2) 2

Action

I. Election of Chairman

Mr James TO, the member who had the highest precedence in the Council among all members of the Bills Committee present, presided over the election of the Chairman.

2. Mr James TO invited nominations for the chairmanship of the Bills Committee. Mr Tommy CHEUNG was nominated by Mr Jeffrey LAM and the nomination was seconded by Mr Andrew LEUNG. Mr CHEUNG accepted the nomination. As there was no other nomination, Mr TO declared Mr Tommy CHEUNG elected as the Chairman of the Bills Committee.

II. Meeting with the Administration

(S/F(3) to HAB/CR 1/17/99, LC Paper Nos. CB(3)482/12-13, LS42/12-13 and CB(2)1092/12-13(02) to (05))

3. The Bills Committee deliberated (index of proceedings attached at **Annex**).

Declaration of interest

4. The Chairman reminded members that where a member of the Bills Committee considered that there might be concern about conflict of interest or conflict of roles in his discussion on a certain issue, he should make a declaration of the matter which was the cause for the concern. In accordance with Rule 83A of the Rules of Procedure, a member should not move any motion or amendment relating to or speak on a matter in which he had a pecuniary interest, whether direct or indirect, except where he had disclosed the nature of that interest.

5. The Chairman, Mr Abraham SHEK, Mr Jeffrey LAM, Mr Andrew LEUNG and Dr Hon LAM Tai-fai declared that they were voting members of the Hong Kong Jockey Club ("HKJC"). Mr Abraham SHEK also declared that he was a member of the Board of Directors of the Macau Jockey Club.

6. Mr James TO, Mr IP Kwok-him, Mr Alan LEONG, Mr Frankie YICK, Mr MA Fung-kwok and Ir Dr LO Wai-kwok declared that they were members of HKJC.

7. Mr Martin LIAO declared that he was a member of the Board of Stewards of HKJC.

Follow-up actions arising from the discussion

8. The Bills Committee noted that there were concerns in the community that a larger and more stable bet pool as a result of the implementation of outbound commingling arrangement on horse race betting would mean increased payout to Hong Kong bettors concerned, which might in turn increase the attractiveness of non-local races to Hong Kong bettors, enticing those Hong Kong bettors who were currently not interested in non-local races to also bet on such races. There were also concerns that the proposed inbound commingling arrangement might increase the odds on local horses, thus making the odds more attractive to local bettors. The Administration was requested to respond to the concerns and provide information on the basis of its

Action

assessment that the commingling arrangements would not encourage more people to gamble because of more attractive odds and higher payout.

Admin/HKJC

9. The Bills Committee also requested the Administration/HKJC to -

- (a) explain the benefits to be brought about to the community, the Government and HKJC by introducing the legislative amendments to the Betting Duty Ordinance (Cap. 108) ("BDO") to facilitate HKJC to conduct two-way commingling on horse race betting;
- (b) provide information (e.g. statistics and examples) to illustrate the different odds offered by HKJC and overseas betting conductors on the same races, and the problem of arbitrage activities in Hong Kong in the past two years;
- (c) advise whether the Administration had made any estimations on the existing size of offshore and illegal bookmaking activities and the amount of betting money on these activities that would be diverted back to HKJC upon enactment of the Betting Duty (Amendment) Bill 2013 as an Ordinance; and if yes, provide the relevant information;
- (d) provide information on (i) the background to the Government's adoption of progressive betting duty rates of 72.5% to 75% under the current betting duty system for horse race betting; (ii) the considerations and rationale for applying a flat betting duty rate at 72.5% to local bets on non-local races as proposed in the Bill; and (iii) the impact, if any, of such taxation adjustments on government revenue;
- (e) explain the rationale for fixing the guarantee period at three years rather than a longer duration, advise on the arrangement and provide revenue projections for future racing seasons after expiry of the three-year guarantee period to ensure/maintain a stable revenue for the Government from the racing business in the long run;
- (f) provide information on the average annual amount of net stake receipts arising from local bets on non-local races over a longer period, say, since 2006 when BDO was last amended; and

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- (g) respond to a query that commingling arrangements were not adopted by some overseas jurisdictions (e.g. between different states in Australia) and provide information on their considerations for not adopting such arrangements, if available.

10. Noting that according to HKJC's projection and assumptions based on the figures for the 2010-2011 racing season, its proposal of adopting a flat betting duty rate at 72.5% and reducing the tax base might lead to reduction in betting duty receipts for Hong Kong bets on non-local races by \$12 million, the Bills Committee requested the Administration/HKJC to -

Admin/HKJC

- (a) explain whether the decrease in betting duty receipts was due to the increasing royalty fees paid by HKJC to the non-local operators or bigger payout to bettors on non-local horse races;
- (b) provide information on the exact amount of royalty fees paid by HKJC to its non-local operators under the current simulcast arrangement, which was currently fixed at 1.5% of the local turnovers for the bet type and race concerned and anticipated to be increased to some 3% in future; and
- (c) advise on the consequences if no financial relief was provided to HKJC in relation to the anticipated increase in royalty fees as referred to in sub-paragraph (b) above, e.g. whether it would impact on HKJC's capacity in carrying out charitable work.

III. Any other business

Meeting schedule

11. Members agreed to schedule the next two meetings of the Bills Committee as follows -

- (a) 15 May 2013 (Wednesday) from 8:45 am to 10:30 am; and
- (b) 27 May 2013 (Monday) from 4:30 pm to 6:30 pm.

12. Members also agreed that representatives of HKJC should be invited to the next meeting on 15 May 2013 to explain and provide more

Action

Clerk

detailed information on various issues raised by members relating to the Bill. The Clerk would write to HKJC to invite their representatives to the meeting.

Invitation for public views

13. Members agreed to receive public views on the Bill at the meeting scheduled for Monday, 27 May 2013. Members further agreed to post a general notice on the Legislative Council website to invite views from the public and invite the Betting and Lotteries Commission as well as the 18 District Councils to submit their views on the Bill.

14. There being no other business, the meeting ended at 10:23 am.

Council Business Division 2
Legislative Council Secretariat
28 May 2013

**Proceedings of the meeting of the
Bills Committee on Betting Duty (Amendment) Bill 2013
on Wednesday, 8 May 2013, at 8:45 am
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action Required
000105 - 000234	Mr James TO Mr Jeffrey LAM Mr Tommy CHEUNG	Election of Chairman	
000235 - 000624	Chairman Mr Abraham SHEK Mr Andrew LEUNG Mr Jeffrey LAM Mr IP Kwok-him Mr James TO Mr Frankie YICK Ir Dr LO Wai-kwok Mr Martin LIAO Mr MA Fung-kwok Mr Alan LEONG	Chairman's opening remarks Declaration of interest	
000625 - 001740	Chairman Admin	Briefing by the Administration on the Betting Duty (Amendment) Bill 2013 ("the Bill") - the Legislative Council ("LegCo") Brief (S/F(3) to HAB/CR 1/17/99) and the speaking note of the Deputy Secretary for Home Affairs tabled at the meeting (LC Paper No. CB(2)1102/12-13(01)).	
001741 - 002513	Chairman Mr MA Fung-kwok Admin	Mr MA Fung-kowk's concern about whether the proposed commingling arrangement would encourage the growth of gambling culture and enquiries about places of the host countries of non-local races simulcast by the Hong Kong Jockey Club ("HKJC") at present, the existing scale and broadcasting arrangement in respect of non-local simulcast races and the profile of Hong Kong people who were interested in and would place bets on non-local races simulcast by HKJC.	
002514 - 002955	Chairman Mr James TO Admin	Mr James TO's suggestion that the Bills Committee should hold a public hearing on the Bill. Mr James TO's query about the justifications for taking forward the legislative proposal and concern whether a larger bet pool as a result of the	

Time marker	Speaker	Subject(s)	Action Required
		<p>implementation of the commingling arrangement on horse race betting would mean increased payout to Hong Kong bettors, thereby increasing the attractiveness of horse races and leading to a heightened gambling atmosphere in Hong Kong.</p> <p>The Administration's explanation on its considerations in accepting HKJC's proposal of adopting a flat betting duty rate at 72.5% on the net stake receipts of local bets on non-local races (paragraph 16 of the LegCo Brief). It was pointed out that horse race betting was conducted predominantly on a pari-mutuel basis, and pari-mutuel betting meant betting on the terms that any dividend payable on a bet depended on the respective shares of all winning bettors in the total amount of dividends available.</p>	
002956 - 003936	Chairman Mr Martin LIAO Mr James TO Mr Abraham SHEK Mr Alan LEONG	<p>Discussion on the need to hold a meeting to receive public views on the Bill, the schedule of meetings and the date to meet with deputations.</p> <p>Members' agreement to Mr Alan LEONG's suggestion of inviting representatives of HKJC to the next Bills Committee meeting to explain and provide more detailed information on various issues raised by members relating to the Bill.</p>	
003937 - 004254	Chairman Mr James TO Admin	<p>Mr James TO's enquiry on whether the anticipated decrease in betting duty receipts for Hong Kong bets on non-local races (i.e. \$12 million, as projected and estimated by HKJC based on the relevant figures for the 2010-2011 racing season) was due to the increasing royalty fees paid by HKJC to the non-local operators or bigger payout to bettors on non-local horse races.</p>	<p>Admin/HKJC to provide a response/ information (para. 10(a) of the minutes refers)</p>
004255 - 004515	Chairman Mr Jeffrey LAM Admin	<p>Mr Jeffrey LAM's enquiry and the Administration's explanation on the betting duty arrangement under the proposed commingling arrangements and the existing/future publicity arrangement for non-local simulcast races.</p>	

Time marker	Speaker	Subject(s)	Action Required
004516 - 005020	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing's request for information (e.g. statistics and examples) on the problem of arbitrage activities in Hong Kong in the past two years, and enquiry about the rationale for fixing the guarantee period at three years rather than a longer duration as well as the arrangement and revenue projections for future racing seasons after expiry of the three-year guarantee period to ensure/maintain a stable revenue for the Government from the racing business in the long run.</p> <p>The Administration's explanation on the relevant licensing conditions for HKJC to accept bets of Hong Kong bettors on non-local simulcast races, which was capped at 10 races on local race days and 15 simulcast days on non-local race days for each racing season. Approval of LegCo would not be required should changes be introduced to the licensing conditions.</p>	Admin/HKJC to provide information (para. 9(b) & 9(e) of the minutes refer)
005021 - 005750	Chairman Mr Abraham SHEK Admin	<p>Mr Abraham SHEK's declaration of interest</p> <p>Mr Abraham SHEK's enquiry and the Administration's explanation on how to determine the quantum for the proposed guarantee.</p> <p>Mr Abraham SHEK's enquiry on the benefits to be brought about to the community, the Government and HKJC by introducing the legislative amendments to the Betting Duty Ordinance (Cap. 108) ("BDO") to facilitate HKJC to conduct two-way commingling on horse race betting, and the justifications for taking forward the legislative proposal.</p> <p>Mr Abraham SHEK's request for information about (i) the background to the Government's adoption of progressive betting duty rates of 72.5% to 75% under the current betting duty system for horse race betting; (ii) the considerations and rationale for applying a flat betting duty rate at 72.5% to local bets on non-local races as proposed in the Bill; and (iii) the impact, if any, of such taxation adjustments on government revenue.</p>	<p>Admin/HKJC to provide a response/ information (para. 9(a) of the minutes refers)</p> <p>Admin/HKJC to provide a response/ information (para. 9(d) of the minutes refers)</p>

Time marker	Speaker	Subject(s)	Action Required
005751 - 010625	Chairman Mr Martin LIAO	Mr Martin LIAO's elaboration on his understanding about (i) the objective of the Bill, (ii) the implementation details of two-way commingling arrangements on horse race betting and (iii) the pari-mutuel betting system whereby punters' winnings were determined by the total amount of bets and their respective shares in the total.	
010626 - 011330	Chairman Mr James TO Admin	<p>Mr James TO's enquiry on -</p> <p>(a) whether commingling arrangements were not adopted by some overseas jurisdictions (e.g. between different states in Australia) and why these jurisdictions did not adopt such arrangements;</p> <p>(b) the exact amount of royalty fees paid by HKJC to its non-local operators under the current simulcast arrangement, which was currently fixed at 1.5% of the local turnovers for the bet type and race concerned and anticipated to be increased to some 3% in future;</p> <p>(c) the rationale for applying a flat betting duty rate at 72.5% to local bets on non-local races as proposed in the Bill; and</p> <p>(d) the consequences of not providing financial relief to HKJC in relation to the anticipated increase in royalty fees from 1.5% to 3%.</p>	Admin/HKJC to provide a response/ information (para. 9(d), 9(g), 10(b) & 10(c) of the minutes refer)
011331 - 011959	Chairman Dr LAM Tai-fai Admin	<p>Dr LAM Tai-fai's declaration of interest</p> <p>While expressing support for any measures that would be effective in combating offshore and illegal bookmaking activities, Dr LAM Tai-fai was concerned about whether a larger bet pool as a result of the implementation of outbound commingling arrangement on horse race betting would mean more attractive odds and higher payout to Hong Kong bettors concerned, thereby increasing the attractiveness of non-local races and leading to a heightened gambling atmosphere in Hong Kong. He also expressed concerns</p>	Admin to provide a response (para. 8 of the minutes refers)

Time marker	Speaker	Subject(s)	Action Required
		<p>about the proposed inbound commingling arrangement as to whether it might increase the odds on local horses.</p>	
012000 - 013214	<p>Chairman Mr Abraham SHEK Admin Dr LAM Tai-fai Mr Martin LIAO</p>	<p>Mr Abraham SHEK reiterated his concern about the Administration's considerations and rationale for not applying the current taxation structure which levied progressive betting duty rates of 72.5% to 75% on local bets placed on non-local horse races but instead proposing to charge a betting duty at a flat rate of 72.5%.</p> <p>Members' agreement for inviting HKJC to the next Bills Committee meeting, and request for the Administration's/HKJC's early provision of information/response to the issues/questions raised by members.</p>	
013215 - 013658	<p>Chairman Mr Martin LIAO Admin Dr LAM Tai-fai</p>	<p>The Administration's explanation on the current betting duty system stipulated in BDO for horse race betting and the circumstances under which the progressive rates of 72.5% to 75% were applied. In the Administration's views, it was not unreasonable to adopt a flat betting duty rate for local bets on non-local races and for such purpose to charge a flat betting duty rate at 72.5% as, according to HKJC's figures, the annual amount of net stake receipts arising from local bets on non-local races was around \$240 million on average in the last three racing seasons, falling within the tax band for the first \$11 billion of net stake receipts where the lowest duty rate (i.e. 72.5%) was applicable.</p>	
013659 - 013826	<p>Chairman Mr WU Chi-wai Admin</p>	<p>Mr WU Chi-wai's request for information on -</p> <p>(a) the average annual amount of net stake receipts arising from local bets on non-local races over a longer period, say, since 2006 when BDO was last amended; and</p> <p>(b) whether the Administration had made any estimations on the existing size of offshore and illegal bookmaking activities and the amount of betting money on these activities that would be</p>	<p>Admin/HKJC to provide a response (para. 9(c) and 9(f) of the minutes refer)</p>

Time marker	Speaker	Subject(s)	Action Required
		diverted back to HKJC if two-way commingling on horse race betting was implemented.	
013827 - 013938	Chairman	The Chairman's closing remarks	

Council Business Division 2
Legislative Council Secretariat
28 May 2013