

立法會
Legislative Council

LC Paper No. CB(2)1264/12-13
(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, 15 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 I

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

Attendance : Item I
by invitation

Hong Kong Jockey Club

Mr Henry CHAN
Executive Director (Strategic Business Development)

Mr William NADER
Executive Director (Racing)

Mr Kim MAK
Executive Director (Corporate Affairs)

Mr Albert CHAN
Executive Manager (External Relations)

Ms Felicity LIU
Principal Financial Specialist

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

Staff in : Mr Bonny LOO
attendance Assistant Legal Adviser 3

Miss Josephine SO
Senior Council Secretary (2) 2

Miss Emma CHEUNG
Legislative Assistant (2) 2

I. Meeting with the Administration and the Hong Kong Jockey Club

(LC Paper Nos. CB(2)1123/12-13(01) to (03) and CB(2)1145/12-13(01))

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

Declaration of interest

2. 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.

3. The Chairman and Mr Abraham SHEK declared that they were voting members of the Hong Kong Jockey Club ("HKJC"). Mr SHEK also declared that he was a member of the Board of Directors of the Macau Jockey Club.

4. Mr IP Kwok-him, Mr MA Fung-kwok and Ir Dr LO Wai-kwok declared that they were members of HKJC.

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

Follow-up actions arising from the discussion

6. Members, including Mr Abraham SHEK, Mr WU Chi-wai and Mr Christopher CHUNG, expressed concerns that HKJC's annual turnover and net stake receipts arising from local bets on non-local races might, as a result of an outbound commingling arrangement, increase substantially to such an extent that the net stake receipts subject to betting duty would exceed the first tax band under the current progressive duty system (i.e. \$11 billion) where the lowest duty rate (i.e. 72.5%) was applicable. The proposal of adopting a flat betting duty rate at 72.5% under the proposed betting duty arrangement for Hong Kong bets on non-local races might cause revenue loss for the Government in the long term. The Administration/HKJC was requested to respond to the above concerns and advise whether any estimation had been made on HKJC's annual turnover and net stake receipts of local

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bets on non-local races for a longer term (i.e. beyond the next three racing seasons) after the implementation of outbound commingling.

Admin

7. Mr Abraham SHEK and Mr Christopher CHUNG requested that the Administration should review, before expiry of the proposed three-year guarantee period, the proposal of charging a flat betting duty rate at 72.5% as well as HKJC's liability to pay betting duty of no less than \$175 million per year (i.e. the guaranteed amount) for three years after implementation of the new betting duty structure for local bets on non-local races. Ir Dr LO Wai-kwok also considered it appropriate to conduct such a review. The Administration was requested to provide a response to these members' request.

Admin

8. The Bills Committee requested the Administration to provide -

- (a) information on consultation with the Legislative Council and the public carried out by the Administration concerning the proposal of increasing the total number of simulcasts of non-local race to 10 races on local race days and 15 simulcast days on non-local race days in each racing season as well as the Administration's considerations in introducing such changes in 2009; and
- (b) the rationale and justifications behind the Administration's decision to provide HKJC with financial relief in respect of the simulcast of non-local horse races. Under the proposal, any extra amount (e.g. product/royalty fees) payable by HKJC for the rights to use sounds, visual images and/or other information relating to the non-local race and to conduct betting on the race in Hong Kong that exceeded 1.5% of the total amount of local bets accepted on the race would be deducted from the net stake receipts in calculating the amount of betting duty payable on the local bets placed on the race.

HKJC

9. The Bills Committee also requested HKJC to explain how the product/royalty fees were determined and charged, whether they were payable at a fixed rate or at a floating rate and to whom those fees were to be paid.

HKJC

10. Members noted the examples illustrating odds differences for the same horse (of the same bet type) in the same race provided by HKJC in its written response dated 13 May 2013 (LC Paper No. CB(2)1123/12-13(03)). In respect of each race cited in the examples, HKJC was requested to provide further information on the following -

Action

- (a) the respective size of the betting pools managed by HKJC and the relevant non-local operator(s);
- (b) the product/royalty fees paid by HKJC to non-local operators to bring non-local races to Hong Kong and the product/royalty fees received from non-local operators for broadcasting local races outside Hong Kong, expressed in money terms and as a percentage of the turnover; and
- (c) dividends, the total race prize money and the prize money for individual winning horses.

HKJC

11. The Bills Committee further requested HKJC to provide information in respect of local horse races and simulcast non-local races for the years 2009-2010, 2010-2011 and 2011-2012 on: (a) annual turnover; (b) net stake receipts; (c) betting duty paid to the Government; (d) HKJC's net margin after payment of dividends to bettors and betting duty to the Government; (e) operating costs; and (f) charitable donations.

II. Any other business

Dates of future meetings

12. The Chairman reminded members that the next meeting of the Bills Committee would be held on Monday, 27 May 2013, at 4:30 pm to meet with deputations and the Administration. The Chairman added that the Bills Committee would also continue the discussion with HKJC at the next meeting on issues arising from the discussion at this meeting.

13. Members agreed to schedule two meetings in early June 2013 as follows -

- (a) 3 June 2013 (Monday) from 10:45 am to 12:45 pm; and
- (b) 11 June 2013 (Tuesday) from 10:45 am to 12:45 pm.

14. There being no other business, the meeting ended at 10:30 am.

**Proceedings of the meeting of the
Bills Committee on Betting Duty (Amendment) Bill 2013
on Wednesday, 15 May 2013, at 8:45 am
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action Required
000132 - 000314	Chairman	The Chairman's opening remarks	
000315 - 002037	Chairman Admin Hong Kong Jockey Club ("HKJC")	HKJC's response to issues/questions raised by members at the meeting on 8 May 2013 (LC Paper Nos. CB(2)1123/12-13(03) and CB(2)1145/12-13(01))	
002038 - 002307	Chairman Mr Abraham SHEK Mr IP Kwok-him Mr MA Fung-kwok Ir Dr LO Wai-kwok Mr Martin LIAO	Declaration of interest	
002308 - 002749	Chairman Mr Abraham SHEK Admin	Mr Abraham SHEK's expression of support for any measures that could help combat offshore and illegal bookmaking activities and request that the Administration should review, before expiry of the proposed three-year guarantee period, the proposal of charging a flat betting duty rate at 72.5% as well as HKJC's liability to pay betting duty of no less than \$175 million per year (i.e. the guaranteed amount) for three years after implementation of the new betting duty structure for local bets on non-local races.	Admin to provide a response (para. 7 of the minutes refers)
002750 - 003613	Chairman Mr Christopher CHUNG Admin HKJC	Mr Christopher CHUNG's expression of similar view with Mr Abraham SHEK on the need to conduct a review on the proposed new betting duty structure for local bets on non-local races before expiry of the proposed three-year guarantee period. Mr Christopher CHUNG's request for information from HKJC in respect of local horse races and simulcast non-local races for the years 2009-2010, 2010-2011 and 2011-2012 on: (a) annual turnover; (b) net stake receipts; (c) betting duty paid to the Government; (d) HKJC's net margin after payment of dividends to bettors and betting duty to the Government; (e) operating costs; and (f) charitable donations.	Admin to provide a response (para. 7 of the minutes refers) HKJC to provide information (para. 11 of the minutes refers)

Time marker	Speaker	Subject(s)	Action Required
		<p>HKJC's explanation that the turnover of local bets on non-local races in the past three years could reflect the situation after the implementation of outbound commingling arrangement. Therefore, in its view, local betting turnover on non-local races for future racing seasons should be stable. The agreement with the Government on the proposed guaranteed amount of betting duty of no less than \$175 million per year for the three-year guarantee period was based on the average of the betting duty receipts on non-local horse races simulcast by HKJC in the past three years as a reference for the next three years.</p>	
003614 - 004053	<p>Chairman Mr IP Kwok-him HKJC</p>	<p>Mr IP Kwok-him's concerns as to whether the proposed commingling arrangement would increase the attractiveness of non-local races to Hong Kong bettors, enticing those Hong Kong bettors currently not interested in non-local races to also bet on such races; and whether HKJC's annual turnover and net stake receipts arising from local bets on non-local races might, in the end, increase substantially.</p> <p>Mr IP Kwok-him's enquiry and HKJC's explanation on how commingling could help reduce the possibility of illegal bookmakers taking advantage of arbitrage of odds differences due to the existence of multiple separate pools in various jurisdictions.</p>	
004054 - 005254	<p>Chairman Mr WU Chi-wai Admin HKJC</p>	<p>Mr WU Chi-wai's enquiry and HKJC's explanation on the substantial increase in HKJC's annual turnover and net stake receipts arising from local bets on non-local races since the 2009-2010 racing season.</p> <p>Mr WU Chi-wai's request for information on the Administration's consultation with the Legislative Council and the public concerning the proposal of increasing the total number of simulcasts of non-local race to 10 races on local race days and 15 simulcast days on non-local race days in each racing season, as well as its considerations in introducing such changes in 2009.</p>	<p>Admin to provide the information (para. 8(a) of the minutes refers)</p>

Time marker	Speaker	Subject(s)	Action Required
005255 - 010754	Chairman Mr MA Fung-kwok Admin HKJC	<p>Mr MA Fung-kwok's enquiry on how the product/royalty fees were determined and charged, whether they were payable at a fixed rate or at a floating rate and to whom those fees were to be paid.</p> <p>Mr MA Fung-kwok's further enquiry about the rationale and justifications behind the Administration's decision to provide HKJC with financial relief in respect of the simulcast of non-local horse races such that any extra amount (e.g. product/royalty fees) payable by HKJC for the rights to use sounds, visual images and/or other information relating to the non-local race and to conduct betting on the race in Hong Kong that exceeded 1.5% of the total amount of local bets accepted on the race would be deducted from the net stake receipts in calculating the amount of betting duty payable on the local bets placed on the race.</p> <p>The Administration's explanation that the Government's support for outbound commingling arrangement was from the perspective of combating illegal gambling. The purpose of providing HKJC with a certain degree of financial relief was to enable it to maintain its conduct of authorized betting on non-local races, which was essential for the materialization of two-way commingling arrangement. Its further explanation on the objective of requiring HKJC to pay a sum of no less than \$175 million per year as the guaranteed amount of betting duty on non-local races, and how the quantum and duration for which was determined.</p> <p>HKJC's explanation on the financial implications and consequences if no financial relief was provided to HKJC in relation to the anticipated increase in product/royalty fees payable to non-local operators for the simulcast in Hong Kong of non-local races.</p>	<p>HKJC to provide information (para. 9 of the minutes refers)</p> <p>Admin to provide the information (para. 8(b) of the minutes refers)</p>

Time marker	Speaker	Subject(s)	Action Required
010755 - 011801	Chairman Ir Dr LO Wai-kwok HKJC	<p>Ir Dr LO Wai-kwok's concurrence with the view that it was appropriate to conduct a review on the proposed new betting duty structure for local bets on non-local races before expiry of the proposed three-year guarantee period.</p> <p>Ir Dr LO Wai-kwok's request for further information on the respective size of the betting pools managed by HKJC and the relevant non-local operator(s) in respect of the races cited in the examples given by HKJC.</p>	HKJC to provide the information (para. 10(a) of the minutes refers)
011802 - 012423	Chairman Mr Martin LIAO HKJC	Mr Martin LIAO's enquiries and HKJC's explanation on difficulties encountered in HKJC's negotiations with non-local operators on two-way commingling arrangement, and HKJC's advice on its considerations in deciding whether to simulcast a non-local race.	
012424 - 013228	Chairman Mr MA Fung-kwok HKJC	<p>Mr MA Fung-kwok's queries about the effectiveness of the implementation of two-way commingling arrangement in combating illegal gambling, and the rationale and justifications behind the Administration's decision of providing HKJC with financial relief in respect of the simulcast of non-local horse races.</p> <p>HKJC's explanation on the objective that it wished to achieve by simulcasting major/important international races.</p>	Admin to provide the information (para. 8(b) of the minutes refers)
013229 - 013748	Chairman Mr Christopher CHUNG HKJC	Mr Christopher CHUNG's enquiry whether any estimation had been made on HKJC's annual turnover and net stake receipts of local bets on non-local races for a longer term (i.e. beyond the next three racing seasons) after the implementation of outbound commingling. He reiterated his concern that the proposal of adopting a flat betting duty rate at 72.5% under the proposed betting duty arrangement for Hong Kong bets on non-local races might cause revenue loss for the Government in the long term, which signified a need for review.	Admin/HKJC to provide a response (para. 6 of the minutes refers)

Time marker	Speaker	Subject(s)	Action Required
013749 - 014300	Chairman Mr Abraham SHEK HKJC	Mr Abraham SHEK's request for information on the respective size of the betting pools managed by HKJC and the relevant non-local operator(s) in respect of the races cited in the examples given by HKJC.	HKJC to provide the information (para. 10(a) of the minutes refers)
014301 - 014429	Chairman Mr MA Fung-kwok	Mr MA Fung-kwok's request for HKJC's provision of information on (i) the product/royalty fees paid by HKJC to non-local operators to bring non-local races to Hong Kong and the product/royalty fees received from non-local operators for broadcasting local races outside Hong Kong, expressed in money terms and as a percentage of the turnover; and (ii) dividends, the total race prize money and the prize money for individual winning horses.	HKJC to provide the information (para. 10(b) and 10(c) of the minutes refer)
014430 - 014602	Chairman	Dates of future meetings	