

Bills Committee on Betting Duty (Amendment) Bill 2013

**List of follow-up actions arising from the discussion
at the meeting on 15 May 2013**

1. Concerns were raised that the Hong Kong Jockey Club ("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 bets on non-local races for a longer term (i.e. beyond the next three racing seasons) after the implementation of outbound commingling.
2. Some members strongly 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. The Administration was requested to provide a response to these members' request.
3. The Administration was also requested 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 overseas 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. licence 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 exceeds 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.

4. HKJC was requested 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.

5. 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:

- (a) the respective size of the betting pools managed by HKJC and the relevant overseas operator(s);
- (b) the product/royalty fees paid by HKJC to overseas operators to bring overseas races to Hong Kong and the product/royalty fees received from overseas 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.

6. HKJC was requested to provide information on the following in respect of local horse races and simulcast non-local races for the years 2009-2010, 2010-2011 and 2011-2012: (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.