

LC Paper No. CB(2)1174/12-13(19)

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23 May 2013

Legislative Council Secretariat
Council Business Division 2
Legislative Council Complex
1 Legislative Council Road
Central Hong Kong
(Attn: Ms Alice Leung)

Dear Ms Leung,

Bills Committee on Betting Duty (Amendment) Bill 2013

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

I refer to your letter of 20 May 2013. Our reply to your letter is set out below.

Paragraph 1

As pointed out in the Administration's written response dated 14 May 2013 [LC Paper No. CB(2)1123/12-13(02)], according to the figures provided by the Hong Kong Jockey Club (HKJC), the annual amount of net stake receipts arising from local bets on non-local races is 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%) is applicable.

We note that the turnover of local bets on non-local races is determined by a basket of uncontrollable factors such as the economic situation. As such, it would be difficult to make accurate projection of the

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annual turnover and net stake receipts of local bets on non-local races after the expiry of the three-year guarantee period. Having considered the actual amount of net stake receipts generated from local bets on non-local races, we consider that it is reasonable to pitch the relevant flat rate at 72.5%.

Paragraph 2

We are considering Members' request.

Paragraph 3(a)

In 2009, the Government consulted the Betting and Lotteries Commission (BLC) on the proposal of increasing the number of simulcast days amongst other proposals concerning horse race betting. To gauge public views, BLC invited public views and received written submission from over 70 organisations and over 80 individuals. Furthermore, representatives of 35 organisations and 14 individuals attended a special meeting held by BLC for the purpose for collecting public views. The proposal of increasing the number of simulcast days, amongst other proposals concerning horse race betting, together with the views gathered by the BLC were also circulated to District Councils. In July 2009, the Government presented to the Legislative Council Panel on Home Affairs its considerations vide LC Paper No. CB(2)2110/08-09(01).

Paragraph 3(b)

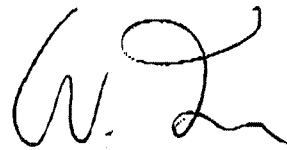
As pointed out in the relevant Legislative Council Brief, the Government supports commingling arrangements from the perspective of discouraging offshore and illegal bookmaking activities. From the perspective of a horse race betting regulator, the Government also accepts the HKJC's proposition that two-way commingling of horse racing should be pursued so as to align with international practice of reciprocity and fair trade. Noting the HKJC's claim that the current simulcast arrangement on non-local races is financially unsustainable due to increasing royalty fees payable to non-local operators from 1.5% to some 3% of the local turnovers concerned, the Administration is therefore prepared to provide a limited degree of financial relief to the HKJC such that it could maintain its conduct of authorized betting on prestigious non-local races, which is essential for the materialization of two-way commingling arrangement. The proposed relief measure is, for accepting local bets on non-local races under either the simulcast arrangement or the new two-way commingling arrangement in future, if the amount of fees payable by the HKJC to the non-local operators is higher than the current level (i.e. 1.5% of the local turnovers concerned),

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the excess amount should be deducted from the net stake receipts in calculating the amount of betting duty to be charged on the local bets placed on such non-local races.

We understand that other follow-up questions will be addressed by the HKJC separately.

Yours sincerely,



(Miss Winnie Tse)
for Secretary of Home Affairs

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