

Written response to the Bills Committee

We note the suggestion of a Bills Committee Member 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 the Hong Kong Jockey Club (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. Another Member suggested that a report by the Administration or HKJC would be acceptable.

The turnover of local bets on non-local races is determined by a basket of uncontrollable factors such as the economic situation. 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%.

Upon implementation of the new two-way commingling arrangement, the Administration will monitor the turnover of local bets on non-local races as well as the amount of net stake receipts and betting duty receipts so generated for each racing season. The purpose is to assess whether the charging of the flat betting duty rate at 72.5% and the annual guaranteed amount of \$175 million for horse racing seasons from 2013/14 to 2015/16 are appropriate.

We will report the matter to the relevant Panel of the Legislative Council as appropriate.