

## **LEGISLATIVE COUNCIL BRIEF**

### **Betting Duty Ordinance (Chapter 108)**

## **BETTING DUTY (AMENDMENT) BILL 2013**

### **INTRODUCTION**

At the meeting of the Executive Council on 9 April 2013, the Council ADVISED and the Chief Executive ORDERED that the Betting Duty (Amendment) Bill 2013 (“the Bill”), at **Annex**, should be introduced into the Legislative Council (“LegCo”). The Bill seeks to amend the Betting Duty Ordinance (Cap. 108) (“BDO”) so that –

- (a) the current betting duty structure will cease to be applicable to non-local bets placed on horse races held in Hong Kong; and
- (b) a new betting duty structure would be put in place and be applicable to authorized betting conducted in Hong Kong on horse races held outside Hong Kong.

### **JUSTIFICATIONS**

#### **Horse race betting**

2. In accordance with section 6GB of the BDO, the Secretary for Home Affairs (“SHA”) may, by issuing a licence to a company, authorize the company to conduct betting on horse races. Under the prevailing Licence for Horse Race Betting, the Hong Kong Jockey Club (“HKJC”) Horse Race Betting Limited as the only licenced horse race betting conductor in Hong Kong may conduct betting on both local and simulcast horse races.

3. According to the prevailing norm and practice in the racing industry, a local betting pool may be managed by a horse race betting conductor as a “separate pool”. If the local and non-local betting pools

concerned are managed as a “commingled pool”, the participating jurisdictions follow the same dividend distribution rates for the bet type(s) concerned. This would reduce the possibility of illegal bookmakers taking advantage of arbitrage of odds differences as a result of the existence of multiple separate pools in various jurisdictions in respect of the same bet type on the same race, thus discouraging off-shore and illegal bookmaking activities. The size of bets in a commingled pool is typically larger than that in a separate pool, thus offering more stable odds to bettors.

### **Inbound commingling**

4. Local horse races are conducted by the HKJC on a maximum of 83 days within a racing season. The HKJC accepts bets placed by bettors in Hong Kong on such local races and manages these bets under a separate pool. Under the existing BDO, betting duty is levied on such local bets based on the progressive betting duty rates<sup>1</sup>. For some local races which have been broadcast outside Hong Kong, the HKJC may also arrange the local bets and the non-local bets in respect of the same bet type on the same local race(s) to be managed as a commingled pool under its management. Under this arrangement which is referred to as the inbound commingling arrangement, both the local bets and the non-local bets are subject to betting duty charged at the progressive betting duty rates but a discount rate<sup>2</sup> for the non-local bets is stipulated in the BDO.

5. According to the prevailing international norm and practice, betting duty would only be levied at source (i.e. by the jurisdiction where the bet is made). In other words, betting duty would not be charged on the non-local bets even if they are arranged to be managed in a commingled pool. In this regard, our practice of levying betting duty on non-local bets as described in paragraph 4 above is not in line with the international norm and results in such non-local bets being doubly taxed by both the non-local jurisdiction (i.e. tax at source) and Hong Kong. This has made inbound commingling arrangement unattractive to non-local betting conductors<sup>3</sup> and hence they opt for separate non-local pool arrangements domestically in respect of Hong

---

<sup>1</sup> Under the current betting duty system for horse race betting, progressive rates of 72.5% to 75% specified in Schedule 1 to the BDO are applied to the net stake receipts derived from the conduct of authorized betting by the HKJC in Hong Kong on local races.

<sup>2</sup> A discount rate as specified in Schedule 2 to the BDO may be further applied to the progressive betting duty rates as specified in Schedule 1 to the BDO.

<sup>3</sup> The only jurisdiction which maintained an inbound commingling arrangement with the HKJC has terminated the arrangement from the 2012/13 racing season onwards.

Kong races. For such separate pool arrangements, the Government charges profits tax under the Inland Revenue Ordinance (Cap. 112) (“IRO”) on the HKJC’s royalty income for “exporting” local horse races to other jurisdictions.

### *Proposal*

6. To address the situation, the HKJC proposes improvements to the betting duty regime of Hong Kong so as to bring it on par with the prevailing international norm and practice, that is, to levy betting duty only at source. In other words, the HKJC proposes to amend the BDO to the effect that no betting duty will be levied on the non-local bets managed in the HKJC’s commingled pool. Under the revised arrangement in future, the HKJC’s shares of gross margin arising from the inbound commingling arrangement would be subject to profits tax charged in accordance with the IRO after deducting operating cost and deductible expenditure, same as the existing treatment for the HKJC’s other profits like royalty income.

### *The Administration’s Considerations*

7. The Government considers that the HKJC’s proposed adjustments to the betting duty regime are essential to facilitate more inbound commingling activities. Besides the merits as described in paragraph 3 above, more inbound commingling activities would mean more “exports” of Hong Kong’s world class races. This would enable the HKJC to raise its international and regional profile. Introducing these prestigious races of Hong Kong to other jurisdictions could also enhance the exposure of local jockeys and horses, which could in turn enhance their competitiveness on the international front. From the perspective of regulating gambling opportunities, no additional gambling opportunities will be introduced to Hong Kong as a result of the proposed adjustments to the betting duty regime. Therefore, the proposal is in line with the long-standing gambling policy that gambling activities should be restricted to a limited number of authorized gambling channels and the objective of authorizing gambling outlets to combat illegal gambling activities.

8. From the Government’s fiscal perspective, given that all non-local bets on Hong Kong races are now placed in separate pools managed by the non-local betting conductors and hence the Government currently receives no betting duty from the inbound commingling arrangement, the HKJC’s proposed elimination of the betting duty on non-local bets under the inbound

commingling arrangement should not have any material impact on government revenue.

9. Given the above considerations, the Government has no difficulty with the HKJC's proposed inbound commingling arrangement as set out in paragraph 6 above.

### *Legislative amendment*

10. The calculation basis for horse race betting duty levied on bets placed on local races as well as the mathematical formula for the calculations provided in the BDO will require amendments. The current provisions relevant to bets accepted outside Hong Kong will be removed.

### **Outbound commingling**

11. The HKJC has been accepting bets of Hong Kong bettors on some prestigious non-local races<sup>4</sup> and managing such local bets in separate pools, under an arrangement known as the simulcast arrangement. The Government receives betting duty on these separate pools of local bets in the same manner as local bets placed on local races in accordance with the BDO.

12. If these local bets from Hong Kong bettors placed on non-local races are managed in a commingled pool together with other non-local bets accepted by a non-local horse race betting conductor in respect of the same bet type of the same non-local race, the arrangement is called the outbound commingling arrangement. Currently, the BDO does not provide for a separate and specific betting duty structure for the purpose of levying betting duty on local bets that are handled in an outbound commingled pool. If the HKJC were to accept local bets under an outbound commingling arrangement, such bets would be subject to the progressive betting duty rates stipulated in Schedule 1 to the BDO.

13. While pursuing inbound commingling with the non-local jurisdictions, they would expect Hong Kong to offer outbound commingling as a total package (i.e. allowing both outbound and inbound commingling). This type of reciprocal arrangement is a common "free trade" practice worldwide. However, in the absence of a specific betting duty structure for

---

<sup>4</sup> The quota for such simulcast races on which the HKJC may accept bets is capped at 10 falling on local race days and that for simulcast days is capped at 15 on non-local race days for each racing season.

the outbound commingling arrangement, the current progressive betting duty rates would create uncertainty for the HKJC's negotiations with the non-local jurisdictions. In reality, no outbound commingling arrangement has ever been carried out by the HKJC. This is one of the reasons leading to the diminution of inbound commingling activities.

### *Proposal*

14. For a larger degree of certainty in negotiating with the non-local jurisdictions, the HKJC proposes that instead of applying the current progressive betting duty rates of 72.5% to 75% on the net stake receipts of local bets on non-local races, the Government should charge a flat betting duty rate at 72.5% (regardless of whether the local bets on non-local races are managed in a separate pool or an outbound commingled pool). The HKJC also proposes that for betting duty calculation, a certain percentage of the fees to be paid by the HKJC to the non-local operators concerned for the purpose of the HKJC's conduct of authorized betting on such non-local races in Hong Kong should be deducted<sup>5</sup>.

### *The Administration's Considerations*

15. From the perspective of a horse race betting regulator, the Government 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. For reasons explained in paragraph 3 above, the Government supports outbound commingling arrangements from the perspective of combating illegal gambling. There may be concerns that a larger and more stable bet pool as a result of an outbound commingling arrangement would mean increased dividend payout to the Hong Kong bettors involved, which might in turn increase attractiveness of a non-local race to Hong Kong bettors, enticing those Hong Kong bettors who currently are not interested in non-local races to also bet on such races. In this regard, it is relevant to note that horse race betting is conducted predominantly on a

---

<sup>5</sup> The amount of fees paid by the HKJC to the non-local operators under the current simulcast arrangement is 1.5% of the local turnovers for the bet type and race concerned (except for Macau which is 1%). The HKJC has proposed that 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 to be paid by the HKJC to the non-local operators is higher than the current level (i.e. 1.5% of the local turnovers concerned), the excess amount should be deducted from the net stake receipts in calculating the amount of betting duty charged on the local bets placed on such non-local races.

pari-mutuel basis<sup>6</sup>. Dividend payment to Hong Kong bettors under a larger pool of an outbound commingling arrangement does not necessarily increase because the total number of winners in the jurisdictions concerned may increase as well. Besides, according to the industry's understanding, only a small group of enthusiastic racing fans and major bettors are interested in non-local races, as betting on such races requires good knowledge of the races and the competing jockeys and horses. In addition, there is a language barrier for the majority of the grass-root local bettors. The time difference between Hong Kong and some of the host countries constitutes an added deterrent factor. Nonetheless, to ensure that the implementation of the outbound commingling arrangement does not lead to an increase in betting opportunities in Hong Kong, we will restrict it to the existing scale of non-local simulcast races (i.e. 10 races on local race days and 15 simulcast days on non-local race days in each racing season). The HKJC will be provided with flexibility to convert local bets on non-local simulcast races from separate pools into outbound commingled pools where necessary in order to satisfy the non-local partners' expectation of reciprocity. The HKJC has also confirmed that its marketing strategy for non-local races on which authorized betting is conducted in Hong Kong by the HKJC will not change as a result of the outbound commingling arrangement.

16. On the fiscal front, we reckon that the HKJC's proposal of adopting a flat betting duty rate at 72.5% and reducing the tax base (see footnote 5 above) may lead to reduction in betting duty revenue for the Government<sup>7</sup>. Nonetheless, for greater certainty on the taxation arrangement in the HKJC's negotiations with non-local jurisdictions, we consider that it is not unreasonable to adopt a flat betting duty rate for local bets on non-local races and for such purpose to pitch the flat rate at 72.5% as, according to the HKJC's figures, 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<sup>8</sup>. As for the proposed adjustment to the tax base, noting the HKJC's claim that the current simulcast arrangement is financially

---

<sup>6</sup> According to section 6B of the BDO, pari-mutuel betting means betting on the terms that any dividend payable on a bet depends on the respective shares of all winning bettors in the total amount of dividends available.

<sup>7</sup> According to the HKJC's projection based on the figures for the 2010/11 racing season and its own assumptions, there will be a decrease of \$12 million in betting duty receipts under the proposed betting duty arrangement for Hong Kong bets on non-local races.

<sup>8</sup> Under the BDO, horse race betting duty is charged at 72.5% of the net stake receipts up to \$11 billion, increasing by half of a percentage point for increases of every \$1 billion in the receipts to the \$15 billion, and at 75% of the receipts exceeding \$15 billion.

unsustainable due to increasing royalty fees paid to non-local operators from 1.5% to some 3% of the local turnovers concerned, we are 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. That said, we are mindful of any potential loss in government revenue under the proposed outbound commingling arrangement and hence we see the need to seek a guarantee from the HKJC on the betting duty receipts arising from Hong Kong bets on non-local races, the details of which are elaborated in paragraphs 18 and 19 below.

### *Legislative amendment*

17. The Bill introduces a new mathematical formula and the basis (i.e. net stake receipts) for the calculation of betting duty to be levied on local bets placed on non-local races.

### **Guarantee**

18. As the Government has no intention to regard betting duty as a tool to increase government revenue, the objective of the proposed guarantee is to ensure no revenue loss in the initial period of the new commingling arrangements, rather than maximizing government revenue from the racing business in the long run. With reference to the duration of guarantee provided by the HKJC in the last betting duty reform in 2006, the Government and the HKJC have agreed in principle that a guarantee lasting for three years should be reasonable for the purpose of protecting government revenue during the transitional period.

19. In determining the quantum for the proposed guarantee, we consider it reasonable to pitch the guaranteed amount at the existing level of betting duty receipts arising from the current simulcast arrangement. In this regard, we propose a fixed sum of \$175 million a year, which is the average of the preceding three years' betting duty receipts (i.e. from 2009/10 to 2011/12 racing seasons) arising from Hong Kong bets on non-local races simulcast by the HKJC. In effect, during the three-year guarantee period, the annual amount of betting duty receipts arising from Hong Kong bets placed on non-local races receivable by the Government would be the actual amount as computed based on the relevant provisions under the BDO or the guaranteed amount of \$175 million, whichever is the higher. This should provide adequate safeguard to the Government's duty revenue arising from

Hong Kong bets placed on non-local races in the initial years of the reform.

### *Legislative amendment*

20. The Bill introduces new provisions for the BDO to specify the amount and duration of guarantee to be provided by the HKJC under the new commingling arrangement, and the conditions under which the guarantee should be payable by the HKJC to the Government.

## **OTHER OPTIONS**

21. The proposal cannot be implemented without legislative amendments to the BDO.

## **THE BILL**

22. The main provisions are –

- (a) **Clause 5** repeals section 6GC, as it is no longer necessary to provide for the situation where bets are accepted by a horse race betting conductor, or an authorized person of the conductor, at a place outside Hong Kong in relation to the conduct of authorized betting on horse races.
- (b) **Clause 6** amends section 6GD. In particular, Clauses 6(1) and (2) amend section 6GD(1) so that betting duty at a progressive rate only applies to the net stake receipts that are derived from the conduct of authorized betting on local horse races.
- (c) **Clause 6(4)** adds a new section 6GD(3A). The latter provides that a betting duty is charged at a specified flat rate on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races in respect of each charging period.
- (d) **Clause 8** adds a new section 6GEA. The latter provides for the condition under which a further betting duty under the new guarantee mechanism becomes payable.
- (e) **Clause 9** amends section 6GF to provide for the calculation of the net stake receipts that are derived from the conduct of authorized betting on non-local horse races.



- (f) **Clause 11** adds a new section 6GGA. The latter provides for the calculation of the guaranteed amount for the purposes of the new section 6GEA.

## **LEGISLATIVE TIMETABLE**

23. The legislative timetable will be as follows –

Publication in the Gazette	12 April 2013
First Reading and commencement of Second Reading debate	24 April 2013
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

## **IMPLICATIONS ON THE PROPOSAL**

24. On financial implications, under the new commingling arrangement, the HKJC will provide a guarantee of minimum betting duty of \$175 million arising from local bets placed on non-local races for each of the initial three years. This should provide adequate safeguard to the Government's relevant betting duty revenue in the transitional period as the HKJC ventures into a new mode of operation for commingling activities. The proposal has no significant competition, economic and sustainability implications. The proposal has no environmental, civil service and family implications.

25. The proposal is in conformity with the Basic Law, including provisions concerning human rights. The Bill will not affect the current binding effects of the BDO and its subsidiary legislation.

## **PUBLIC CONSULTATION**

### *Betting and Lotteries Commission*

26. We first consulted the Betting and Lotteries Commission ("BLC") on the HKJC's proposals at its meeting in 2008 to bring the betting duty rates closer to the world norm and to eliminate betting duty on non-local bets managed in the HKJC's commingled pools. Having regard to the BLC's

advice, the Government took the view in 2009 that we had no objection to allowing the HKJC to introduce more commingled races because this would not lead to serious proliferation of gambling opportunities in Hong Kong and the revenue risk would be relatively low. We briefed the BLC on the latest development at its meeting on 6 February 2013. In short, the BLC re-affirmed its stance that taxation revision for facilitating commingling was outside its ambit. While noting the positive effect of commingling arrangements on combating illegal bookmaking activities and that a commingled pool did not necessarily result in higher dividend distribution rates for individual bettors, the BLC was worried that the proposal would lead to a heightened gambling atmosphere. The BLC would seek to review the situation in one year's time and we would provide the necessary support.

#### *Panel on Home Affairs of the LegCo*

27. Our stance on the HKJC's proposals was reflected to the LegCo Panel on Home Affairs ("HA Panel") on 10 July 2009. We briefed the HA Panel again on 18 February 2013, at which non-Panel LegCo Members were invited to join. A few Members expressed reservation if the proposal would have the effect of heightening the gambling atmosphere. Some Members queried whether a larger betting pool would result in increased betting turnover from local bettors<sup>9</sup>. Some Members expressed support for the proposal. Some Members also suggested the Administration provide more resources to support services for problem gamblers.

### **PUBLICITY**

28. A spokesperson will be available to answer media enquiries.

### **ENQUIRIES**

29. Enquiries relating to this brief can be directed to Miss Winnie Tse, Principal Assistant Secretary for Home Affairs (Civic Affairs), at 3509 8120.

**Home Affairs Bureau**  
**April 2013**

---

<sup>9</sup> Please refer to the Administration's considerations set out in paragraphs 7 and 15 above.

**Betting Duty (Amendment) Bill 2013****Contents**

Clause		Page
	<b>Part 1</b>	
	<b>Preliminary</b>	
1.	Short title and commencement .....	1
	<b>Part 2</b>	
	<b>Amendments to Betting Duty Ordinance</b>	
2.	Betting Duty Ordinance amended .....	2
3.	Section 1A amended (interpretation) .....	2
4.	Section 6GA amended (interpretation of Division 2A) .....	4
5.	Section 6GC repealed (designation of qualified bets) .....	5
6.	Section 6GD amended (horse race betting duty) .....	5
7.	Section 6GE repealed (further horse race betting duty) .....	6
8.	Section 6GEA added .....	6
	6GEA. Further horse race betting duty for non-local horse races .....	6
9.	Section 6GF amended (calculation of net stake receipts) .....	8
10.	Section 6GG repealed (calculation of guaranteed amount) .....	10
11.	Section 6GGA added .....	10
	6GGA. Guaranteed amount for non-local horse races .....	10

Clause		Page
12.	Section 6GI amended (provisional payments) .....	10
13.	Section 6GN amended (appeal against assessment and holding over of duty) .....	12
14.	Section 6GP repealed (remission of further horse race betting duty) .....	12
15.	Schedule 1 amended (rate of duty on net stake receipts) .....	12
16.	Schedule 2 repealed (discount rate) .....	12
17.	Schedule 3 added .....	12
	Schedule 3      Rate of Duty on Net Stake Receipts from Non-local Horse Races .....	13
	<b>Part 3</b>	
	<b>Amendments to Betting Duty Regulations</b>	
18.	Betting Duty Regulations amended .....	14
19.	Regulation 3AA amended (submission of returns in respect of betting on horse races) .....	14

# A BILL To

Amend the Betting Duty Ordinance to abolish the duty for bets accepted outside Hong Kong in relation to the conduct of authorized betting on horse races; to charge a duty at a flat rate on the net stake receipts derived from the conduct of authorized betting on horse races held outside Hong Kong; and to provide for related matters.

Enacted by the Legislative Council.

## Part 1

### Preliminary

#### 1. Short title and commencement

- (1) This Ordinance may be cited as the Betting Duty (Amendment) Ordinance 2013.
- (2) This Ordinance comes into operation on 1 September 2013.

## Part 2

### Amendments to Betting Duty Ordinance

#### 2. Betting Duty Ordinance amended

The Betting Duty Ordinance (Cap. 108) is amended as set out in sections 3 to 17.

#### 3. Section 1A amended (interpretation)

- (1) Section 1A(1), definition of *guarantee period*, paragraphs (a)(i) and (b)(i)—

##### Repeal

“the day on which the first horse race betting licence comes into force”

##### Substitute

“1 September 2013”.

- (2) Section 1A(1), definition of *guarantee period*, paragraphs (a)(iii) and (b)(iii)—

##### Repeal

“first”

##### Substitute

“specified”.

- (3) Section 1A(1), definition of *guaranteed amount*—

##### Repeal

“6GG”

##### Substitute

“6GGA”.

- (4) Section 1A(1), definition of *net stake receipts*, paragraph (a)—  
**Repeal**  
 “on horse races”  
**Substitute**  
 “on local horse races”.
- (5) Section 1A(1), definition of *net stake receipts*, paragraph (a)—  
**Repeal**  
 “6GF”  
**Substitute**  
 “6GF(1)”.
- (6) Section 1A(1), definition of *net stake receipts*, after paragraph (a)—  
**Add**  
 “(ab) in relation to the conduct of authorized betting on non-local horse races by a horse race betting conductor, the net stake receipts as calculated under section 6GF(1A);”.
- (7) Section 1A(1)—  
 (a) definition of *first horse race betting conductor*;  
 (b) definition of *first horse race betting licence*;  
 (c) definition of *race meeting*;  
 (d) definition of *related person*;  
 (e) definition of *relevant cancelled race meeting*;  
 (f) definition of *shortfall of race meetings*;  
 (g) definition of *specified place*—  
**Repeal the definitions.**

- (8) Section 1A(1)—  
**Add in alphabetical order**  
*“local horse race (本地賽馬)”* means a horse race held in Hong Kong;  
*non-local horse race (境外賽馬)* means a horse race held outside Hong Kong;  
*specified horse race betting conductor (指明賽馬投注舉辦商)* means the company that—  
 (a) has been issued with a licence under section 6GB that is in force on 1 September 2013; and  
 (b) is authorized under that section to conduct betting on horse races, whether by that licence or another licence;”.
- (9) Section 1A—  
**Repeal subsection (2).**
4. **Section 6GA amended (interpretation of Division 2A)**  
 (1) Section 6GA(1), definition of *horse race betting duty*—  
 (a) **Repeal**  
 “6GE”  
**Substitute**  
 “6GEA”;  
 (b) Chinese text—  
**Repeal the semicolon**  
**Substitute a full stop.**
- (2) Section 6GA(1), English text, definition of *provisional payment*, paragraph (b)—

**Repeal the semicolon**

**Substitute a full stop.**

(3) Section 6GA(1)—

(a) definition of *authorized person*;

(b) definition of *non-qualified bets*;

(c) definition of *qualified bets*—

**Repeal the definitions.**

5. **Section 6GC repealed (designation of qualified bets)**

Section 6GC—

**Repeal the section.**

6. **Section 6GD amended (horse race betting duty)**

(1) Section 6GD(1)—

**Repeal**

“Subject to subsection (2), a duty”

**Substitute**

“A duty”.

(2) Section 6GD(1)—

**Repeal**

“on horse races”

**Substitute**

“on local horse races”.

(3) Section 6GD—

**Repeal subsections (2) and (3).**

(4) Before section 6GD(4)—

**Add**

“(3A) A duty is charged, at the rate specified in Schedule 3, on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races by a horse race betting conductor in respect of each charging period.”.

(5) Section 6GD(4)—

**Repeal**

“or (2) shall be payable by the horse race betting conductor”

**Substitute**

“or (3A) is payable by the conductor”.

(6) Section 6GD—

**Repeal subsection (5).**

(7) Section 6GD(6), after “Schedule 1”—

**Add**

“or 3”.

(8) Section 6GD—

**Repeal subsections (7) and (8).**

7. **Section 6GE repealed (further horse race betting duty)**

Section 6GE—

**Repeal the section.**

8. **Section 6GEA added**

Before section 6GF—

**Add**

“6GEA. **Further horse race betting duty for non-local horse races**

(1) This section applies if—

- (a) the guaranteed amount for a wholly relevant charging period exceeds the horse race betting duty charged under section 6GD(3A) on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races by the specified horse race betting conductor in respect of that charging period; or
  - (b) the guaranteed amount for a partially relevant charging period exceeds the relevant portion of the horse race betting duty charged under section 6GD(3A) on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races by the specified horse race betting conductor in respect of that charging period.
- (2) A further duty, in addition to the duty charged under section 6GD(3A), is charged on the net stake receipts.
- (3) The further duty is equal to the difference between—
- (a) the guaranteed amount; and
  - (b) the duty charged in respect of the wholly relevant charging period, or the relevant portion of the duty charged in respect of the partially relevant charging period.
- (4) The further duty is payable by the conductor.
- (5) In this section—
- relevant portion* (有關份額) means, in relation to the duty charged under section 6GD(3A), such portion of that duty that bears the same ratio to that duty as the number of relevant days in the partially relevant charging period bears to the number of days (excluding 29 February) in that charging period.”.

9. Section 6GF amended (calculation of net stake receipts)

(1) Section 6GF(1)—

**Repeal**

“on horse races” (wherever appearing)

**Substitute**

“on local horse races”.

(2) Section 6GF(1)—

**Repeal**

“payable by the conductor”

**Substitute**

“payable on local horse races by the conductor”.

(3) After section 6GF(1)—

**Add**

“(1A) The net stake receipts that are derived from the conduct of authorized betting on non-local horse races by a horse race betting conductor in respect of a charging period are calculated by using the following mathematical formula—

$$L - M - N$$

where—

L represents the total amount of bets that—

- (a) are accepted in relation to the conduct of authorized betting on non-local horse races by the conductor; and
- (b) are relevant to that charging period;

M represents the total amount of dividends and of rebates on bets that have, within that charging

period, become payable on non-local horse races by the conductor;

N represents the aggregate of the extra amount payable by the conductor for each bet type in a non-local horse race on which authorized betting is conducted by the conductor within that charging period.

(1B) In this section—

*extra amount* (額外款額), in relation to a bet type in a non-local horse race, means the portion of the specified amount for the bet type payable by the horse race betting conductor that exceeds 1.5% of the total amount of bets of that type that—

- (a) are accepted in relation to the conduct of authorized betting on the race by the conductor; and
- (b) are relevant to the charging period;

*specified amount* (指明款額), in relation to a bet type in a non-local horse race, means the aggregate of—

- (a) the amount payable to the specified payee for the right to use in Hong Kong, in relation to the conduct of authorized betting of that type on the race by the horse race betting conductor, either or both of the following—
  - (i) sounds or visual images (whether animated or not) relating to the race, or both;
  - (ii) any information relating to the race, other than in the form of sounds or visual images (whether animated or not); and

- (b) the amount payable to the specified payee for the right to conduct in Hong Kong betting of that type on the race;

*specified payee* (指明受款人), in relation to a right, means the person who owns or manages the right under the law that governs the right.”.

10. Section 6GG repealed (calculation of guaranteed amount)

Section 6GG—

**Repeal the section.**

11. Section 6GGA added

Before section 6GH—

**Add**

**“6GGA. Guaranteed amount for non-local horse races**

The guaranteed amount for a wholly or partially relevant charging period is calculated by using the following mathematical formula—

$$\$175,000,000 \times \frac{\text{number of relevant days in that charging period}}{365} .”$$

12. Section 6GI amended (provisional payments)

- (1) Section 6GI(1)(a)(i)—

**Repeal**

“or (2)(b)(iii)”.

- (2) Section 6GI(1)(a)(ii)—

**Repeal**



“6GD(2)(b)(i), and that charged under section 6GD(2)(b)(ii)”

**Substitute**

“6GD(3A)”.

(3) Section 6GI(2)—

**Repeal**

“or (2)(b)(iii)”.

(4) Section 6GI(2)—

**Repeal**

“6GD(2)(b)(i), and that charged under section 6GD(2)(b)(ii),”

**Substitute**

“6GD(3A)”.

(5) Section 6GI(3)—

**Repeal**

“first horse race betting conductor shall”

**Substitute**

“specified horse race betting conductor must”.

(6) Section 6GI(4)—

**Repeal**

“\$8,000,000,000” (wherever appearing)

**Substitute**

“\$175,000,000”.

(7) Section 6GI(4)—

**Repeal**

“(1)(a)(i)”

**Substitute**

“(1)(a)(ii)”.

13. **Section 6GN amended (appeal against assessment and holding over of duty)**

Section 6GN—

**Repeal subsection (7).**

14. **Section 6GP repealed (remission of further horse race betting duty)**

Section 6GP—

**Repeal the section.**

15. **Schedule 1 amended (rate of duty on net stake receipts)**

(1) Schedule 1, heading, after “RECEIPTS”—

**Add**

“FROM LOCAL HORSE RACES”.

(2) Schedule 1—

**Repeal**

“horse races”

**Substitute**

“local horse races”.

16. **Schedule 2 repealed (discount rate)**

Schedule 2—

**Repeal the Schedule.**

17. **Schedule 3 added**

At the end of the Ordinance—

**Add**

**“Schedule 3** [s. 6GD]

**Rate of Duty on Net Stake Receipts from Non-  
local Horse Races**

72.5%”.

---

**Part 3**

**Amendments to Betting Duty Regulations**

18. **Betting Duty Regulations amended**  
The Betting Duty Regulations (Cap. 108 sub. leg. A) are amended as set out in section 19.
19. **Regulation 3AA amended (submission of returns in respect of betting on horse races)**
  - (1) Regulation 3AA(3)(a)(ii), after “person;”—  
**Add**  
“and”.
  - (2) Regulation 3AA(3)—  
**Repeal subparagraph (b).**
  - (3) Regulation 3AA(4), English text—  
**Repeal**  
“subsection”  
**Substitute**  
“paragraph”.
  - (4) Regulation 3AA(4)(b)—  
**Repeal**  
“, and statement, have”  
**Substitute**  
“has”.

- (5) Regulation 3AA—  
Repeal paragraph (5).
- 

### Explanatory Memorandum

Under section 6GD of the Betting Duty Ordinance (Cap. 108) (*Ordinance*), a duty is charged at a progressive rate on the net stake receipts that are derived from the conduct of authorized betting on horse races. This Bill amends the Ordinance. There are 2 main purposes. The first purpose is to abolish the duty for bets accepted outside Hong Kong in relation to the conduct of authorized betting on horse races. The second purpose is to charge a duty at a flat rate on the net stake receipts that are derived from the conduct of authorized betting on horse races held outside Hong Kong. A duty is still charged at a progressive rate on the net stake receipts that are derived from the conduct of authorized betting on horse races held in Hong Kong.

2. Part 1 contains preliminary provisions. It sets out the short title and provides for commencement.
3. Part 2 contains the amendments to the Ordinance. Paragraphs 4 to 9 set out the amendments in details.
4. Clauses 3 and 4 amend sections 1A and 6GA respectively. New definitions are added to define the terms used in the Ordinance as amended. In particular, clause 3(8) introduces the definitions of *local horse race* (i.e. a horse race held in Hong Kong) and *non-local horse race* (i.e. a horse race held outside Hong Kong).
5. Clause 6 amends section 6GD. In particular, clause 6(3) repeals section 6GD(2) and (3) to abolish the duty for bets accepted outside Hong Kong in relation to the conduct of authorized betting on horse races. Clause 6(4) adds a new section 6GD(3A). The latter provides that a duty is charged at a flat rate on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races in respect of each charging period. Clause 6(1) and (2) amends section 6GD(1) so that the duty at a progressive rate only applies to the net stake receipts that are derived from the conduct of

authorized betting on local horse races. Clause 5 repeals section 6GC in consequence of the repeal of section 6GD(2) and (3).

6. Clause 8 adds a new section 6GEA. If, in respect of a charging period that falls within the guarantee period, the duty charged on the net stake receipts that are derived from the conduct of authorized betting on non-local horse races is less than the guaranteed amount, a further duty is charged to make up the difference. Clause 7 repeals section 6GE, which is spent.
7. Clause 9 amends section 6GF to provide for the calculation of the net stake receipts that are derived from the conduct of authorized betting on non-local horse races.
8. Clause 11 adds a new section 6GGA. The latter provides for the guaranteed amount for the purposes of the new section 6GEA. Clause 10 repeals section 6GG, which is spent.
9. Clauses 12 to 17 provide for related amendments.
10. Part 3 contains the amendments to the Betting Duty Regulations (Cap. 108 sub. leg. A) (*Regulations*). Clause 19 provides for related amendments to the Regulations.