

**立法會**  
*Legislative Council*

LC Paper No. LS35/13-14

**Paper for the House Committee Meeting  
on 21 March 2014**

**Legal Service Division Report on  
Dutiable Commodities (Amendment) Bill 2014**

**I. SUMMARY**

- 1. The Bill**                      The Bill seeks to:
- (a) amend Part II of Schedule 1 to the Dutiable Commodities Ordinance (Cap. 109) to increase the rates of duty on various types of tobacco by about 11.7% to give effect to the proposal in the 2014-2015 Budget Speech delivered by the Financial Secretary on 26 February 2014; and
  - (b) bring the Bill into operation with retrospective effect from 11 a.m. on 26 February 2014 as the Public Revenue Protection (Dutiable Commodities) Order 2014 (L.N. 25 of 2014), under which the increase has already taken effect, came into force at that time.
- 2. Public Consultation**      According to the LegCo Brief, the proposal has taken into account views received during the Budget consultation process.
- 3. Consultation with LegCo Panel**      The Panel on Health Services has not been consulted on the Bill.
- 4. Conclusion**                      No difficulties have been identified in relation to the legal or drafting aspects of the Bill.

## II. REPORT

The date of First Reading of the Bill is 19 March 2014. Members may refer to the Legislative Council (LegCo) Brief (File Ref.: FH CR1/4041/05) issued by the Food and Health Bureau on 5 March 2014 for further details.

### Object of the Bill

2. The Bill seeks to amend the Dutiable Commodities Ordinance (Cap. 109) to increase the rates of duty on various types of tobacco to give effect to the proposal in the 2014-2015 Budget Speech delivered by the Financial Secretary on 26 February 2014 (Budget Speech).

### Provisions of the Bill

3. The Bill proposes to amend Part II of Schedule 1 to Cap. 109 to increase the rates of duty on various types of tobacco by about 11.7% as follows –

Tobacco Products	Existing rates (\$)	Proposed rates (\$)
(a) for each 1 000 cigarettes	1,706	1,906
(b) cigars	2,197/kg	2,455/kg
(c) Chinese prepared tobacco	419/kg	468/kg
(d) all other manufactured tobacco except tobacco intended for the manufacture of cigarettes	2,067/kg	2,309/kg

4. According to paragraph 4 of the LegCo Brief, tobacco duty was last increased in 2011. As stated in paragraph 8 of the LegCo Brief, the proposed increase is to sustain the effectiveness of tobacco duty as a tobacco control measure. At paragraph 128 of the Budget Speech, the Financial Secretary proposed to increase the duty on cigarettes by 20 cents per stick (i.e. an increase by \$4 per pack)<sup>1</sup> with immediate effect, bringing the proportion of tobacco duty to the retail price of cigarettes to about 70% which meets the minimum level recommended by the World

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<sup>1</sup> According to paragraph 8 of the LegCo Brief, the average retail price per pack of cigarettes would increase from \$50 to \$54.

Health Organization. According to the Financial Secretary, the proposed increase is not a budgetary measure to increase revenue, but is an effective means of tobacco control to lower the health risks of the public, as it helps reduce direct medical expenses caused by smoking and second-hand smoking.

5. On the day of the Budget Speech (i.e. 26 February 2014), the Chief Executive, after consultation with the Executive Council, made the Public Revenue Protection (Dutiable Commodities) Order 2014 (L.N. 25 of 2014) (the Order) under section 2 of the Public Revenue Protection Ordinance (Cap. 120) to give immediate effect to the proposed increase of tobacco duty. The Order came into force at 11 a.m. on the same day. The Schedule to the Order contains a proposed bill to amend Cap. 109, which is identical to the Bill. Members may refer to paragraphs 1 to 5 of LC Paper No. LS31/13-14 for our report on the Order.

6. The Order is a temporary measure. By virtue of section 5(2) of Cap. 120, the Order shall expire and cease to be in force upon –

- (a) the notification in the Gazette of the rejection by LegCo of the Bill;
- (b) the notification in the Gazette of the withdrawal of the Bill or the Order;
- (c) the Bill, with or without modification, becoming law in the ordinary manner; or
- (d) the expiration of 4 months (i.e. 26 June 2014) from the day on which the Order came into force,

whichever event first happens.

7. No Subcommittee has been formed to study the Order.

### **Commencement**

8. The Bill, if enacted, would be deemed to have come into operation at 11 a.m. on 26 February 2014. This would bring the commencement of the enacted Ordinance retrospectively to the commencement of the Order.

### **Public Consultation**

9. According to paragraph 16 of the LegCo Brief, the legislative proposal has been formulated after taking into account views received during the Budget consultation process.

## **Consultation with LegCo Panel**

10. As advised by the Clerk to the Panel on Health Services, the Administration has not consulted the Panel on the Bill in the Fifth LegCo.

## **Conclusion**

11. No difficulties relating to the legal or drafting aspects of the Bill have been identified.

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