

LEGISLATIVE COUNCIL BRIEF

**Proposed Resolution under Section 5(4) of
the Motor Vehicles (First Registration Tax) Ordinance**

INTRODUCTION

To promote the use of electric vehicles (EVs), the Government has exempted them from the payment of first registration tax (FRT) since 1994. The FRT exemption will expire on 31 March 2014. We propose to extend the exemption by three years (i.e. up to 31 March 2017) pursuant to section 5(4) of the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330).

JUSTIFICATIONS

2. Tackling roadside air pollution is our priority. EVs have no tailpipe emissions. The wider use of EVs can help improve roadside air quality and combat climate change.

3. The price of EVs is still much higher than that of conventional vehicles and can be a double. The current FRT for private cars ranges from 40% to 115% of their listed prices. While EVs have a lower energy cost, the FRT waiver could help offset their higher price premium and is a key element of the Government's strategy in promoting the use of EVs, which is outlined at **Annex A**.

PROPOSAL

4. We propose to move a Resolution (at **Annex B**) to amend the Resolution made and passed by the Legislative Council (LegCo) and published in the Legal Notice No. 237 of 1997, as amended by section 3 of the Revenue (No. 2) Ordinance 2000 (27 of 2000), by Legal Notice No. 77 of 2003, by Legal Notice 53 of 2006 and by Legal Notice 50 of 2009, so as to extend the FRT exemption by three more years up to 31 March 2017 in respect of motor vehicles which are propelled solely by electric power and do not emit any exhaust gas.

LEGISLATIVE TIMETABLE

5. Subject to the agreement of LegCo, the Secretary for the Environment will move a resolution for its approval at the LegCo sitting of 26 March 2014.

IMPLICATIONS OF THE PROPOSAL

6. The proposal will encourage the use of EVs and bring improvement to roadside air quality. It will also create business opportunities for EV-related industries in Hong Kong. According to the Transport Department (TD), 432 EVs were registered in the past five years with an FRT forgone of about \$132 million, bringing the total number of EVs to 592

units^[1], up from 74 in end 2010 and 242 in end 2011. We estimate that the number of newly registered EVs will continue to increase in the coming years due to the Government's promotion and more vehicle manufacturers putting their EVs on the local market. However, it is difficult to predict the amount of FRT forgone at this stage but the sum involved should be insignificant.

PUBLIC CONSULTATION

7. We have formulated the proposal after taking into account views received from legislators and other concerned parties during the Budget consultation process.

PUBLICITY

8. A spokesman will be available for press enquiries.

BACKGROUND

9. To promote the use of EVs, the Government first granted FRT exemption for EVs in 1994-95 and has been extending it since then^[2]. The last one was in March 2009 when the LegCo passed a resolution under the

¹ These EVs included 458 private cars, 56 motorcycles, 34 light goods vehicles, two medium goods vehicles, five light buses, 33 taxis and four buses.

² In the financial year of 1997-98, 2000-01, 2003-04, 2006-07 and 2008-09.

Motor Vehicles (First Registration Tax) Ordinance (Cap.330) to extend the exemption to 31 March 2014.

10. In this year's Budget, the Government has proposed extending the FRT exemption for EVs by three years up to 31 March 2017 as an ongoing measure to promote their wider use.

ENQUIRIES

11. In case of enquiries, please contact Mr. W.C. Mok, Assistant Director of Environmental Protection (Air Policy), on 3509 8618.

Environment Bureau/Environmental Protection Department
March 2014

**Government's Strategy in
Promoting the Use of Electric Vehicles**

- Tax incentives for promoting EVs have been put in place. They include exempting EVs from FRT since 1994 and allowing enterprises that have procured EVs to have 100% profits tax deduction for the capital expenditure on EVs in the first year of procurement.
- A \$300 million Pilot Green Transport Fund has been put in place since March 2011 for application by the public transport operators and goods vehicle owners, encouraging them to try out innovative green and low carbon transport technologies (including EVs).
- Liaison with the EV manufacturers and dealers to encourage them to introduce EVs into Hong Kong. At present, 26 EV models from 7 countries have been type-approved by the Transport Department (TD).
- A dedicated team and a hotline (3757 6222) are in operation to help EV owners or buyers to set up EV chargers at strata-titled car parks. Besides, guidelines have been issued to prospective EV buyers on how to set up chargers at their own car parks and letters were issued to around 7 400 owners' organisations appealing for their support.
- Since April 2011, car parks have been required to be "EV charging-enabling" if the developer wishes to obtain concessions on gross floor area. All parking spaces are required to put in place at the building construction stage the infrastructure and conditions, including electrical wiring and provision of sufficient power supply, to facilitate future installation of chargers.
- Planning guidelines for new buildings have been amended to recommend 30% of car parking spaces to be installed with standard chargers.

- A pilot scheme to enable suppliers of electric taxis to install quick chargers at car parks administered by TD will be launched. A total of 100 medium chargers will also be provided in various districts to shorten charging time. As compared with normal chargers, medium chargers can save the charging time by up to 60% respectively.

Motor Vehicles (First Registration Tax) Ordinance

Resolution

(Under section 5(4) of the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330))

Resolved that the Resolution made and passed by the Legislative Council on 14 May 1997 and published in the Gazette as Legal Notice No. 237 of 1997, as amended—

- (a) by section 3 of the Revenue (No. 2) Ordinance 2000 (27 of 2000);
- (b) by the Resolution made and passed by the Legislative Council on 19 March 2003 and published in the Gazette as Legal Notice No. 77 of 2003;
- (c) by the Resolution made and passed by the Legislative Council on 8 March 2006 and published in the Gazette as Legal Notice No. 53 of 2006; and
- (d) by the Resolution made and passed by the Legislative Council on 18 March 2009 and published in the Gazette as Legal Notice No. 50 of 2009,

be amended as set out in the Schedule.

Schedule

Amendment to Resolution of the Legislative Council

1. Resolution amended
The Resolution—
Repeal
“2014”
Substitute
“2017”.