

立法會
Legislative Council

LC Paper No. CB(1)777/14-15
(These minutes have been seen
by the Administration)

Ref : CB1/SS/6/14

Subcommittee on Rating (Exemption) Order 2015

**Minutes of the first meeting
on Tuesday, 17 March 2015, at 4:30 pm
in Conference Room 2A of the Legislative Council Complex**

Members present : Hon Andrew LEUNG Kwan-yuen, GBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Hon IP Kwok-him, GBS, JP
Hon Albert CHAN Wai-yip
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

**Public officers
attending** : Agenda item II

Ms Mable CHAN, JP
Deputy Secretary for Financial Services and the
Treasury (Treasury)2

Mr Gary POON
Principal Assistant Secretary for Financial Services
and the Treasury (Treasury) (Revenue)

Mr IP Pak-keung
Assistant Commissioner (Rating and Valuation)
Rating and Valuation Department

Ms Frances HUI
Senior Assistant Law Draftsman
Department of Justice

Clerk in attendance : Ms Annette LAM
Chief Council Secretary (1)3

Staff in attendance : Ms Clara TAM
Assistant Legal Adviser 9

Ms Connie HO
Senior Council Secretary (1)3

Action

I. Election of Chairman and Deputy Chairman

Election of Chairman

Mr Vincent FANG, the member who had the highest precedence among members of the Subcommittee present at the meeting, presided over the election of the chairman of the Subcommittee. Mr Vincent FANG invited nominations for the chairmanship of the Subcommittee.

2. Mr Andrew LEUNG was nominated by Mr IP Kwok-him and the nomination was seconded by Ms Starry LEE. Mr Andrew LEUNG accepted the nomination.

3. As there was no other nomination, Mr Vincent FANG declared that Mr Andrew LEUNG was elected Chairman of the Subcommittee.

4. Members agreed that there was no need to elect a Deputy Chairman.

II. Meeting with the Administration

(L. N. 42 of 2015

-- Rating (Exemption) Order
2015

LC Paper No. LS46/14-15	-- Legal Service Division Report
LC Paper No. CB(1)642/14-15(01)	-- Administration's paper on Rating (Exemption) Order 2015
LC Paper No. CB(1)642/14-15(02)	-- Paper on Rating (Exemption) Order 2015 prepared by the Legislative Council Secretariat (background brief)

5. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions by the Administration

6. In relation to the rates exemption measures implemented in the past, the Administration was requested to provide information on:

- (a) the respective percentage of tenants responsible for paying rates and landlords who refunded the rates concession amount to their tenants as well as the source of the relevant information;
- (b) the percentage of ratepayers of tenements that could receive the ceiling amount of rates concession at \$1,500 per quarter during the rates concession period from 1 April to 30 September 2014 in 2014-2015; and
- (c) the top ten organizations that received the largest amounts of rates concession and the respective amount of rates concession received under the rates concession measures in 2003-2004 and from 2007-2008 to 2014-2015.

7. In respect of the rates concession measure proposed in the 2015-2016 Budget, the Administration was requested to provide information on:

- (a) the number of rateable properties held and the respective amounts of rates concession to be received by the top ten organizations which were expected to receive the largest amounts of rates concession;

- (b) the number of tenements that would receive (i) 100%, (ii) above 75% (iii) above 50% to 75% (iv) above 25% to 50% and (v) below 25% of the maximum amount of rates concession (i.e. \$5,000) and their respective percentage in relation to the total number of tenements liable to rates payments in the form of a table; and
- (c) of the 86% of all properties that would be exempted from paying rates in the first two quarters (i.e. 2 716 000 properties), the number of tenements and their respective percentage with breakdown by types of properties that would enjoy, say (i) 0% to 25%, (ii) above 25% to 50%, (iii) above 50% to 75% and (iv) above 75% to 100% of the maximum rates concession of \$5,000.

8. The Administration was requested to provide response to the following proposals suggested by members in relation to the rates concession arrangements in 2015-2016:

- (a) to enhance fairness of the rates concession measure by way of a lump-sum rates concession amount of \$5,000 per tenement such that all ratepayers would be entitled to the same amount of rates concession regardless of the rateable values of their properties; and
- (b) on the basis of maintaining the Government's financial commitment for the rates concession measure unchanged at \$7,714 million, to extend the rates concession period from two quarters to four quarters with a lower per quarter ceiling of rates exemption so as to maximize the utilization of the rates concession amount by ratepayers of properties of lower rateable values.

(Post-meeting note: The information in respect of paragraphs 6 to 8 above provided by the Administration was issued to members vide LC Paper No. CB(1)708/14-15(02) on 2 April 2015.)

III. Any other business

Legislative timetable

9. The Subcommittee completed the scrutiny of the Rating (Exemption) Order 2015 ("the Order"). Subject to any views members might have on the supplementary information provided by the Administration pursuant to

members' requests in paragraphs 6 to 8 above, the Chairman would decide whether a further meeting was necessary. The Subcommittee would not propose any amendment to the Order.

10. The Subcommittee agreed that the Chairman would move at the Council meeting of 25 March 2015 a proposed resolution to extend the scrutiny period of the Order to the Council meeting of 6 May 2015. Members noted that, upon extension of the scrutiny period, the Chairman would report the Subcommittee's deliberations to House Committee on 24 April 2015. The deadline for giving notice to move amendments to the Order was 28 April 2015.

11. There being no other business, the meeting ended at 5:27 pm.

Council Business Division 1
Legislative Council Secretariat
23 April 2015

**Proceedings of the first meeting of
the Subcommittee on Rating (Exemption) Order 2015
on Tuesday, 17 March 2015, at 4:30 pm
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
000000 – 000224	Mr Vincent FANG Mr Andrew LEUNG Mr IP Kwok-him Ms Starry LEE	Election of Chairman Mr Andrew LEUNG was elected Chairman of the Subcommittee.	
000225 – 000545	Chairman Administration	Briefing by the Administration on Rating (Exemption) Order 2015 ("the Order").	
000546 – 000956	Chairman Mr WU Chi-wai Administration	<p>Mr WU Chi-wai's views -</p> <p>(a) the Administration's rates concession proposal, whereby rates exemption was provided for two quarters only with a cap of \$2,500 per tenement per quarter, could not benefit owners of small properties with lower rateable values; and</p> <p>(b) questioned why the Administration had not taken heed of the views of the Subcommittee on the 2014 (Rating) Exemption Order ("the 2014 Subcommittee") that when implementing similar rates concession measures in the future, the Government should consider extending the rates concession period from two quarters to four quarters with a lower per quarter ceiling per tenement such that owners of smaller properties with lower rates payments could fully utilize the rates concession amount.</p> <p>The Administration responded that –</p> <p>(a) rates concession was a one-off relief measure, and the level of concession would need to be determined with regard to the prevailing circumstances, such as the economic conditions, the fiscal position of the Government, and the financial burden of the public. The Government's present proposal of providing rates concession for two quarters had taken into account the aforesaid considerations, and was considered more favourable to most ratepayers; and</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>(b) the provision of rates concession for the first two quarters of the year followed the practice of last year, and there were four occasions since 1998 that one-off rates concession was provided for one or two quarters of the financial years concerned.</p>	
000957 – 001251	Chairman Mr SIN Chung-kai Administration	<p>Mr SIN Chung-kai considered that the rate concession mechanism adopted by the Administration was unfair since it mainly benefitted the rich who owned properties of high rateable values whereas owners of small and old properties could not fully utilize the rate concession amount in view of the low rateable values of their properties. The Administration should consider enhancing the fairness of the rates concession measure by –</p> <p>(a) allocating a lump-sum rates concession amount of \$5,000 for each tenement such that all ratepayers would be entitled to the same amount of rates concession regardless of the rateable values of their properties; or</p> <p>(b) extending the rates concession period from two quarters to four quarters with a reduced ceiling of \$1,250 per quarter per tenement to enhance utilization of the rates concession amount by ratepayers of properties of lower rateable values.</p> <p>The Administration responded that –</p> <p>(a) the suggestion in paragraph (b) above, if implemented, would increase the Government's financial commitment in 2015-2016 by \$4,000 million, from about \$7,700 million to about \$11,700 million. Taking into consideration that rates was a broad-based and stable source of government revenue, the Administration needed to strike a balance between the provision of relief for the public by means of rates concession and preserving the fiscal position of the Government; and</p> <p>(b) setting a ceiling for rates concession per quarter could already achieve a regressive effect, i.e. the higher the rateable value of the properties, the smaller the magnitude of</p>	<p>The Administration to follow up as stated in paragraph 8(a) of the minutes.</p>

Time marker	Speaker	Subject(s)	Action required
		benefit arising from the concession.	
001252 – 001735	Chairman Mr CHUNG Shu-kun Administration	<p>Mr CHUNG Shu-kun's views –</p> <p>(a) the Administration's rates concession proposal was inconsistent with its stated objective of helping the grassroots and the needy since the relevant measure mainly benefitted the rich who owned many high-priced properties in Hong Kong but not those who were less well-off financially living in their only self-owned small properties;</p> <p>(b) the relevant measure was also unable to benefit tenants in cases where the rents were rates-inclusive as their landlords would unlikely refund the concession amount to them. Mr CHUNG opined that properties that were not owner-occupied should not be exempted from the payment of rates; and</p> <p>(c) concurred with Mr SIN Chung-kai's views that allocating a lump-sum rates concession amount for each tenement could help enhance the fairness of the rates concession arrangements.</p> <p>The Administration advised that –</p> <p>(a) in accordance with the Rating Ordinance (Cap. 116), the valuation and collection of rates was based on tenements, rather than individual landlord/occupier/agent of the rateable tenements;</p> <p>(b) The Government's proposal was to waive rates for the first two quarters of 2015-2016, with a cap at \$2,500 per tenement per quarter. The total ceiling amount of rates concession (i.e. \$5,000 for two quarters) should not be taken as a lump-sum subsidy for individual tenements or ratepayers; and</p> <p>(c) excluding certain types of tenements (e.g. those that were not owner-occupied) from rates exemptions might render some domestic and non-domestic tenants who were responsible for paying rates under their tenancy agreements unable to benefit from</p>	

Time marker	Speaker	Subject(s)	Action required
		rates concession.	
001736 – 002146	Chairman Mr CHAN Chi-chuen Administration	<p>Mr CHAN Chi-chuen's views and suggestion –</p> <p>(a) Members belonging to People Power opposed to using rates exemption as a one-off relief measure for helping the public cope with financial pressure; and</p> <p>(b) on the basis of maintaining the Government's financial commitment for the rates concession measure in 2015-2016 unchanged at \$7,714 million, the Administration should consider extending the rates concession period from two quarters to four quarters with a lower per quarter ceiling of rates exemption such that more households, especially those living in small properties of lower rateable values, could fully utilize the total rates concession amount for each rateable property.</p> <p>The Administration responded that-</p> <p>(a) Mr CHAN's suggestion in paragraph (b) above would mean that the rates concession ceiling would have to be adjusted downwards to below \$700 per quarter; and</p> <p>(b) under such a scenario, the amount of rates concession received by many tenants of private domestic properties and non-domestic properties, such as offices, factories and shops, would be reduced as compared with the Government's proposal.</p> <p>As requested by Mr CHAN, the Administration undertook to provide the following information after the meeting-</p> <p>(a) the respective percentage of tenants responsible for paying rates and landlords who refunded the rates concession amount to their tenants as well as the source of the relevant information; and</p> <p>(b) the percentage of ratepayers of tenements that could receive the ceiling amount of the rates concession (i.e. \$1,500 per quarter) during the rates concession period from</p>	<p>The Administration to follow up as stated in paragraph 8(b) of the minutes.</p> <p>The Administration to follow up as stated in paragraphs 6(a) & (b) of the minutes.</p>

Time marker	Speaker	Subject(s)	Action required
		1 April to 30 September 2014 in 2014-2015.	
002147 – 002703	Chairman Ir Dr LO Wai-kwok Administration	<p>Ir Dr LO Wai-kwok's views –</p> <p>(a) the rates concession proposal of the Administration could achieve its intended purpose of relieving the financial burden of the public since 85% of private domestic premises would be totally exempted from paying rates for two quarters in 2015-2016 pursuant to the measure, i.e. ratepayers' payments for rates in 2015-2016 in respect of a relevant property would be reduced by half;</p> <p>(b) the rates concession mechanism was reasonable in view that the setting of a ceiling for exemption per quarter had already achieved a regression effect (i.e. the higher the rateable value of the properties, the smaller the magnitude of benefit arising from the concession); and</p> <p>(c) the Administration had concurrently introduced other one-off relief measures to alleviate the financial hardship faced by the disadvantaged who could not benefit from the rates concession measure.</p> <p>In response to Ir Dr LO's enquiry on whether the Administration had official statistical information on the number of tenants responsible for paying rates under the tenancy agreements, the Administration advised that –</p> <p>(a) the Rating and Valuation Department ("RVD") issued the Requisition for Particulars of Tenements ("the requisition forms") for collecting rental information of leased properties. Based on the latest information available, over 50% of the tenancy agreements of leased non-residential tenements, were rates-exclusive, i.e. the tenants paid the rates; and</p> <p>(b) according to information gathered by RVD, among the top ten ratepayers that received the largest amounts of rates concession, which included large shopping malls, over 85% of their tenancy agreements were</p>	

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		<p>rates-exclusive and the landlords concerned would refund the rates concession amount to their tenants according to the provisions of the tenancy agreements.</p>	
<p>002704 – 003311</p>	<p>Chairman Mr Albert CHAN Administration</p>	<p>Mr Albert CHAN's criticisms-</p> <p>(a) the 2015-2016 Budget was lopsided towards the rich and unable to relieve the hardships of the grassroots, in particular those "five have-nots" who could not benefit from the various one-off relief measures, such as the rates concession and salaries tax deduction measures, proposed in the Budget; and</p> <p>(b) the rates concession measure had widened the gap between the rich and the poor given the fact that individuals and corporations who owned many high-priced properties could reap most benefits from the rates concession arrangement whereas the poor who were without any property could hardly benefit from it.</p> <p>The Administration responded that –</p> <p>(a) the five one-off relief measures introduced in the 2015-2016 Budget aimed at relieving the financial burden of the public and stimulating the economy;</p> <p>(b) apart from salaries and profits tax reduction and rates concession measures, the Administration had introduced other one-off relief measures in the 2015-2016 Budget, which included (i) the provision of an extra allowance to Comprehensive Social Security Assistance recipients and recipients of Old Age Allowance, Old Age Living Allowance and Disability Allowance and (ii) payment of one month's rent for lower income tenants living in the rental units of the Hong Kong Housing Authority, to relieve the financial burden of the grassroots; and</p> <p>(c) the Government's overall expenditure had continued to increase in recent years. In 2015-2016, the overall Government expenditure had increased by 11%, of which 6% was dedicated to education, health care</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>and social welfare services for implementing various measures that would benefit people from different walks of life on a recurrent basis.</p> <p>At Mr Albert CHAN's request, the Administration undertook to provide the following information after the meeting -</p> <p>(a) the top ten organizations that received the largest amounts of rates concession and the respective amount of rates concession received under the rates concession measures in 2003-2004 and from 2007-2008 to 2014-2015;</p> <p>(b) the number of rateable properties held and the respective amounts of rates concession to be received by the top ten organizations which were expected to receive the largest amounts of rates concession in 2015-2016; and</p> <p>(c) the number of tenements that would receive (i)100%, (ii) above 75% (iii) above 50% to 75% (iv) above 25% to 50% and (v) below 25% of the maximum amount of rates concession in 2015-2016 (i.e.\$5,000) and their respective percentage in relation to the total number of tenements liable to rates payments.</p> <p>In respect of information requested in paragraph (b) above, the Administration advised that the top ratepayer in 2015-2016 was expected to receive \$50 million of rates concession, involving a total of 16 000 tenements. According to the knowledge of the Administration, most of the tenancy agreements for the tenements involved were rates-exclusive. The landlord concerned would refund the amounts of rates concession to the relevant tenants.</p>	<p>The Administration to follow up as stated in paragraphs 6(c), 7(a) & (b) of the minutes.</p>
003312 – 003755	Chairman Mr TSE Wai-chuen Administration	<p>Mr TSE Wai-chuen declared that he was a property owner and had also rent an office premises.</p> <p>Expressing support for the rates concession proposal, Mr TSE considered that the relevant measure could help relieve the financial burden of</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>ratepayers, including small and medium enterprises renting office premises, and achieve its purpose of stimulating the economy.</p> <p>In response to Mr TSE's enquiry, the Administration advised that the forecast provided in paragraph 4 of the Administration's paper (LC Paper No. CB(1)642/14-15(01)) that 85% of private domestic premises would be exempted from rates payments for the first two quarters in 2015-2016 had taken into account the effect of general revaluation of rateable values of the relevant tenements in 2015-2016.</p>	
003756 – 004229	Chairman Ms Cyd HO Administration	<p>Ms Cyd HO criticized the Administration for not taking heed of the views of the 2014 Subcommittee to enhance utilization of the rates concession amounts by owners of small properties by –</p> <ul style="list-style-type: none"> (a) extending the rates concession period from two quarters to four quarters with a lower per quarter ceiling; and (b) allowing the unutilized rates concession amount in a quarter to be carried forward to remaining quarters in the same financial year for rates payment. <p>The Administration responded that –</p> <ul style="list-style-type: none"> (a) extending the rates concession from two quarters to four quarters with the rates concession ceiling reduced to \$1,250 per quarter would increase the Government's financial commitment by \$4,000 million from about \$7,700 million to about \$11,700 million. The relevant proposal would adversely affect the Government's revenue; (b) should the rates concession period be extended from two quarters to four quarters on the basis of maintaining the Administration's financial commitment remained unchanged at about \$7,700 million, the rates concession ceiling would have to be reduced to below \$700 per quarter. Under such a scenario, the percentage of private domestic properties and non-domestic properties that could be fully exempted from 	

Time marker	Speaker	Subject(s)	Action required
		<p>rates payments in the first two quarters in 2015-2016 would be reduced ; and</p> <p>(c) the Administration had taken into account of the relevant views of the 2014 Subcommittee when formulating the rates concession proposal for 2015-2016. The present proposal was considered more favourable to most ratepayers while preserving the financial position of the Government.</p>	
004230 – 004614	Chairman Ir Dr LO Wai-kwok Administration	<p>Ir Dr LO Wai-kwok reiterated his views that the Administration's rates concession proposal was reasonable and fair as the setting of a ceiling amount per quarter could already achieve a regressive effect. The proposed increase of the rates concession ceiling per quarter from \$1,500 in 2014-2015 to \$2,500 in 2015-2016 could also enable more properties to benefit from the rates exemption measure.</p> <p>At the invitation of the Chairman, the Administration further explained that the regressive effect embedded in the rates concession mechanism could reduce the magnitude of the rates concession on the rich, thereby ensuring the fairness of the rates concession measure.</p>	
004615 – 005043	Chairman Ms Cyd HO Administration	<p>Ms Cyd HO's views –</p> <p>(a) expressed dissatisfaction over the Administration's proposal and considered that the Government should dedicate more resources to help the grassroots and the needy given the huge fiscal surplus of the Government;</p> <p>(b) reiterated that the Administration should consider extending the rates concession measure from two quarters to four quarters in 2015-2016 with a reduced ceiling of \$1,250 per quarter. The additional financial commitment of about \$4,000 million to be incurred by the Government could be well absorbed by its fiscal surplus; and</p> <p>(c) the reduction in rates revenue would not have significant and imminent impacts on the Government's financial position given</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>that the additional revenue forgone was one-off in nature and the loss of the relevant income could be compensated by Government rents, an additional source of government revenue after 1997.</p> <p>The Administration reiterated that rates was a broad-based and stable source of government revenue. It was pivotal for the Administration to maintain revenue from rates in view of the narrow tax base of other revenue sources. The Administration had taken into account various factors, including the economic situation and fiscal position of the Government, when considering one-off measures.</p>	
005044 – 005331	Chairman Mr CHAN Chi-chuen Administration	<p>Mr CHAN Chi-chuen did not subscribe to the Administration's views that extending the rates concession from two quarters to four quarters with a reduced per quarter ceiling amount of \$700 to maintain the Administration's financial commitment unchanged at \$7,700 million under the rates concession measures would adversely affect the rates concession to be enjoyed by private domestic properties and non-domestic properties. In his view, the relevant proposal could enhance the utilization of the rates concession by ratepayers occupying small properties and therefore more effective in relieving their financial pressure.</p> <p>Mr CHAN requested the Administration to provide information on the number of tenements and their respective percentage in relation to all the properties that would be exempted from paying rates in the first two quarters in 2015-2016 (i.e. 86% or 2 716 000 properties) with breakdown.</p>	The Administration to follow up as stated in paragraph 7(c) of the minutes.
<u>Section-by-section examination of the Order</u>			
005332 – 005608	Chairman Administration	<p><u>Rating (Exemption) Order 2015 (L.N.42 of 2015)</u></p> <p>Section 1 – Commencement</p> <p>Section 2 – Interpretation</p> <p>Section 3 – Exemption from payment of rates</p>	

Time marker	Speaker	Subject(s)	Action required
		Members raised no questions.	
005609 – 005753	Chairman Administration	The Subcommittee completed the scrutiny of the Order, and did not propose any amendment to it. Extension of the scrutiny period and legislative timetable.	

Council Business Division 1
Legislative Council Secretariat
23 April 2015