

LEGISLATIVE COUNCIL BRIEF

Dutiable Commodities Regulations
(Chapter 109A)

**DUTIABLE COMMODITIES (AMENDMENT)
REGULATION 2015**

INTRODUCTION

Section 6 of the Dutiable Commodities Ordinance (Cap. 109) provides that the Chief Executive in Council may by regulation prescribe fees (other than those referred in section 6A). Section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) empowers the Financial Secretary (which means also the Secretary for the Financial Services and the Treasury (“SFST”) under section 3 of Cap. 1) to vary fees which have previously been fixed by subsidiary legislation made by the Chief Executive in Council.

2. In exercise of the power, SFST has made the Dutiable Commodities (Amendment) Regulation 2015 (“the Amendment Regulation”) to revise 17 items of fees and charges specified in the Dutiable Commodities Regulations (Cap. 109A) (“DCR”).

BACKGROUND AND JUSTIFICATIONS

3. In line with the “user pays” principle, it is Government’s policy that fees charged for public services should in general be set at levels sufficient to recover the full cost of providing the services. Since the commencement of the comprehensive fee review as announced in the 2013-14 Budget, policy bureaux and departments have been reviewing various fees and charges with a view to achieving full cost recovery.

4. For the 17 fee items under review by Customs and Excise Department, except for one item which has not been adjusted since 1974, all of the other 16 items were last revised in 2010. The full cost of providing these services has yet to be recovered. Costing review at the 2014-15 price

level shows that the cost recovery levels of these fee items range from 25% to 86%. These fees include –

- (a) licence fees for traders of dutiable commodities (ten items);
- (b) charges for various certificates and fees for storage of dutiable commodities (three items); and
- (c) bonded warehouse supervision charges (four items).

5. In accordance with the general fee revision guidelines¹, we intend to revise these fee items by phases so that their cost recovery ratios (currently ranging from 25% to 86%) can improve gradually. Specifically, the extent of fee increases proposed ranges from 10% to 20%, or from \$0.3 to \$2,200 in dollar terms. Details of the proposals are set out at **Annex A**. The fee revision is expected to have limited impact on the business cost of the relevant trades.

THE AMENDMENT REGULATION

6. The Amendment Regulation at **Annex B** revises the fees and charges concerned. The revised fees and charges will come into effect on 27 March 2015.

IMPLICATIONS OF THE PROPOSAL

7. The fee revision proposal will increase the government revenue by about \$0.55 million per annum. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the DCR. It has no economic, civil service, family perspective, productivity, environmental, or sustainability implications.

EFFICIENCY IMPROVEMENT MEASURES

8. The Administration will continue to enhance efficiency and streamline procedures so as to contain the costs of providing these services. For example, the implementation of a new IT system (namely the Dutiable Commodities System) will offer trade facilitation and provide more efficient and reliable dutiable commodities related services.

¹ According to the revision guidelines, a fee should be increased by 20%, 15% and 10% if its cost recovery rate is less than 40%, 40% to 70%, or more than 70% respectively.

PUBLIC CONSULTATION

9. We consulted the LegCo Panel on Financial Affairs on 5 January 2015 about the revision of fees and charges² as outlined in paragraphs 4 and 5. The Panel had no objection to the revision.

PUBLICITY

10. The Amendment Regulation will be published in the Gazette on 30 January 2015 and a press release will be issued. A spokesman will be available to answer media and public enquiries.

ENQUIRY

11. In case of enquiries about this Brief, please contact Miss Crystal Yip, Assistant Secretary for Financial Services and the Treasury (Treasury) (Revenue)1, at 2810 2400.

**Financial Services and the Treasury Bureau
28 January 2015**

² Alongside with three other fees and charges outside the DCR.

Fees and charges proposals under the purview of the Customs and Excise Department

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
1	General bonded warehouse or public warehouse licence (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
2	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (with manufacturer's licence) (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
3	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (without manufacturer's licence) (annual fee)	April 2010	\$22,150	74%	10%	\$24,350	\$2,200	81%
4	Import and export licence for liquors, tobacco, hydrocarbon oil and methyl alcohol (annual fee)	April 2010	\$1,090	76%	10%	\$1,200	\$110	83%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
5	Special import licence (to keepers of licensed warehouses capable of storing not less than 500 kiloliters of hydrocarbon oil) (annual fee)	April 2010	\$1,090	76%	10%	\$1,200	\$110	83%
6	Liquors – manufacturer’s licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
7	Liquors – distillery licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
8	Tobacco – manufacturer’s licence (annual fee)	April 2010	\$20,650	86%	10%	\$22,700	\$ 2,050	94%
9	For every transfer of or substitution or amendment in any licence, except a transfer from one person to another (per case)	April 2010	\$430	25%	20%	\$515	\$85	30%
10	For every transfer of any licence from one person to another (per case)	April 2010	\$430	25%	20%	\$515	\$85	30%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
11	For every certificate of the Government Chemist that any spirits or methyl alcohol are denatured	August 1974	\$5 or 5% of the duty, whichever is the greater	36%	20%	\$6 or 6% of the duty, whichever is the greater	\$1 or 1% of the duty	43%
12	For every landing certificate, certificate of shortages or breakages of cargo found damaged or short in bond, endorsement, certificate of accuracy or copy of extract from official record, any other certificates on which statistics has been given, etc.	April 2010	\$175	59%	14%	\$200	\$25	67%
13	Fee for storage of dutiable commodities by Customs and Excise Department with the permission of the Commissioner (per package per day or part of a day, after the first 48 hours)	April 2010	\$1.7	46%	18%	\$2	\$0.3	54%
14	Bonded warehouse supervision charges – attendance of an Inspector (per hour or part of an hour)*	April 2010	\$475	77%	10%	\$525	\$50	85%

Item	Description of fee	Last revision	Existing Fee (1)	Cost recovery level at 2014-15 Price Level	Proposed percentage of increase	Proposed Fee (2)	Proposed amount of increase (3)=(2)-(1)	Cost recovery level after revision
15	Bonded warehouse supervision charges – attendance of a Chief Customs Officer (per hour or part of an hour)*	April 2010	\$360	69%	15%	\$415	\$55	80%
16	Bonded warehouse supervision charges – attendance of a Senior Customs Officer (per hour or part of an hour)*	April 2010	\$285	67%	16%	\$330	\$45	77%
17	Bonded warehouse supervision charges – attendance of a Customs Officer (per hour or part of an hour)*	April 2010	\$185	64%	16%	\$215	\$30	74%

* For the “bonded warehouse supervision charges”, revision is proposed for the rates “per hour or part of an hour” only. No change is proposed for the rates “per 8-hour day” or the rates “per month” which have become obsolete in practice. With the implementation of the Open Bond System in April 2003, it is no longer necessary for customs officers to station at bonded warehouses to provide supervision services on a daily or monthly basis.

Dutiable Commodities (Amendment) Regulation 2015

(Made by the Secretary for Financial Services and the Treasury under section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) by virtue of section 6 of the Dutiable Commodities Ordinance (Cap. 109))

1. Commencement

This Regulation comes into operation on 27 March 2015.

2. Dutiable Commodities Regulations amended

The Dutiable Commodities Regulations (Cap. 109 sub. leg. A) are amended as set out in section 3.

3. Schedule amended (licences and fees)

(1) The Schedule, Part 1, item 1---

Repeal

"22,150"

Substitute

"24,350".

(2) The Schedule, Part 1, item 2(a)---

Repeal

"22,150"

Substitute

"24,350".

(3) The Schedule, Part 1, item 2(b)-----

Repeal

"22,150"

Substitute

"24,350".

(4) The Schedule, Part 1, item 3(a)---

Repeal

"1,090"

Substitute

"1,200".

(5) The Schedule, Part 1, item 4---

Repeal

"1,090"

Substitute

"1,200".

(6) The Schedule, Part 2, item 1---

Repeal

"20,650"

Substitute

"22,700".

(7) The Schedule, Part 2, item 2---

Repeal

"20,650"

Substitute

"22,700".

(8) The Schedule, Part 3, item 2---

Repeal

"20,650"

Substitute

"22,700".

- (9) The Schedule, Part 7, item 1—
Repeal
 “430”
Substitute
 “515”.
- (10) The Schedule, Part 7, item 2—
Repeal
 “430”
Substitute
 “515”.
- (11) The Schedule, Part 7, item 3—
Repeal
 “5”
Substitute
 “6”.
- (12) The Schedule, Part 7, item 3—
Repeal
 “one-twentieth”
Substitute
 “6%”.
- (13) The Schedule, Part 7, item 4—
Repeal
 “175”
Substitute
 “200”.
- (14) The Schedule, Part 7, item 5—

- Repeal**
 “1.70”
Substitute
 “2”.
- (15) The Schedule, Part 7, item 6—
Repeal
 “475”
Substitute
 “525”.
- (16) The Schedule, Part 7, item 6—
Repeal
 “360”
Substitute
 “415”.
- (17) The Schedule, Part 7, item 6—
Repeal
 “285”
Substitute
 “330”.
- (18) The Schedule, Part 7, item 6—
Repeal
 “185”
Substitute
 “215”.



Secretary for Financial Services and
the Treasury

23 January 2015

Explanatory Note

This Regulation amends the Schedule to the Dutiable Commodities Regulations (Cap. 109 sub. leg. A) to increase certain licence fees and other miscellaneous fees payable under the Regulations.

2. Those fees are fees payable for—
- (a) warehouse licences;
 - (b) import and export licences;
 - (c) special import licences;
 - (d) manufacturer's licences and distillery licences for liquors;
 - (e) manufacturer's licences for tobacco;
 - (f) the transfer of or substitution or amendment in licences;
 - (g) certificates of the Government Chemist that any spirits or methyl alcohol are denatured;
 - (h) landing certificates, certificates of shortages or breakages of cargo, endorsements, certificates of accuracy, certain other certificates and copies of or extracts from official records;
 - (i) the storage of goods at the Customs and Excise warehouse; and
 - (j) the attendance of members of the Customs and Excise Service at a warehouse or any other place or for certain purposes.