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Replies to supplementary questions raised by Finance Committee Members in examining the Estimates of Expenditure 2018-19

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 5

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CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)01

(Question Serial No. SV009)

Head: (51) Government Property Agency

Subhead (No. & title):

Programme: (3) Estate Utilisation

Controlling Officer: Government Property Administrator (Tommy YUEN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

A follow-up question on the Reply Serial No. FSTB(Tsy)008:

What are the income collected by the Government from public car parks mentioned in the above reply and the utilisation rates of these public car parks?

Asked by: Hon CHAN Chun-ying (Member Question No. (LegCo use):)

Reply:

As at 1 March 2018, parking spaces that are surplus to the operational requirement of user departments in ten government joint-user general office buildings under the purview of the Government Property Agency (GPA) are open for public use during designated after-office hours. Management of these parking spaces is outsourced to commercial operators through contracts that last for three years. The total contract sum involved is about \$60,970,000.

Based on open market principles, it is anticipated that the operators of the above mentioned parking spaces will aim to optimise the latter's utilisation in order to maximise their revenue. In general, GPA does not ask them for information relating to utilisation rate or details of their business operations, and hence GPA currently does not possess such information. In order to further enhance the provision of parking spaces information to the public, GPA will actively encourage the operators of the above mentioned parking spaces to provide utilisation information through participation in the intelligent information system launched by the Transport Department. GPA will also actively consider asking the

operators to provide the past overall utilisation information and explore disclosing the same where conditions permit and under the principle of not adversely affecting the market operation.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)02

(Question Serial No. S0032)

Head: (76) Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In reply to enquiries made by a Councillor (LC Paper No. CB(1)562/12-13(01)), the Inland Revenue Department (IRD) had indicated that it had been keeping watch on suspected speculation cases involving share transfer of "property holding companies" to ensure that profits derived from property speculations were duly taxed. In this connection, we would like to ask the Government to provide:

- 1) the number of suspected speculation cases (to be set out by year and property type) involving share transfer of "property holding companies" as recorded by the IRD over the past 5 years;
- 2) the number of suspected speculation cases (to be set out by year and property type) involving share transfer of "property holding companies" which were charged to profits tax as recorded by the IRD over the past 5 years and the amount of profits tax collected; and
- 3) the number of cases (to be set out by year and property type) where exemption from Buyer's Stamp Duty (BSD) was granted to the acquisition or transfer of a residential property between associated bodies corporate as recorded by the IRD over the past 5 years, the amount of BSD exempted, and the number of cases where the exemption of BSD was revoked by reason of de-association.

Asked by: Hon AU Nok-hin (Member Question No. (LegCo use):)

Reply:

- 1) & 2) In the past five financial years, the statistics on suspected property speculation cases involving transfer of shares in property holding companies and completed review cases recorded by the Inland Revenue Department (IRD) are shown in the table below:

Financial Year	Number of suspected property speculation cases (Notes 1, 2)	Number of completed review cases (Note 1)	Cases subject to profits tax	
			Number (Note 1)	Amount (\$ million)
2013-14	680	660	80	39.1
2014-15	890	820	60	18.6
2015-16	750	720	40	17.9
2016-17	870	820	20	8.6
2017-18	1 420	770	10	4.9

Note 1: Figures rounded to the nearest ten.

Note 2: The IRD does not maintain a breakdown by property type.

Though the above figures may show the IRD's effort in detecting property speculation cases for the purpose of levying profits tax, they do not represent a full picture of all property speculation cases handled by the IRD. It is because some taxpayers may have reported their property speculation gains in their tax returns and paid the tax accordingly. The IRD does not maintain statistics on the tax assessments made ultimately or the amount of tax assessed from these cases.

- 3) The number of buyer's stamp duty (BSD) relief applications for transfer of residential properties between associated bodies corporate and the amount of BSD involved for each of the financial years from 2013-14 to 2017-18 are as follows:

Financial year	Number of Applications	Amount of BSD (\$ million)
2013-14	181	3,940
2014-15	198	1,283
2015-16	223	1,335
2016-17	162	1,039
2017-18	223	1,243

None of the above applications has been revoked by reason of de-association.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)03

(Question Serial No. S0033)

Head: (76) Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Would the Government please provide the information on the bodies stated below?

- 1) Regarding the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (LOCPG), the Office of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region (OCMFA), and the Hong Kong Garrison of the Chinese People's Liberation Army (HK Garrison of the PLA), how many associated bodies corporate does each of them have? Please provide the figures for each of the past 5 years.
- 2) Please provide the numbers of Hong Kong properties respectively owned by the LOCPG, the OCMFA, and the HK Garrison of the PLA for each of the past 5 years (please set out the figures by property type).
- 3) Please provide the numbers of Hong Kong properties respectively owned by the associated bodies corporate of the LOCPG, the OCMFA, and HK Garrison of the PLA for each of the past 5 years (please set out the figures by property type).

Asked by: Hon AU Nok-hin (Member Question No. (LegCo use):)

Reply:

- (1) The Inland Revenue Department (IRD) does not have the requested information.
- (2) and (3) The secrecy provision under section 4 of the Inland Revenue Ordinance prohibits the IRD from disclosing the requested information.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)04

(Question Serial No. S0034)

Head: (76) Inland Revenue Department

Subhead (No. & title): Not specified

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Further to Reply Serial No. FSTB(Tsy)024 concerning Buyer's Stamp Duty, please inform the Committee of the following:

1. In respect of the property transactions charged with Buyer's Stamp Duty, please set out in the table below: (i) the numbers of cases and (ii) the amounts of stamp duty collected for each of the past 5 years.

Amount of consideration or value of property (\$)	2013-14 (i) & (ii)	2014-15 (i) & (ii)	2015-16 (i) & (ii)	2016-17 (i) & (ii)	2017-18 (i) & (ii)
\$2,000,000 or below					
\$2,000,001 to \$3,000,000					
\$3,000,001 to \$4,000,000					
\$4,000,001 to \$6,000,000					
\$6,000,001 to \$20,000,000					
\$20,000,001 or above					

2. In respect of the property transactions charged with Buyer's Stamp Duty which took place in each of the past 5 years, please set out in the table below: (i) the districts wherein such transactions took place; (ii) the numbers of transactions took place in each district and (iii) the amounts of stamp duty collected from each district.

	2013-14 (ii) & (iii)	2014-15 (ii) & (iii)	2015-16 (ii) & (iii)	2016-17 (ii) & (iii)	2017-18 (ii) & (iii)
(District)					

Asked by: Hon AU Nok-hin (Member Question No. (LegCo use):)

Reply:

1. The numbers of cases and amounts of Buyer's Stamp Duty collected for the financial years 2013-14 to 2017-18 are as follows:

Financial year	2013-14		2014-15		2015-16		2016-17		2017-18	
Consideration or value of property (\$)	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)
2,000,000 or below	100	17	330	56	123	21	86	16	108	22
2,000,001 to 3,000,000	167	66	464	182	99	39	84	35	385	159
3,000,001 to 4,000,000	168	88	584	304	203	111	145	78	435	222
4,000,001 to 6,000,000	314	237	894	671	372	284	501	378	763	554
6,000,001 to 20,000,000	872	1,436	2 086	3,255	1 090	1,693	1 418	2,281	1 909	3,098
20,000,001 or above	206	1,467	608	5,159	304	2,664	475	4,352	758	5,296
Total	1 827	3,311	4 966	9,627	2 191	4,812	2 709	7,140	4 358	9,351

2. The numbers of cases and amounts of Buyer's Stamp Duty collected by reference to the districts in which the properties were situated for the financial years 2013-14 to 2017-18 are as follows:

Financial year	2013-14		2014-15		2015-16		2016-17		2017-18	
Districts	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)	Number	Amount (\$million)
Hong Kong Island	400	1,195	1 406	4,274	789	2,396	644	3,012	1 200	4,302
Kowloon	702	1,344	2 304	3,621	656	1,333	1 120	2,676	2 586	3,895
New Territories	725	772	1 256	1,732	746	1,083	945	1,452	572	1,154
Total	1 827	3,311	4 966	9,627	2 191	4,812	2 709	7,140	4 358	9,351

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)05

(Question Serial No. S0035)

Head: (76) Inland Revenue Department

Subhead (No. & title):

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At present, all unlisted companies are required to have the contract notes and instruments of transfer of their shares stamped at the Stamp Office. Such companies and their subsidiaries should also complete form IRSD102 of the Inland Revenue Department (IRD) to declare to the Government if they have acquired any property, their interest in the property and the details of their investments. In this connection, would the Government please provide the following information?

1. The numbers of cases applying for stamping of share transfers by unlisted companies recorded in each of the past 5 years and the amounts of stamp duty which were to be paid by such companies.
2. The numbers of unlisted companies holding a property/ properties recorded in each of the past 5 years. Please also set out the numbers of cases applying for stamping of share transfer by such companies by the types of property they held (as stated in the IRD form IRSD102, the "Type of Property" refers to "Bare Site", "Village Home", "Building" and "Others") and the amounts of stamp duty they were required to pay.
3. The numbers of unlisted companies holding a property/ properties recorded in each of the past 5 years. Please also set out the numbers of cases applying for stamping of share transfer by such companies by the percentage of interest they held in the property (100%, over 50% or below 50%) and the amounts of stamp duty they were required to pay.

Asked by: Hon AU Nok-hin (Member Question No. (LegCo use):)

Reply:

1. The number of documents stamped and amount of stamp duty collected from unlisted shares for the financial years from 2013-14 to 2017-18 are as follows:

Financial year	Number of documents stamped	Stamp duty collected (\$ million)
2013-14	773 851	710
2014-15	654 238	616
2015-16	624 747	889
2016-17	606 819	987
2017-18	712 956	905

- 2&3. Unlisted companies holding landed properties should complete form IRSD102 when applying for stamping of share transfers. The Stamp Office of the Inland Revenue Department (IRD) uses the information provided in the form for the purpose of assessing the amount of stamp duty. As the information contained in the form has not been compiled for statistics and analysis, the IRD cannot provide the required statistical breakdown.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(Tsy)06

(Question Serial No. SV010)

Head: (162) Rating and Valuation Department

Subhead (No. & title): Not Specified

Programme: (1) Statutory Valuation and Assessments

Controlling Officer: Commissioner of Rating and Valuation (TANG Ping Kwong)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The follow-up questions below are raised pursuant to question no. FSTB(Tsy)031:

- (i) Please provide information on the location, size and respective amount of rates paid for the land/properties in the New Territories chargeable to rates, including such information (i.e. size of the land/properties and the respective amount of rates paid) on the brownfield operators in Wang Chau and Tai Tong Lychee Garden;
- (ii) Please provide the number of cases that the Lands Department has informed the Rating and Valuation Department of the change of agricultural land to non-agricultural uses in the past ten years;
- (iii) How does the Government monitor compliance of the Rating Ordinance by land users in the New Territories ? Please describe the relevant mechanism in detail; and
- (iv) Does the Government have information on the land/properties exempted from assessment to rates? If yes, please provide the relevant information.

Asked by: Hon WU Chi-wai (Member Question No. (LegCo use):)

Reply:

- (i) Pursuant to Section 36(1) of the Rating Ordinance, agricultural land and structures thereon used in connection with such land are exempt from assessment to rates. When agricultural land or structures thereon have been changed to uses not connected to agricultural operations, irrespective of whether the change is in breach of the permitted use or has been authorised, such land or structures are no longer exempted from assessment to rates.

There are about 54 800 assessments made on agricultural lots in the New Territories. The total rates payable, before deducting the rates concession, are around \$330 million in 2018/19, of which \$76,000 and \$513,000 are payable for Tai Tong Lychee Garden and the 36 assessments in Wang Chau, Yuen Long respectively. As the assessment of rates is based on the mode of occupation of the property, the Rating and Valuation Department (RVD) does not maintain information on the area of the land concerned.

- (ii) &(iii) The Director of Audit published the Report No. 66 in April 2016 and recommended that RVD should seek the assistance of the Lands Department (LandsD) in providing information on unauthorised change of use of agricultural land and buildings identified in the course of LandsD's enforcement work, so that RVD could take timely actions on cases ineligible for rates exemption.

RVD has implemented the recommendation of the Audit Commission and put in place a notification mechanism with LandsD. Since May 2016, if the District Lands Offices in the New Territories identify unauthorised structures on agricultural land during their enforcement actions, they will provide RVD with copies of the warning letters issued. To handle such cases more effectively, RVD set up a special team in 2017 to follow up the assessment work, with priority given to land/property of higher rateable values. Since the establishment of the notification mechanism, RVD has received copies of warning letters involving about 2 600 agricultural lots as at the end of March 2018.

- (iv) Section 36(1) of the Rating Ordinance specifies the types and circumstances of land/properties exempted from assessment to rates. As land/properties that are exempted from assessment to rates are not on the Valuation List, RVD does not possess the related statistics.

- End -

CONTROLLING OFFICER'S REPLY**S-FSTB(Tsy)07****(Question Serial No. S0031)**

Head: (147) Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch)

Subhead (No. & title): (000) Operational expenses

Programme:

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Treasury) (Ms Alice LAU)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- 1) Under this Subhead, the departmental expenses on “honorary for members of committees” have increased from \$2,358,000 to \$2,567,000. Please explain the reason for the increase.
- 2) Please provide in the following table the names of Government advisory and statutory bodies for which honoraria are granted to non-official members, whether these bodies are independent quasi-judicial bodies, the number of non-official members receiving honoraria and the amount of honoraria granted.

Name of advisory and statutory body	Whether it is an independent quasi-judicial body	Number of non-official members receiving honoraria	Amount of honoraria granted

- 3) Please explain the criteria for granting honoraria to non-official members.
- 4) When was the last review on the honorarium mechanism? Is there a review timetable? If yes, please set out the details and performance indicators of the review. If no, please state the reason.

Asked by: Hon AU Nok-hin (Member Question No. (LegCo use):)

Reply:

The “honoraria for members of committees” under the operational expenses subhead of the Financial Services and the Treasury Bureau (The Treasury Branch) is for granting honoraria to non-official members (including Chairman, Deputy Chairmen and members) of the Board of Review (Inland Revenue Ordinance) (“the Board”). The Board is an independent statutory body tasked to hear and determine tax appeals. Honoraria are granted to non-official members based on the number of sittings attended or decisions written, while an annual retainer is given to the Chairman and the Deputy Chairmen. The revised estimate for 2017-18 is \$2,391,000, which is used for honoraria payment to 55 non-official members. The estimate for 2018-19 is \$2,567,000, slightly higher than the original estimate and revised estimate for 2017-18. This is mainly due to the anticipated increase in the number of sittings and decisions written, and adjustment to the honoraria for the Chairman/Deputy Chairmen and members in accordance with the annual growth rate of civil service pensions and the Consumer Price Index (C) respectively. Therefore, the estimate of the total honoraria payment has increased.

The remuneration mechanism for the Board was reviewed in 2013 and the honoraria were adjusted having regard to the review findings. The mechanism in place now is similar to those adopted by other appeal boards.

- End -