

Subcommittee on Rating (Exemption) Order 2018

Rating (Exemption) Order 2018

Purpose

In the 2018-19 Budget, the Government proposes to waive rates for four quarters of 2018-19, subject to a ceiling of \$2,500 per tenement per quarter. This paper briefs Members on details of the proposal.

Justifications

2. Rates is a broad-based and stable source of government revenue. At present, there are some 3.25 million properties liable to rates in Hong Kong. In accordance with the Rating Ordinance (Cap. 116), the valuation and collection of rates is based on tenements. The owner and the occupier shall both be liable for the payment of rates.

3. Having regard to our substantial fiscal surplus this year and in order to share the fruits of our economic success with the community, we propose to waive rates for four quarters of 2018-19, with a cap at \$2,500 per tenement per quarter.

4. The proposed rates exemption will benefit all properties (about 3.25 million) liable to rates payment. In 2018-19, about 87% of domestic ratepayers and 55% of non-domestic ratepayers (or 83% overall) need not pay any rates. Such properties have rateable values at or below \$200,000 (i.e. about \$16,667 per month). Details are set out as follows

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Type of Properties	Number of properties liable to rates payment ('000)	Number of properties fully exempted from rates in 2018-19 ('000) [as a % of the total number of the relevant type of properties]	Rates concession (\$ billion)
<i>Private Domestic Premises</i>	1 796	1 432 [80%]	12.1
<i>Public Domestic Premises</i>	796	795 [nearly 100%]	2.5
All Domestic Premises*	2 834	2 470 [87%]	14.9
All Non-domestic Premises[#]	413	227 [55%]	2.9
All Properties	3 246	2 697 [83%]	17.8

* Including 243 000 separately assessed domestic car parking spaces

[#] Including 42 000 separately assessed non-domestic car parks/ car parking spaces

5. The proposed rates exemption measure will reduce government revenue by about \$17.8 billion in 2018-19. The magnitude of revenue forgone exceeds that for the rates exemption measure for 2017-18 which reduced government revenue by \$10.9 billion when the concession was capped at \$1,000 per tenement per quarter.

Legal Basis

6. Section 36(2) of the Rating Ordinance provides that the Chief Executive in Council may, by order, declare any class of tenements, or parts thereof, or any part of Hong Kong to be exempted from the payment of rates wholly or in part. In order to effect the proposed rates exemption, the Chief Executive in Council has made the Rating (Exemption) Order 2018 (“the Order”) (see [Annex](#)). The Order was gazetted on 28 February 2018.

The Order

7. The provisions of the Order are as follows –

- (a) Section 1 provides that the Order comes into operation on 1 April 2018.
- (b) Section 2 provides for the definition of “concession period” (meaning each quarter in the period from 1 April 2018 to 31 March 2019).
- (c) Section 3 provides that a tenement included in a valuation list in force will be exempted from the payment of rates up to the amount of \$2,500 per concession period. The \$2,500 cap will be reduced proportionately if rates would otherwise be payable for only part of the concession period.

Legislative Timetable

8. The Order has been tabled at the Legislative Council on 21 March 2018 for negative vetting.

Financial Implications

9. We estimate that the rates exemption measure will result in one-off revenue forgone of about \$17.8 billion. The estimated revenue for rates in 2018-19 is about \$15 billion.

Implementation Date

10. The rates exemption measure will be effective from 1 April 2018. As in the past, the rates concession will be reflected in the demand notes for rates payment for the relevant quarters.

**Financial Services and the Treasury Bureau
March 2018**

L.N. 37 of 2018

Rating (Exemption) Order 2018

(Made by the Chief Executive in Council under section 36(2) of the Rating Ordinance (Cap. 116))

1. Commencement

This Order comes into operation on 1 April 2018.

2. Interpretation

In this Order—

concession period (寬免期) means any of the following quarters—

- (a) 1 April 2018 to 30 June 2018;
- (b) 1 July 2018 to 30 September 2018;
- (c) 1 October 2018 to 31 December 2018;
- (d) 1 January 2019 to 31 March 2019.

3. Exemption from payment of rates

For each concession period, a tenement included in a valuation list in force is exempted from the payment of rates to the extent of an amount equal to the rates otherwise payable or \$2,500, whichever amount is less. If rates would otherwise be payable for only part of a concession period, the amount of \$2,500 is reduced proportionately.

Wendy LEUNG
Clerk to the Executive Council

COUNCIL CHAMBER

28 February 2018

Explanatory Note

This Order exempts a tenement from the payment of rates up to a maximum of \$2,500 for each quarter in the year starting 1 April 2018 to 31 March 2019.