

Subcommittee on Rating (Exemption) Order 2018

Government's Response to the Enquiries by Hon James TO and Hon WU Chi-wai

Payment of Rates by Tenants of Leased Properties

According to the rental information collected by the Rating and Valuation Department ("RVD"), the percentages of tenancy agreements specifying tenants and landlords as the ratepayers in domestic and non-domestic properties for the past five years are tabulated below (the RVD does not maintain further breakdown by property types):

Domestic Tenancy

	March 2014	March 2015	March 2016	November 2017 ¹	March 2018
	Percentage				
Rates paid by tenants	5	4	5	4	4
Rates paid by landlords	91	92	92	93	93
Not available	4	4	3	3	3
Total	100	100	100	100	100

Non-domestic Tenancy

	March 2014	March 2015	March 2016	November 2017 ¹	March 2018
	Percentage				
Rates paid by tenants	55	54	54	53	53
Rates paid by landlords	39	41	42	43	43
Not available	6	5	4	4	4
Total	100	100	100	100	100

2. Regarding the estimated top 10 ratepayers that would receive the highest amounts of rates concession, the percentage of their tenancy

¹ Since no Subcommittee on Rating (Exemption) Order 2017 was set up by the Legislative Council, the RVD does not maintain the analysis as at March 2017. Nonetheless, the RVD maintains the analysis as at November 2017.

agreements specifying tenants as the ratepayers for the past five years is tabulated below²:

	2014	2015	2016	2018
	Percentage			
Rates paid by tenants	85	85	82	82

3. As for the estimated top 100 ratepayers that would receive the highest amounts of rates concession, the RVD does not maintain the relevant statistics in relation to their tenancy agreements for the past four years. As for the analysis as at March 2018, about 77% of their tenancy agreements have specified tenants as the ratepayers.

Possible improvements on rates concession measure

4. At present, the RVD's database does not maintain records of the ratepayers' Identity Card or Business Registration numbers, nor does it maintain records of the relevant property owners, their subsidiary companies, affiliated companies and holding companies. As a result, the statistical information from the top 10 ratepayers receiving the highest amounts of rates concession only includes rateable properties with those companies specified as the ratepayers.

5. As explained in the meeting on 27 March 2018, pursuant to the Rating Ordinance, the valuation and collection of rates are based on tenements. A ratepayer can be the owner, occupier or agent of the owner or occupier. Any changes to the current rates concession approach may imply the need for making a fundamental change to the rates collection system. Amending the Rating Ordinance and replacing the RVD's computer systems and databases with new ones may also be required. Moreover, all the relevant information may need to be constantly updated to reflect the latest status. The way of handling jointly-owned properties or properties held via a holding company may also be contentious and problematic. In addition, a new restriction may exclude those tenants who are required to pay rates by the terms of a tenancy agreement from enjoying rates concession. All these issues require careful consideration and thorough discussion. Pending any improvements to be decided, the

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Government is unable to estimate the costs and time required to implement the changes.

6. We will, nonetheless, provide a paper to the Legislative Council in due course on our analysis of options to change/improve the current rates concession mechanism and the implications. Given the complexity of the issues involved, we will endeavor to complete the analysis by the end of this year.

Financial Services and the Treasury Bureau
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