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Panel on Commerce and Industry

Meeting on 10 April 2018

Background brief on Import and Export Declaration Charges

Purpose

This paper provides background information on the Import and Export Declaration Charges ("TDEC") and a summary of views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") during previous discussions on the subject.

Background

2. TDEC was introduced in 1966 by the Import and Export Ordinance (Cap. 60) to raise additional revenue to fund Hong Kong's trade promotion activities and the work of the Hong Kong Trade Development Council.[1] Under the Import and Export (Registration) Regulations (Cap. 60 sub. leg. E) ("the Regulations"), any person who imports, exports or re-exports any article other than an exempted article is required to lodge with the Commissioner of Customs and Excise an import or export declaration within 14 days and pay the charges.

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[1] In accordance with the funding arrangement agreed between the Hong Kong Trade Development Council ("HKTDC") and the Administration for the financial years ending 31 March 2014 to 31 March 2018, government subvention payable to HKTDC will be determined having regard to the Government's financial position, HKTDC's funding requirements and by way of reference to the total amount of Import and Export Declaration Charge ("TDEC") received in the preceding year but in any case will not be less than the subvention level for the year ended 31 March 2007.

All charges will first be credited to the General Revenue Account. HKTDC will be allocated subvention through the annual estimates of the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau as approved by the Legislative Council.

3. The import and export industry has all along been one of the pillar industries of Hong Kong. According to the Census and Statistics Department ("C&SD"), the import and export trade brought about $427 billion economic contribution to Hong Kong in 2016, amounting to 17.7% of the Gross Domestic Product of Hong Kong in the same year.

4. Similar to other industries in Hong Kong, the import and export industry is mainly composed of small and medium enterprises. Statistics of C&SD show that among the 81 200 establishments engaged in the import and export trade in 2016, 99.2% of them were companies employing less than 50 persons. The import and export industry employed around 466 000 persons in 2016.

5. According to the Administration, the rate of TDEC in Hong Kong has been maintained at a very low level. Currently, for food items, the charge for an import declaration is 20 cents irrespective of the value. For other import or export[2] declarations, the charge is 20 cents for the first $46,000 of the value of goods declared and 12.5 cents for each additional $1,000 or part thereof and rounded up to the nearest 10 cents.[3]

6. As a measure to support the development of Hong Kong as a logistics hub and gold trading centre, alongside with the Hong Kong Airport Authority's proposal to establish a gold depository at the Hong Kong International Airport, TDEC for importing and exporting gold bars of 995.0 fineness or above (one of the non-food items) has been exempted with effect from 9 February 2007.

<u>Proposed reduction in the Import and Export Declaration Charges</u>

7. To encourage the trading and logistics industry to move up the value chain, the Financial Secretary announced in his 2018-19 Budget that TDEC for each declaration be capped at $200, so as to further lower the cost of importing and exporting high-value goods to and from Hong Kong, and enhance Hong Kong's advantage as a trading hub. This proposed measure is expected to save the trade

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[2] For exports of Hong Kong manufactured clothing and footwear items specified in the Schedule 1 to the Industrial Training (Clothing Industry) Ordinance (Cap. 318), Clothing Industry Training Levy of 30 cents in respect of each $1,000 value or part thereof in addition to the declaration charge will be required.

[3] With effect from 1 August 2012, the current TDEC rates are a measure announced in the 2012-13 Budget to support the business sector to ease the business cost for the import and export trade. For articles that are imported or exported before 1 August 2012, the declaration charge remains unchanged, i.e. (a) for non-food items/goods whether of Hong Kong Special Administrative Region origin or not: 50 cents in respect of the first $46,000 of the value of the goods and 25 cents in respect of each additional $1,000 or part thereof and rounded up to the nearest 10 cents; and (b) for food items (import): 50 cents per declaration irrespective of the value.

$458 million per year and benefit about 900 000 cases.[4]

Previous Discussions

8. The Panel was briefed on the legislative proposal in respect of the measure announced in the 2012-13 Budget to reduce TDEC across-the-board by half on 21 February 2012. Panel members also raised questions on the TDEC rates at the meeting on 19 April 2016. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

9. At the meeting on 21 February 2012, some members noted the legislative proposal to halve TDEC to assist the import and export industry weather the difficult economic situation, and enquired whether the Administration would propose to increase the rates back to the then level when the economic situation improved in the future. The Administration responded that the TDEC rates had been increased and reduced in the past. Further proposals to adjust TDEC rates would be made after taking into account a basket of factors including the global and local economic and business environment and the financial situation of Hong Kong.

10. At the meeting on 19 April 2016, some members suggested that the Administration should consider waiving TDEC and simplifying the declaration procedures. Noting members' suggestion of waiving TDEC, the Administration advised that any simplification of the declaration procedures required careful consideration in order to avoid creating loopholes in and possible abuse of the trade control system.

Council question

11. At the Council meeting of 7 February 2018, Mr Christopher CHEUNG relayed the concerns of companies engaging in the refining and international trade of precious metals that TDEC on precious metals had put a huge burden on their operating costs due to the high value of precious metals and weakened Hong Kong's competitive edge in the international trade of precious metals. Referring to the experience of Singapore that it had abolished the declaration charges on imports and exports of precious metals since 2012, Mr CHEUNG enquired whether the Administration would consider reducing or waiving TDEC on imports and exports of precious metals (e.g. gold and silver bullions) so as to reduce the operating costs of the relevant trades and enhance the competitiveness of Hong Kong in the international trade of precious metals. The Administration responded that the rate of TDEC had been maintained at a very low level. Moreover, TDEC

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[4] Paragraph 102 of the 2018-19 Budget.

was not applicable to precious metal-related financial products traded on a recognized stock or futures exchange in Hong Kong.

Latest position

12. The Administration will brief the Panel on the legislative proposal to amend the Regulations to give effect to the measure announced in the 2018-19 Budget to reduce TDEC at the meeting on 10 April 2018.

Relevant papers

13. A list of relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
3 April 2018

Appendix

List of relevant papers

Date of meeting	Meeting	Papers
21/2/2012	Panel on Commerce and Industry	Administration's paper on "Reduction of Import and Export Declaration Charges" (LC Paper No. CB(1)1077/11-12(05)) Minutes of meeting (LC Paper No. CB(1)1547/11-12)
7/2/2018	Council	Question No. 8 on "Measures to boost Hong Kong's international trade of precious metals" raised by Hon Christopher CHEUNG (Press release)