

**For Discussion  
on 18 December 2018**

**Legislative Council Panel on Financial Affairs**

**Proposed Revision of Fees and Charges for Services  
under the Customs and Excise Department**

**PURPOSE**

This paper briefs Members on the Government's plan to revise the fees of 17 items relating to dutiable commodities and motor vehicles managed under the Customs and Excise Department ("C&ED").

**FEE REVIEW**

2. In line with the "user pays" principle, it is the Government's policy that fees charged for public services should in general be set at levels that recover the full cost of the services provided.

3. The 17 fee items mentioned above were last revised in 2015, but without achieving full cost recovery. Costing review at the 2018-19 price level shows that the cost recovery levels of these fee items range from 28.4% to 82%.

**THE PROPOSAL**

4. Of the 17 fee items proposed to be revised, 14 are under the Dutiable Commodities Regulations (Cap. 109A) and three are under the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330). These fees include –

- (a) licence fees for traders of dutiable commodities (five items);
- (b) fees for transfer of or substitution or amendment in any licence

- (two items);
- (c) fees for certain certificates and storage of dutiable commodities (three items);
- (d) bonded warehouse supervision fees (four items); and
- (e) registration fees for motor vehicle importer and/or distributor (three items).

5. In accordance with the general fee revision guidelines<sup>1</sup>, we propose to increase the fees (with cost recovery ratios currently ranging from 28.4% to 82%) by 10% to 20%, or by \$0.3 to \$2,450 in dollar terms. Details of the proposal are set out at Annex. After the proposed fee revision, the cost recovery ratios of the 17 items will improve, ranging from 29.6% to 90.2%. The fee revision is expected to have limited impact on the business cost of the relevant trades.

## **EFFICIENCY IMPROVEMENT MEASURES**

6. The Government will continue to enhance efficiency and streamline procedures so as to contain the costs of providing these services. For example, the implementation of the electronic licensing system under the Dutiable Commodities System (“DCS”) in January 2017 offers trade facilitation and provides more efficient and reliable dutiable commodities licence application and renewal services to the trade. The efficiency gain has already been taken into account in the costing review of C&ED.

## **FINANCIAL IMPLICATIONS**

7. It is estimated that the fee revision proposal will increase revenue by about \$0.53 million per annum.

---

<sup>1</sup> According to the revision guidelines, a fee may be increased by –  
(a) 20% or more if its cost recovery rate is less than 40%;  
(b) 15% if its cost recovery rate is within the range from 40% to 70%; and  
(c) 10% or less if its cost recovery rate is more than 70%.

## **ENGAGEMENT WITH STAKEHOLDERS**

8. C&ED consulted stakeholders, including the relevant traders and customer liaison groups, in October and November 2018 on the proposed fee revision through the webpage of the DCS, emails and discussion session. No adverse feedback has been received.

## **WAY FORWARD**

9. Members are invited to note the proposed fee revision as set out in paragraphs 4 to 5 above. The revision to fees under Cap. 109A will require legislative amendments by way of negative vetting. Those fees under Cap. 330 will be adjusted by way of a gazette notice. Subject to the support of this Panel on the fee revision proposal, our tentative legislative plan will be as follows –

Publication in the Gazette	4 January 2019
Tabling at the Legislative Council (for fees under Cap. 109A only)	9 January 2019
Commencement	1 March 2019

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

**Fees Revision Proposal under the Customs and Excise Department**

<b>Item</b>	<b>Description of fee</b>	<b>Last revision</b>	<b>Existing fee</b>	<b>Cost recovery rate at 2018-19 price level</b>	<b>Proposed percentage of increase</b>	<b>Proposed fee</b>	<b>Proposed amount of increase</b>	<b>Cost recovery level after revision</b>
			<b>(1)</b>			<b>(2)</b>	<b>(3)=(2)-(1)</b>	
<b>(a) Licence fees for traders of dutiable commodities</b>								
1	General bonded warehouse or public warehouse licence (annual fee)	March 2015	\$24,350	80.8%	10%	\$26,800	\$2,450	88.9%
2	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (with manufacturer's licence) (annual fee)	March 2015	\$24,350	80.8%	10%	\$26,800	\$2,450	88.9%
3	Warehouse licence in respect of liquors, tobacco, hydrocarbon oil and methyl alcohol (without manufacturer's licence) (annual fee)	March 2015	\$24,350	80.8%	10%	\$26,800	\$2,450	88.9%
4	Import and export licence for liquors, tobacco, hydrocarbon oil and methyl alcohol (annual fee)	March 2015	\$1,200	82%	10%	\$1,320	\$120	90.2%
5	Special import licence (to keepers of licensed warehouses capable of storing not less than 500 kiloliters of hydrocarbon oil) (annual fee)	March 2015	\$1,200	82%	10%	\$1,320	\$120	90.2%

<b>Item</b>	<b>Description of fee</b>	<b>Last revision</b>	<b>Existing fee</b>	<b>Cost recovery rate at 2018-19 price level</b>	<b>Proposed percentage of increase</b>	<b>Proposed fee</b>	<b>Proposed amount of increase</b>	<b>Cost recovery level after revision</b>
			<b>(1)</b>			<b>(2)</b>	<b>(3)=(2)-(1)</b>	
<b>(b) Fees for transfer of or substitution or amendment in any licence</b>								
6	For every transfer of or substitution or amendment in any licence, not otherwise specified, except a transfer from one person to another (per case)	March 2015	\$515	33.2%	20%	\$620	\$105	40.0%
7	For every transfer of any licence from one person to another (per case)	March 2015	\$515	33.2%	20%	\$620	\$105	40.0%
<b>(c) Fees for certificates and storage of dutiable commodities</b>								
8	For every certificate of the Government Chemist that any spirits or methyl alcohol are denatured	March 2015	\$6 or 6% of the duty, whichever is the greater	28.4%	20%	\$7 or 7% of the duty, whichever is the greater	\$1 or 1% of the duty	29.6%
9	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 or any official signature has been given, etc.	March 2015	\$200	59.7%	15%	\$230	\$30	68.7%

<b>Item</b>	<b>Description of fee</b>	<b>Last revision</b>	<b>Existing fee</b>	<b>Cost recovery rate at 2018-19 price level</b>	<b>Proposed percentage of increase</b>	<b>Proposed fee</b>	<b>Proposed amount of increase</b>	<b>Cost recovery level after revision</b>
			<b>(1)</b>			<b>(2)</b>	<b>(3)=(2)-(1)</b>	
10	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)	March 2015	\$2	46.5%	15%	\$2.3	\$0.3	53.5%
<b>(d) Bonded warehouse supervision fees</b>								
11	Bonded warehouse supervision fees - attendance of an Inspector (per hour or part of an hour)	March 2015	\$525	80.3%	10%	\$580	\$55	88.7%
12	Bonded warehouse supervision fees - attendance of a Chief Customs Officer (per hour or part of an hour)	March 2015	\$415	68.9%	15%	\$480	\$65	79.7%
13	Bonded warehouse supervision fees - attendance of a Senior Customs Officer (per hour or part of an hour)	March 2015	\$330	66.3%	15%	\$380	\$50	76.3%
14	Bonded warehouse supervision fees - attendance of a Customs Officer (per hour or part of an hour)	March 2015	\$215	74.1%	10%	\$240	\$25	82.8%
<b>(e) Registration fees for motor vehicle importer and/or distributor</b>								
15	Registration as a distributor of motor vehicles (per case)	March 2015	\$600	28.4%	20%	\$720	\$120	34.1%

<b>Item</b>	<b>Description of fee</b>	<b>Last revision</b>	<b>Existing fee</b>	<b>Cost recovery rate at 2018-19 price level</b>	<b>Proposed percentage of increase</b>	<b>Proposed fee</b>	<b>Proposed amount of increase</b>	<b>Cost recovery level after revision</b>
			<b>(1)</b>			<b>(2)</b>	<b>(3)=(2)-(1)</b>	
16	Registration as an importer of motor vehicles (per case)	March 2015	\$600	28.4%	20%	\$720	\$120	34.1%
17	Registration as an distributor and importer of motor vehicles (per case)	March 2015	\$600	28.4%	20%	\$720	\$120	34.1%