

LEGISLATIVE COUNCIL BRIEF

Dutiable Commodities Regulations
(Chapter 109A)

DUTIABLE COMMODITIES (AMENDMENT) REGULATION 2019

INTRODUCTION

The Secretary for the Financial Services and the Treasury (“SFST”) has made the Dutiable Commodities (Amendment) Regulation 2019 (“the Amendment Regulation”) to revise 14 items of fees and charges specified in the Dutiable Commodities Regulations (Cap. 109A) under the Customs and Excise Department (“C&ED”).

2. Section 6 of the Dutiable Commodities Ordinance (Cap. 109) (“DCO”) provides that the Chief Executive in Council may by regulation prescribe fees (other than those referred to in section 6A). Section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) empowers the Financial Secretary (which means also the SFST under section 3 of Cap. 1) to vary fees which have previously been fixed by subsidiary legislation made by the Chief Executive in Council.

BACKGROUND AND JUSTIFICATIONS

3. In line with the “user pays” principle, it is the Government’s policy that fees charged by the Government should in general be set at levels adequate to recover the full cost of the public services provided.

4. The 14 fee items were last revised in 2015 but did not attain full cost recovery. C&ED conducted a costing review at the 2018-19 price level, which indicated that the cost recovery levels before revision of

these fee items range from 28.4% to 82.0%. These fees include –

- (a) licence fees for traders of dutiable commodities (five items);
- (b) fees for transfer of or substitution or amendment of licence (two items);
- (c) fees for certain certificates and storage of dutiable commodities (three items); and
- (d) bonded warehouse supervision fees (four items).

5. In accordance with the general fee revision guidelines¹, we shall revise these fee items by 10% to 20%, or by \$0.3 to \$2,450. Details are set out at **Annex A**. After the fee revision, the cost recovery rates of the 14 items will improve, ranging from 29.6% to 90.2%. The fee revision is expected to have very limited impact on the business cost of the relevant trades.

THE AMENDMENT REGULATION

6. The Amendment Regulation at **Annex B** revises the fees and charges concerned. The revised fees and charges will come into effect on 1 March 2019.

IMPLICATIONS OF THE FEE REVISION

7. The fee revision will increase the government revenue by about \$530,000 per annum. It is in conformity with the Basic Law, including the provisions concerning human rights. It will not affect the binding effect of the existing provisions of the DCO. It has insignificant economic implications, and no civil service, family, productivity, environmental, or sustainability implications.

¹ According to the fee 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%.

EFFICIENCY IMPROVEMENT MEASURES

8. C&ED 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”) starting from January 2017 has offered trade facilitation and provided 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.

CONSULTATION

9. C&ED consulted stakeholders, including the relevant traders and customer liaison groups, in October and November 2018 on the fee revision through the webpage of the DCS, emails and discussion session. No adverse feedback was received. We also consulted the Legislative Council Panel on Financial Affairs on 18 December 2018. The Panel had no objection to the fee revision.

PUBLICITY

10. We will issue a press release on 2 January 2019. The Amendment Regulation will be published in the Gazette on 4 January 2019. A spokesman will be available to answer media and public enquiries.

ENQUIRY

11. In case of enquiries about this Brief, please contact Miss Erna WAN, Assistant Secretary for Financial Services and the Treasury (Treasury)(Revenue)3, at 2810 3535.

Financial Services and the Treasury Bureau
2 January 2019

Fees Revision under the Customs and Excise Department

Item	Description of fee	Existing fee	Cost recovery level before revision	Percentage of increase#	New fee	Amount of increase	Cost recovery level after revision
		(1)			(2)	(3)=(2)-(1)	
(a) Licence fees for traders of dutiable commodities							
1	General bonded warehouse or public bonded warehouse licence (annual fee)	\$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)	\$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)	\$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)	\$1,200	82.0%	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)	\$1,200	82.0%	10%	\$1,320	\$120	90.2%
(b) Fees for transfer of or substitution or amendment in any licence							
6	For every transfer of or substitution or	\$515	33.2%	20%	\$620	\$105	40.0%

Item	Description of fee	Existing fee	Cost recovery level before revision	Percentage of increase#	New fee	Amount of increase	Cost recovery level after revision
		(1)			(2)	(3)=(2)-(1)	
	amendment in any licence, not otherwise specified, except a transfer from one person to another (per case)						
7	For every transfer of any licence from one person to another (per case)	\$515	33.2%	20%	\$620	\$105	40.0%
(c) Fees for certificates and storage of dutiable commodities							
8	For every certificate of the Government Chemist that any spirits or methyl alcohol are denatured	\$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 or extract from official records, any other certificates on which statistics or any official signature has been given, etc.	\$200	59.7%	15%	\$230	\$30	68.7%
10	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	\$2	46.5%	15%	\$2.3	\$0.3	53.5%

Item	Description of fee	Existing fee	Cost recovery level before revision	Percentage of increase#	New fee	Amount of increase	Cost recovery level after revision
		(1)			(2)	(3)=(2)-(1)	
	hours)						
(d) Bonded warehouse supervision fees							
11	Bonded warehouse supervision fees - attendance of an Inspector (per hour or part of an hour)	\$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)	\$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)	\$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)	\$215	74.1%	10%	\$240	\$25	82.8%

There may be a slight discrepancy between the exact percentage of increase and the specified percentage due to rounding.

Dutiable Commodities (Amendment) Regulation 2019

(Made by the Secretary for Financial Services and the Treasury under section 29A of the Interpretation and General Clauses Ordinance (Cap. 1) by virtue of section 6 of the Dutiable Commodities Ordinance (Cap. 109))

1. Commencement

This Regulation comes into operation on 1 March 2019.

2. Dutiable Commodities Regulations amended

The Dutiable Commodities Regulations (Cap. 109 sub. leg. A) are amended as set out in section 3.

3. Schedule amended (licences and fees)

(1) The Schedule, Part 1, item 1—

Repeal

“24,350”

Substitute

“26,800”.

(2) The Schedule, Part 1, item 2(a)—

Repeal

“24,350”

Substitute

“26,800”.

(3) The Schedule, Part 1, item 2(b)—

Repeal

“24,350”

Substitute

“26,800”.

(4) The Schedule, Part 1, item 3(a)—

Repeal

“1,200”

Substitute

“1,320”.

(5) The Schedule, Part 1, item 4—

Repeal

“1,200”

Substitute

“1,320”.

(6) The Schedule, Part 7, item 1—

Repeal

“515”

Substitute

“620”.

(7) The Schedule, Part 7, item 2—

Repeal

“515”

Substitute

“620”.

(8) The Schedule, Part 7, item 3—

Repeal

“6

or”

Substitute

- “7
or”.
- (9) The Schedule, Part 7, item 3—
Repeal
“6%”
Substitute
“7%”.
- (10) The Schedule, Part 7, item 4—
Repeal
“200”
Substitute
“230”.
- (11) The Schedule, Part 7, item 5—
Repeal
“2”
Substitute
“2.3”.
- (12) The Schedule, Part 7, item 6—
Repeal
“525”
Substitute
“580”.
- (13) The Schedule, Part 7, item 6—
Repeal
“415”
Substitute

- “480”.
- (14) The Schedule, Part 7, item 6—
Repeal
“330”
Substitute
“380”.
- (15) The Schedule, Part 7, item 6—
Repeal
“215”
Substitute
“240”.



Secretary for Financial Services and
the Treasury

1 January 2019

Explanatory Note

This Regulation amends the Schedule to the Dutiable Commodities Regulations (Cap. 109 sub. leg. A) (*principal Regulations*) to increase certain licence fees and other miscellaneous fees payable under the principal Regulations.

2. Those fees are fees payable for—
 - (a) warehouse licences;
 - (b) import and export licences;
 - (c) special import licences;
 - (d) the transfer of, or substitution or amendment in, licences;
 - (e) certificates of the Government Chemist that any spirits or methyl alcohol are denatured;
 - (f) landing certificates, certificates of shortages or breakages of cargo, endorsements, certificates of accuracy, certain other certificates and copies of or extracts from official records;
 - (g) the storage of goods at the Customs and Excise warehouse; and
 - (h) the attendance of members of the Customs and Excise Service at a warehouse or any other place or for certain purposes.