

LEGISLATIVE COUNCIL BRIEF

Public Finance Ordinance

(Chapter 2)

Rating Ordinance

(Chapter 116)

RATING (EXEMPTION) ORDER 2020

REVENUE (REDUCTION OF BUSINESS REGISTRATION FEES AND BRANCH REGISTRATION FEES) ORDER 2020

INTRODUCTION

A At the meeting of the Executive Council on 26 February 2020, the Council ADVISED and the Chief Executive ORDERED that, the Rating (Exemption) Order 2020 at **Annex A** should be made under section 36(2) of the Rating Ordinance (Cap. 116); and the Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020 at **Annex B** should be made under section 39A(a) of the Public Finance Ordinance (Cap. 2).

JUSTIFICATIONS

Rates Concession

2. The Government has proposed, among other relief measures in the 2020-21 Budget, to waive rates for four quarters of 2020-21. For domestic tenements, the concession ceiling is \$1,500 per tenement per quarter. For non-domestic tenements, the ceiling is \$5,000 per tenement per quarter for the first two quarters; and is \$1,500 per tenement per quarter for the remaining two quarters. The higher concession for non-domestic tenements in the first two quarters aims to provide a stronger financial relief to businesses during the economic downturn. The rates revenue in 2018-19 was \$17.2 billion.

3. The proposed rates concession will benefit about 3.35 million properties liable to rates payment, including about 2.93 million domestic properties and 420 000 non-domestic properties. About 61% of domestic ratepayers will not need to pay any rates during 2020-21. No rates will be charged on 73.1% non-domestic ratepayers for the first two quarters, and 38.7% in the remaining two quarters of 2020-21. Overall speaking, about 62.5% and 58.2% of ratepayers will not need to pay any rates for the first two quarters and the remaining two quarters of 2020-21 respectively.

4. 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. The Rating (Exemption) Order 2020 has been made under this section to effect the proposed rates concession. The relevant order should take effect on 1 April 2020.

Waiver of Business Registration Fees

5. The 2020-21 Budget has proposed waiving the business registration fees for 2020-21. The waiver seeks to reduce the operating cost of business amidst the unfavourable economic circumstances. Fees payable for business registration certificates and branch registration certificates with a commencement date falling between 1 April 2020 and 31 March 2021 (both dates inclusive) will be reduced by an amount of \$2,000 and \$73 respectively¹. One-stop registration service for company incorporation and business registration was introduced in February 2011. The proposed one-year waiver of business registration fees applies if the related incorporation submission is made between the aforementioned period. The revenue from business registration fees in 2018-19 was \$2.8 billion.

6. Section 39A(a) of the Public Finance Ordinance provides that the Chief Executive may by order reduce or vary any fee or charge made payable to Government by or under any Ordinance. The Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020 has been made under this section to effect the proposed waiver. The relevant order should take effect on 1 April 2020.

¹ Although business registration fees are proposed to be waived, businesses still have to pay the levy of \$250 and \$750 for 1-year and 3-year business registration certificates respectively (and the same respective amounts apply to 1-year and 3-year branch registration certificates) in accordance with section 6 of the Business Registration Ordinance. The levy so collected by the Inland Revenue Department must be paid to the Protection of Wages on Insolvency Fund in accordance with section 21 of the Business Registration Ordinance. No waiver on the levy is granted in the 2019-20 Budget or in previous years.

7. Besides, we propose to refund businesses which are not yet required to renew their registration certificates within 2020-21 but have nonetheless made payment of business registration fees in respect of business registration certificates or branch registration certificates with validity falling within 2020-21. Further, we propose to make pro-rata refund to businesses which will not renew their registration certificates within 2020-21 due to cessation of business but have nonetheless made payment of business registration fees in respect of business registration certificates or branch registration certificates covering 2020-21 in full or in part. For fees already paid, we will seek the Chief Executive's approval for refund separately pursuant to section 39A(b) of the Public Finance Ordinance, which provides that any fee or charge made payable by or under any Ordinance to the Government or to any public body or public officer, not being a fee or charge which is regulated by rules of court, may be remitted or refunded, in whole or in part, in any particular case and on any special ground by the Chief Executive. The refund will be made around late July 2020.

THE ORDERS

8. The provisions of the Rating (Exemption) Order 2020 are as follows –

- (a) **Section 1** provides that the Order comes into operation on 1 April 2020.
- (b) **Section 2** provides that the “concession period” means the four quarters starting from 1 April 2020 to 31 March 2021. Definitions are provided for “domestic tenement” and “non-domestic tenement”.
- (c) **Section 3** provides that a domestic tenement included in a valuation list in force will be exempted from the payment of rates up to the amount of \$1,500 per concession period. The concession cap will be reduced proportionately if rates would otherwise be payable for only part of the concession period.
- (d) **Section 4** provides that a non-domestic tenement included in a valuation list in force will be exempted from the payment of rates up to the amount of \$5,000 per quarter for the first and second quarters; and up to the amount of \$1,500 per quarter for the third and fourth quarters. The concession cap will be reduced proportionately if rates would otherwise be payable for only part of the concession period.

9. The provisions of the Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020 are as follows –

- (a) **Section 1** provides that the Order comes into operation on 1 April 2020.
- (b) **Section 2** provides for the necessary definitions, including the definition of “concession period” (meaning the period of 12 months beginning on 1 April 2020).
- (c) **Section 3** reduces the fee payable in relation to a business registration certificate that is endorsed with a commencement date that falls within the concession period. However, if the fee is payable in relation to a simultaneous submission made for the purpose of forming a company under the Companies Ordinance (Cap. 622), the reduction applies only if the incorporation submission is made within the concession period.
- (d) **Section 4** reduces the fee payable in relation to a branch registration certificate that is endorsed with a commencement date that falls within the concession period.

LEGISLATIVE TIMETABLE

10. The legislative timetable is as follows –

Publication in the Gazette	6 March 2020
Tabling at the Legislative Council for negative vetting	18 March 2020

IMPLICATIONS OF THE PROPOSALS

11. The proposed rates concession will lead to revenue forgone of about \$16.5 billion. The proposed one-year waiver of business registration fees and branch registration fees will cost Government about \$3 billion.

12. The proposals are in conformity with the Basic Law, including the provisions concerning human rights. The proposals will not affect the binding effect of the existing provisions of the respective ordinances and its subsidiary legislation. The economic, sustainability and family

C implications of the proposals are at **Annex C**. The proposals have no productivity, environmental, gender or civil service implications.

PUBLIC CONSULTATION

13. We have formulated the proposals after taking into account views received from legislators and other stakeholders during the Budget consultation process. Owing to the confidentiality of the Budget, we have not carried out prior consultation for the proposed measures.

PUBLICITY

14. We will issue a press release on 4 March 2020. A spokesperson will be available to answer media and public enquiries.

ENQUIRIES

15. Enquiries on this Brief can be directed to Miss Helen CHUNG, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
March 2020

Rating (Exemption) Order 2020

(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 2020.

2. Interpretation

In this Order—

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

- (a) the first quarter;
- (b) the second quarter;
- (c) the third quarter;
- (d) the fourth quarter;

domestic tenement (住宅物業單位) means a tenement used, or intended to be used, wholly or primarily for domestic purposes;

first quarter (第 1 季) means the period from 1 April 2020 to 30 June 2020;

fourth quarter (第 4 季) means the period from 1 January 2021 to 31 March 2021;

non-domestic tenement (非住宅物業單位) means a tenement that is not a domestic tenement;

second quarter (第 2 季) means the period from 1 July 2020 to 30 September 2020;

third quarter (第 3 季) means the period from 1 October 2020 to 31 December 2020.

3. Exemption from payment of rates—domestic tenement

For each concession period, a domestic 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 \$1,500, whichever amount is less. If rates would otherwise be payable for only part of a concession period, the amount of \$1,500 is reduced proportionately.

4. Exemption from payment of rates—non-domestic tenement

(1) For each concession period, a non-domestic 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 the capped amount, whichever amount is less. If rates would otherwise be payable for only part of a concession period, the capped amount is reduced proportionately.

(2) In this section—

capped amount (上限款額) means the following amount—

- (a) in relation to each of the first quarter and the second quarter—\$5,000;
- (b) in relation to each of the third quarter and the fourth quarter—\$1,500.



Clerk to the Executive Council

COUNCIL CHAMBER

26 February 2020

Explanatory Note

This Order exempts a tenement from the payment of rates, with particulars as follows—

- (a) for a domestic tenement—up to a maximum of \$1,500 for each quarter in the year starting on 1 April 2020 and ending on 31 March 2021 (*2020–2021 financial year*);
- (b) for a non-domestic tenement—
 - (i) up to a maximum of \$5,000 for each of the first quarter and the second quarter in the 2020–2021 financial year; and
 - (ii) up to a maximum of \$1,500 for each of the third quarter and the fourth quarter in the 2020–2021 financial year.

Revenue (Reduction of Business Registration Fees and Branch Registration Fees)
Order 2020

Section 1

1

**Revenue (Reduction of Business Registration Fees and
Branch Registration Fees) Order 2020**

(Made by the Chief Executive under section 39A(a) of the Public Finance
Ordinance (Cap. 2) after consultation with the Executive Council)

1. Commencement

This Order comes into operation on 1 April 2020.

2. Interpretation

In this Order—

branch registration certificate (分行登記證) means a branch
registration certificate issued under section 6(3A) of Cap. 310;

branch registration fee (分行登記費) means the fee set out in item
2(a)(i) or (ii) of the Table in Schedule 2 to Cap. 310;

business registration certificate (商業登記證) means a business
registration certificate issued under section 6(3) of Cap. 310;

business registration fee (商業登記費) means the fee set out in item
1(i)(i) or (ii) of the Table in Schedule 1 to Cap. 310;

Cap. 310 (第 310 章) means the Business Registration Ordinance
(Cap. 310);

concession period (寬免期) means the period of 12 months
beginning on 1 April 2020;

incorporation submission (成立法團遞呈) has the meaning given
by section 2(1) of Cap. 310.

3. Reduction of business registration fees

(1) The business registration fee payable in relation to a business
registration certificate that is endorsed with a date of

Revenue (Reduction of Business Registration Fees and Branch Registration Fees)
Order 2020

Section 4

2

commencement that falls within the concession period is
reduced by \$2,000.

(2) The business registration fee payable under section 5A(1)(a) of
Cap. 310 in relation to an incorporation submission made
within the concession period is reduced by \$2,000.

4. Reduction of branch registration fees

The branch registration fee payable in relation to a branch
registration certificate that is endorsed with a date of commencement
that falls within the concession period is reduced by \$73.



Chief Executive

26 February 2020

Revenue (Reduction of Business Registration Fees and Branch Registration Fees)
Order 2020

Explanatory Note
Paragraph 1

3

Explanatory Note

This Order reduces the fee payable under the Business Registration Ordinance (Cap. 310) (*Cap. 310*) for a business registration certificate or branch registration certificate that is endorsed with a date of commencement that falls within the period of 12 months beginning on 1 April 2020 (*concession period*).

2. For the fee payable under section 5A(1)(a) of Cap. 310 in relation to a submission made for forming a company under section 67 of the Companies Ordinance (Cap. 622), or for incorporating an open-ended fund company under section 112C of the Securities and Futures Ordinance (Cap. 571), the fee is also reduced if the submission is made within the concession period.

Economic, Sustainability and Family Implications of the Proposals

Economic Implications

The proposed rates concession will help reduce the financial burden of ratepayers, thereby providing some stimulus to local consumption and rendering support to enterprises to tide over the current economic difficulties. In addition, the proposed waiver of business registration fees and branch registration fees will enable enterprises to have more disposable funds.

Sustainability Implications

2. The proposed measures are expected to generate economic benefits to households and businesses through increasing their disposable incomes and to promote social harmony through alleviating ratepayers' burden as well as cost of business operations.

Family Implications

3. The proposed rates concession to domestic properties will help strengthen relevant ratepayers' capability to foster care of their family members. Also, the proposed rates concession to non-domestic tenements and the proposed waiver of business registration fees and branch registration fees will help reduce the operating cost of businesses and preserve jobs, thereby maintaining the financial stability of families.