

II. REPORT

The date of First Reading of the Bill is 17 March 2021. Members may refer to the Legislative Council ("LegCo") Brief (File Ref: THB(T)CR 3/1/2321/92) issued by the Transport and Housing Bureau on 24 February 2021 for further details.

Object of the Bill

2. The Bill seeks to:

- (a) amend the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330) and the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E) to give effect to the proposals in paragraph 145 of the 2021-2022 Budget Speech delivered by the Financial Secretary ("FS") on 24 February 2021, namely, increasing the rates of first registration tax for private cars by 15% and the annual licence fees for private cars and electrically powered passenger vehicles by 30% respectively; and
- (b) make a consequential amendment to the Road Traffic (Registration and Licensing of Vehicles) (Amendment) (Fee Concessions) Regulation 2019 (L.N. 101 of 2019).

Provisions of the Bill

Increase of first registration tax and annual licence fees

3. The Bill proposes to amend the Schedule to Cap. 330 to increase the rates of first registration tax for private cars by 15% with effect from 11 a.m. on 24 February 2021 ("Commencement Time"). A comparison of the rates of first registration tax under Cap. 330 (in force before the Commencement Time) and the proposed rates of first registration tax under the Bill (with effect from the Commencement Time) for private cars is set out below:

Tax Bands	Rates under Cap. 330 in force before the Commencement Time	Proposed rates under the Bill with effect from the Commencement Time
On the first \$150,000 of the taxable value	40%	46%
On the next \$150,000	75%	86%
On the next \$200,000	100%	115%
On the remainder (i.e. on taxable value over \$500,000)	115%	132%

4. The Bill also proposes to amend Schedule 2 to Cap. 374E to increase the annual licence fees for private cars and electrically powered passenger vehicles by 30% with effect from the Commencement Time. Comparisons of the annual licence fees under Cap. 374E (in force before the Commencement Time) and the proposed annual licence fees under the Bill for private cars (using either petrol or diesel oil) and electrically powered passenger vehicles (with effect from the Commencement Time) are set out below:

For private cars

Cylinder capacity of the engine	Annual licence fees under Cap. 374E in force before the Commencement Time	Proposed annual licence fees under the Bill with effect from the Commencement Time
	for petrol/diesel private cars	
Not exceeding 1 500 cubic centimetres	\$3,815/ \$5,275	\$4,960/ \$6,858
Exceeding 1 500 cubic centimetres but not exceeding 2 500 cubic centimetres	\$5,680/ \$7,140	\$7,384/ \$9,282
Exceeding 2 500 cubic centimetres but not exceeding 3 500 cubic centimetres	\$7,550/ \$9,010	\$9,815/ \$11,713
Exceeding 3 500 cubic centimetres but not exceeding 4 500 cubic centimetres	\$9,420/ \$10,880	\$12,246/ \$14,144
Exceeding 4 500 cubic centimetres	\$11,215/ \$12,675	\$14,580/ \$16,478

For electrically powered passenger vehicles

Electrically powered passenger vehicle	Annual licence fees under Cap. 374E in force before the Commencement Time	Proposed annual licence fees under the Bill with effect from the Commencement Time
Not exceeding one tonne unladen weight	\$440	\$572
An additional fee for each 250 kg unladen weight or part thereof	\$95	\$124

Transitional arrangements regarding first registration tax

5. A new section 12 is proposed to be added to Cap. 330 to provide for transitional arrangements in relation to the proposed increase of the rates of first

registration tax for private cars. In gist, the rates of first registration tax as in force immediately before the Commencement Time would continue to apply if it could be proved to the satisfaction of the Commissioner for Transport ("Commissioner") that, before the Commencement Time, a purchaser has entered into a contract with, or made an offer to, a registered distributor or importer for the purchase of a private car, with payment made either wholly or partially, or a person (not being a registered importer who is applying for first registration of a private car) has arranged for the shipment for importing the car into Hong Kong.

6. The Legal Service Division has made enquiries with the Administration regarding the rates to be applied for calculating the first registration tax or additional first registration tax for a private car in different scenarios and whether appropriate transitional provisions are required. Our enquiries and the Administration's reply are summarized below.

Transfer of ownership of a private car not liable for first registration tax on first registration before the Commencement Time but notification of the transfer of ownership only made to the Commissioner after the Commencement Time (section 4F(3) of Cap. 330)

7. The Administration has clarified that so long as the private car concerned has been first registered, the tax rates applicable at the time of first registration should be applicable in calculating the first registration tax payable for the first time or additional first registration tax at any point in time in future. In respect of a private car not liable to pay first registration tax on its first registration which has subsequently been transferred to a transferee (who is not exempted from paying first registration tax) before the Commencement Time, but the notification of the transfer of ownership is only made to the Commissioner after the Commencement Time, the Administration has clarified that the rates applicable at the time of its first registration (i.e. the rates as in force immediately before the Commencement Time) would be applicable in calculating the first registration tax to be payable.

Change of the class of additions to the chassis or cab and chassis of a locally assembled private car or other specified matter before the Commencement Time but notification of the change only made to the Commissioner after the Commencement Time (section 4F(4) of Cap. 330)

8. The Administration has clarified that so long as the private car concerned has been first registered before the Commencement Time, the rates applicable at the time of its first registration (i.e. the rates as in force immediately before the Commencement Time) would be applicable in calculating any additional first registration tax to be payable irrespective of the notification time of the changes.

Accessory to a private car fitted before the Commencement Time within six months after its first registration but declaration only delivered to the Commissioner after the Commencement Time (section 4F(4A) of Cap. 330)

9. The Administration has clarified that so long as the private car concerned has been first registered before the Commencement Time, the rates applicable at the time of its first registration (i.e. the rates as in force immediately before the Commencement Time) would be applicable in calculating the additional first registration tax to be payable owing to the fitting of accessory to a private car within six months after the first registration of the car.

Taxable warranty obtained before the Commencement Time within six months after its first registration but declaration only delivered to the Commissioner after the Commencement Time (section 4F(4A) of Cap. 330)

10. The Administration has clarified that so long as the private car concerned has been first registered before the Commencement Time, the rates applicable at the time of its first registration (i.e. the rates as in force immediately before the Commencement Time) would be applicable in calculating the additional first registration tax to be payable owing to the obtaining of a taxable warranty for a private car within six months after the first registration of the car.

11. The Administration has further clarified that the existing provisions in Cap. 330 have already covered the above scenarios and hence the inclusion of transitional provisions relating to such scenarios is considered not necessary.

Transitional arrangements regarding annual licence fees

12. The Bill proposes to add a new regulation 62A to Cap. 374E to provide for transitional arrangements in relation to the proposed increase of annual licence fees. In gist, for a licence of a private car or electrically powered passenger vehicle with an expiry date on or before 23 June 2021 and that the Commissioner receives an application for the renewal of the licence on or before 23 June 2021, the annual licence fees as in force immediately before the Commencement Time would continue to apply.

Consequential amendment

13. The Bill also seeks to make a consequential amendment to L.N. 101 of 2019 in view of its proposed amendments to Cap. 374E.

Public Revenue Protection (Revenue) Order 2021 (L.N. 31 of 2021)

14. On the day of delivery of the Budget Speech by FS (i.e. 24 February 2021), the Chief Executive, after consultation with the Executive Council, made the Public Revenue Protection (Revenue) Order 2021 (L.N. 31 of 2021) ("Order") under section 2 of the Public Revenue Protection Ordinance (Cap. 120) to give

immediate effect to the proposed increase of the rates of first registration tax for private cars and the annual licence fees for private cars and electrically powered passenger vehicles under the Bill. The Order came into force at the Commencement Time. The Schedule to the Order contains a proposed bill to amend Cap. 330, Cap. 374E and L.N. 101 of 2019 which is identical to the Bill. The Order is a temporary measure. Members may refer to our report on the Order (LC Paper No. LS44/20-21) for further details of the Order. A subcommittee has been formed to study the Order.

Commencement

15. The Bill, if passed, would be deemed to have come into operation at the Commencement Time, i.e. the same time when the Order came into operation.

Public Consultation

16. According to paragraph 16 of the LegCo Brief, no formal public consultation has been carried out specifically for the legislative proposals owing to the confidentiality of the Budget. However, according to the Administration, the proposals were formulated after taking into account views received from Members and other parties during the Budget consultation process and in other relevant context.

Consultation with LegCo Panel

17. As advised by the Clerk to the Panel on Transport, the Panel has not been consulted on the Bill.

Conclusion

18. Subject to Members' view on paragraphs 6 to 11 above, no difficulties have been identified in relation to the legal and drafting aspects of the Bill. Members may consider whether a Bills Committee should be formed to study the policy aspects of the Bill in detail.

Prepared by

KAN Wan-yee, Wendy
Assistant Legal Adviser
Legislative Council Secretariat
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