

## **LEGISLATIVE COUNCIL BRIEF**

Public Finance Ordinance

(Chapter 2)

Rating Ordinance

(Chapter 116)

### **RATING (EXEMPTION) ORDER 2021**

### **REVENUE (REDUCTION OF BUSINESS REGISTRATION FEES AND BRANCH REGISTRATION FEES) ORDER 2021**

#### **INTRODUCTION**

At the meeting of the Executive Council on 24 February 2021, the Council ADVISED and the Chief Executive ORDERED that, the A Rating (Exemption) Order 2021 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 2021 at B **Annex B** should be made under section 39A(a) of the Public Finance Ordinance (Cap. 2).

#### **JUSTIFICATIONS**

##### **Rates Concessions**

2. To provide relief to businesses and the general public in the light of the economic downturn and the epidemic, the Government waived rates for four quarters in 2020-21 with the concessions capped at \$5,000 per quarter for each non-domestic tenement and \$1,500 for each domestic tenement. To sustain the support, the 2021-22 Budget has proposed, among other relief measures, to continue such rates concessions for the first two quarters of 2021-22. The 2021-22 Budget has also proposed to waive rates for the remaining two quarters, with the concessions per quarter capped at \$2,000 for each non-domestic tenement and \$1,000 for each domestic tenement. The rates revenue in 2019-20 was \$21.0 billion.

3. The proposed rates concessions will benefit about 3.38 million properties liable to rates payment. About 63% and 39% of domestic ratepayers and 74% and 49% of non-domestic ratepayers will not need to pay any rates for the first two quarters and the remaining two quarters of 2021-22 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 2021 was made by the Chief Executive in Council under this section to effect the proposed rates concession. The relevant order should take effect on 1 April 2021.

### **Waiver of Business Registration Fees**

5. The proposed waiver of business registration fees 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 2021 and 31 March 2022 (both dates inclusive) will be reduced by an amount of \$2,000 and \$73 respectively<sup>1</sup>. 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 same waiver was offered in the 2019-20 and 2020-21 Budgets as a one-off relief measure. The revenue from business registration fee 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 2021 was made by the Chief Executive under this section to effect the proposed waiver. The relevant order should take effect on 1 April 2021.

7. We also propose to refund businesses which are not yet required to renew their registration certificates within 2021-22 but have nonetheless

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<sup>1</sup> 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 was granted in the 2020-21 Budget or in previous years.

made payment in respect of business registration certificates or branch registration certificates with validity falling within 2021-22. 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 July 2021 and will amount to about \$25 million, which is inclusive in the cost to revenue stated in paragraph 11 below.

## **THE ORDERS**

8. The provisions of the Rating (Exemption) Order 2021 are as follows –

- (a) **Section 1** provides that the order comes into operation on 1 April 2021.
- (b) **Section 2** provides that the “concession period” means the four quarters starting from 1 April 2021 to 31 March 2022. 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 quarter for the first and second quarters; and up to the amount of \$1,000 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.
- (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 \$2,000 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 2021 are as follows

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- (a) **Section 1** provides that the order comes into operation on 1 April 2021.
  - (b) **Section 2** provides for the necessary definitions, including the definition of “concession period” (meaning the period of 12 months beginning on 1 April 2021).
  - (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. If the fee is payable in relation to a simultaneous submission made for the purpose of forming or incorporating a company under the Companies Ordinance (Cap. 622) or the Securities and Futures Ordinance (Cap. 571), 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 will be –

Publication in the Gazette	5 March 2021
Tabling at the Legislative Council for negative vetting	17 March 2021

## IMPLICATIONS OF THE PROPOSALS

11. The proposed rates concessions will lead to revenue forgone of about \$15 billion. The proposed one-year waiver of business registration fees and branch registration fees will cost the Government \$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 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 3 March 2021. 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 2021**

## Rating (Exemption) Order 2021

(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 2021.

### 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 2021 to 30 June 2021;

*fourth quarter* (第 4 季) means the period from 1 January 2022 to 31 March 2022;

*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 2021 to 30 September 2021;

*third quarter* (第 3 季) means the period from 1 October 2021 to 31 December 2021.

### 3. Exemption from payment of rates—domestic tenement

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

### 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—\$2,000.

COUNCIL CHAMBER

2021

Clerk to the Executive Council

**Explanatory Note**

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

- (a) for a domestic tenement—
  - (i) up to a maximum of \$1,500 for each of the first quarter and the second quarter in the year starting on 1 April 2021 and ending on 31 March 2022 (*2021–2022 financial year*); and
  - (ii) up to a maximum of \$1,000 for each of the third quarter and the fourth quarter in the 2021–2022 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 2021–2022 financial year; and
  - (ii) up to a maximum of \$2,000 for each of the third quarter and the fourth quarter in the 2021–2022 financial year.

## Annex B

### Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2021

Section 1

1

#### Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2021

(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 2021.

**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 2021;

*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 2021

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

2021



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

Order 2021

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 2021 (*concession period*).

2. The fee payable under section 5A(1)(a) of Cap. 310 in relation to an incorporation submission within the meaning of Cap. 310 is also reduced if the incorporation 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 businesses to tide over the current economic difficulties. The proposed waiver of business registration fees and branch registration fees will enable businesses 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.