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Report of the Bills Committee on Air Passenger Departure Tax (Amendment) Bill 2025

Purpose

This paper reports on the deliberations of the Bills Committee on Air Passenger Departure Tax (Amendment) Bill 2025 (“the Bills Committee”).

Background

2. In the Budget delivered in February 2025, the Financial Secretary (“FS”) put forward a reinforced fiscal consolidation programme, which focuses on strictly controlling Government expenditure, supplemented by increasing revenue, with a view to restoring fiscal balance in the Operating Account in a progressive manner within the current term of the Government. On increasing revenue, the Government’s principle is to avoid introducing new taxes and to minimize the impact on the general public as far as practicable. Adhering to this principle, FS announced in the Budget that the rate of air passenger departure tax (“APDT”) would be increased from the current \$120 to \$200 per passenger starting from the third quarter of 2025-2026. It is anticipated that government revenue will increase by about \$1.6 billion per year. Having regard to the need for the airlines and helicopter companies (collectively referred to as “operators”) to adjust their information technology systems and to allow sufficient time for publicity, the Government proposes that the increased APDT takes effect on 1 October 2025. Passengers purchasing air tickets on or after 1 October 2025 will have to pay APDT at the new rate of \$200.

3. Under the existing system, operators have been collecting tax from air passengers on behalf of the Government. They also process applications for exemption and refund, and in return are paid an administration fee pursuant to section 10(1) of the Air Passenger Departure Tax Ordinance (Cap. 140) (“APDTO”). It works in this way: the operators

will first deduct the administration fee from the APDT received and then remit the remaining sum to the Government's designated account. In order to satisfy the requirement of the Public Finance Ordinance (Cap. 2),¹ the Financial Services and the Treasury Bureau ("FSTB") will budget for the relevant provision in its Estimates every year (given that the administration fee is borne by it), and transfer the relevant provision to the Civil Aviation Department ("CAD"), which is responsible for monitoring the collection of APDT, so that CAD can credit the sum to the relevant revenue account.

4. The Administration seeks to streamline the above arrangement by amending APDTO to empower FS to approve the operators to retain part of the APDT collected for offsetting the administration fees payable to them, and provide that the retained fees do not form part of the general revenue under section 3(1) of Cap. 2. With the proposed amendments, FSTB would not need to budget for the relevant provision, and CAD would no longer need to credit the sum to the relevant revenue account.

Air Passenger Departure Tax (Amendment) Bill 2025

5. The Air Passenger Departure Tax (Amendment) Bill 2025 ("the Bill") was published in the Gazette on 7 March 2025 and received its First Reading at the Legislative Council meeting of 19 March 2025. The Bill seeks to amend APDTO to:

- (a) provide that the part of APDT approved to be retained by operators to offset the collection fee payable to them does not form part of the general revenue;
- (b) increase APDT from \$120 to \$200 per passenger; and
- (c) provide for related matters.

Bills Committee

6. At its meeting on 21 March 2025, the House Committee agreed to form a Bills Committee to scrutinize the Bill. The membership list of the Bills Committee is in [Appendix 1](#). Under the chairmanship of Ir Hon LEE Chun-keung, the Bills Committee has held two meetings. The Bills

¹ Section 3(1) of Cap. 2 provides that any moneys raised or received for the purposes of the Government shall form part of the general revenue, except where otherwise provided by or under Cap. 2 or any other enactment. Section 4 of Cap. 2 provides that no expenditure shall be charged on the general revenue except as provided by or under Cap. 2 or any other enactment.

Committee has also invited written submissions from the public.² A list of organizations/individuals which/who have given views to the Bills Committee is in [Appendix 2](#).

Deliberations of the Bills Committee

Increase in air passenger departure tax

7. Clause 5 of the Bill seeks to amend the First Schedule to APDTO to increase APDT from \$120 to \$200 per passenger. The effect would be to increase APDT paid by every passenger (other than passengers exempted under section 12 of APDTO, e.g. direct transit passengers) who intends to depart from Hong Kong by aircraft or helicopter at the airport.³

8. Members generally consider that the rate of increase in APDT is excessively high and lacks supporting data, which would have significant implications, particularly on low-cost carriers (“LCCs”). Given that LCCs typically charge ticket fares in the hundreds of dollars, an APDT of \$200, coupled with other charges such as the Airport Construction Fee and Passenger Security Charge, would be comparable with the ticket fare. This would deter LCCs from establishing routes in Hong Kong and directly impact price-sensitive travellers, especially those on short and medium-haul trips, prompting them to switch to the cheaper Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL) or to neighbouring airports with lower taxes and charges, such as Shenzhen and Guangzhou, in search of more competitive ticket prices and reduced tax burden. This will not only undermine the competitiveness of Hong Kong as an aviation hub, but also run counter to the Government’s policy of “tourism is everywhere in Hong Kong”.

9. The Administration has emphasized that it has struck a balance between increasing revenue and minimizing the impact on passengers when deciding to increase APDT. The current adjustment is made based on the fact that the tax rate has not been revised for a prolonged period, as well as inflationary justifications and assessment of passenger affordability, etc. The aim is to increase government revenue while maintaining Hong Kong’s attractiveness as an aviation hub. Major considerations are as follows:

(a) Inflationary and historical adjustment — The last

² For details, please see the [written submissions](#) and the [Administration’s consolidated written response](#).

³ Under section 2 of APDTO, “airport” means the Hong Kong International Airport or the heliport at the Hong Kong—Macau Ferry Terminal.

adjustment to APDT (from \$80 to \$120 per passenger) was made in 2003, and since then the cumulative inflation rate has reached some 64% over the period⁴, aligning closely with the current increase rate (from \$120 to \$200 per passenger). This is one of the Government's measures to address the fiscal deficit and increase revenue;

- (b) Minimal impact on visitors — According to the Hong Kong Tourism Board's Visitor Profile Report 2024, the per capita spending in Hong Kong (excluding air tickets) of visitors from the short haul markets (excluding the Mainland China) and the long haul markets are about \$6,200 and \$7,500 respectively. An increase of \$80 in APDT only accounts for 1.1% to 1.3% of the overall travelling cost of the visitors, excluding the expenditure on air tickets. Similarly, the increase has minimal impact on the overall travelling cost incurred by Hong Kong people (including LCC passengers);
- (c) Impact of the Airport Construction Fee — The Airport Authority Hong Kong ("AAHK") has imposed an Airport Construction Fee since 2016, which ranges from \$90 to \$180 per departing passenger. Transit/transfer passengers (including transit/transfer passengers who are exempted from paying APDT under APDTP) are also required to pay the Fee (ranging from \$70 to \$180). Subsequently, the passenger throughput at the Hong Kong International Airport ("HKIA") had a year-on-year increase of 3.3% and 2.5% in 2017 and 2018 respectively. As for the drop in the number of passengers between 2019 and 2022, it was mainly due to social incidents and the pandemic;
- (d) HKIA's competitiveness — When travellers choose an airport for their trips, apart from the price of air tickets, they will also take into account a number of factors, such as the airport's aviation network, flight frequency, land and sea transportation links, airport facilities, facilities surrounding the airport and travel efficiency. In terms of aviation network, HKIA is connected to about 90 international passenger destinations around the world, demonstrating its leading position in terms of air connectivity and efficiency when compared to neighbouring airports. The impact of the tax increase on travellers' choice is limited; and
- (e) More readily acceptable than other taxes — Adjustment to

⁴ The increase in Composite Consumer Price Index from 2004 to 2024.

APDT affects air passengers only. It is more acceptable when comparing with measures to increase government revenue that may affect the general public and businesses, such as raising salaries tax, profits tax, rates, etc.

10. Members have expressed concern that linking the rate of increase in APDT with inflation would mean that adjustments would only be upward but never downward, and suggested that a review mechanism should be made clear to regularly examine and assess the impact on the public. The Administration has advised that the rate of increase in APDT will not be adjusted mechanically based on inflation alone; instead, future adjustments would be made in the light of the fiscal situation and other factors. To cite an example, the hotel accommodation tax was also suspended at one time. In addition, tax policies would be reviewed in the context of the annual Budget and adjustments would be made where necessary.

11. Members have requested the Government to conduct scientific analyses on the rate of increase and consider other options, including adjusting the tax rate in phases, imposing differential taxes based on flight distance or cabin class, adding a sunset clause to the Bill, or conducting a review after the Government's financial situation or the overall economic environment have improved.

12. The Administration has responded that the current rate of APDT increase is reasonable and it has no intention to adjust the rate, nor would it defer the increase or do it in phases. Moreover, the existing practice of collecting a flat rate of APDT from each passenger is simple and straightforward, and there is no plan to change the system. As to whether the rate of APDT would be reviewed again or a sunset clause would be added to the Bill when the fiscal situation has improved, the Administration has remarked that it would continue to formulate appropriate public finance measures in accordance with the existing mechanism, taking into account the latest economic and social conditions, tax competitiveness as well as the fiscal position in drawing up the Budget each year.

13. Some members are of the view that the APDT rate should be adjusted in one go instead of in phases to avoid causing confusion to international travellers and affecting the image of Hong Kong. While acknowledging the operating pressure faced by the tourism sector, members have highlighted the need to take into account public affordability particularly in light of the recent price hikes, such as the surge in air ticket price following the removal of the cap on fuel surcharge. The Administration has advised that a one-off adjustment to the APDT rate would provide certainty to travellers and avoid giving the wrong impression of a yearly increase associated with a phased tax increase, thus undermining

the image of Hong Kong. The Administration recognizes the importance of tourism and has undertaken to continue implementing measures to attract visitors and boost tourism.

Proposed amendments to the Bill by Mr YIU Pak-leung

14. Mr YIU Pak-leung has expressed grave concern about the proposed increase in APDT and opines that at this critical juncture when the aviation and tourism industries are recovering, a substantial increase in APDT would create uncertainty and might slow down the progress of reinstating Hong Kong's status as an international aviation hub. Mr YIU has pointed out that the Administration fails to convince him with a comprehensive assessment and analysis, showing that it lacks a sense of crisis regarding the severe challenges faced by these industries. To this end, Mr YIU has proposed an amendment to reduce the increase rate in APDT by half from \$80 (i.e. a levy of \$200) to \$40 (i.e. a levy of \$160).

15. Mr YIU has outlined the rationale behind his proposal as follows: firstly, even with a more moderate increase, the Government would still get an additional revenue of \$800 million, and an APDT increase from the current \$120 to \$160 already represents a hike of more than 30%; secondly, a less drastic adjustment would allow the Government more time to assess the actual impact of the tax increase on the recovery of the industries, thereby minimizing policy uncertainty. Mr YIU has further said that while he understands that the Government is under pressure of budget deficit and appreciates that FSTB has listened to the views of the industries, he considers that his amendment is a rational, moderate and prudent solution which could better balance the need for recovery of the aviation industry and the Government's fiscal needs. Mr YIU has called on the Administration to adopt his proposal and take forward policies in a more sensible approach.

16. The Administration has advised that the "one-step" approach for the current APDT adjustment is primarily based on the following considerations: firstly, it gives a clear message regarding tax adjustments and avoids market uncertainty that may arise from phased adjustments; secondly, the Government will provide different exemptions (e.g. tax concessions for transfer passengers and other transit passengers) (see paragraphs 20 and 21 of this report for details), thereby alleviating the impact on the aviation and tourism industries. The Government would need additional revenue to offset the loss of APDT revenue arising from the extension of the exemption. Having made a comprehensive assessment, the Administration does not agree with Mr YIU's proposed amendment, and hopes that members will understand its overall considerations in designing the policy.

17. After discussion and voting, the Bills Committee has decided not

to move in its name Mr YIU's proposed amendment to reduce the rate of increase in APDT. At the Chairman's request, the Legal Adviser to the Bills Committee has expressed his view by highlighting that whether Mr YIU's proposed amendment to the Bill could be moved at the Council meeting would have to be decided by the President in accordance with, among others, Rule 57 of the Rules of Procedure which governs amendments to bills. Mr YIU has subsequently indicated that he would not propose his amendment concerning reducing the rate of increase in APDT.

18. Regarding his proposed amendment to the exemption criteria for transit passengers, Mr YIU has said that as the Government has already provided a positive response, indicating that it would extend the exemption for transit/transfer passengers from departing on "the same day" to include those departing on "the next day" as well (see paragraph 20 of this report for details), he would no longer propose the amendment. In the meantime, he has suggested that the Government expedite the implementation of the arrangement of exempting the departure tax for visitors from the Greater Bay Area coming to Hong Kong via different boundary control points, emphasizing that such a measure must be put to implementation, otherwise the development of the aviation industry of Hong Kong would be hindered.

Passengers exempted from liability to pay the tax

19. Section 2A of the Second Schedule to APDTP provides that only passengers whose flights of arrival in and departure from Hong Kong are scheduled on "the same day" are exempted from APDT. Members have suggested extending the exemption to include the day following the arrival day. Such extension is also conducive to promoting "multi-destination" travel, encouraging travellers to make a brief stopover in Hong Kong to explore the diversity of the city before continuing to their final destination. This will not only enrich travellers' itineraries, but also bring more tourism revenue, making it a win-win solution.

20. The Administration has advised that since the announcement of the proposed increase in APDT, it has been liaising with stakeholders, including AAHK and airlines. Having considered the views of different parties, it has decided to relax one of the exemption criteria from requiring passengers to arrive and depart on the same day, to allowing passengers to depart from Hong Kong by aircraft on the next calendar day (i.e. a maximum of 48 hours). This proposal is more generous than the exemption provided for air passengers departing within 24 hours in some neighbouring regions (such as Singapore, Tokyo and Seoul). Such relaxation seeks to maintain Hong Kong's competitiveness as an international aviation hub, and encourage more transfer passengers to stay and spend in Hong Kong, thereby boosting the local economy. The Administration will introduce the

relevant subsidiary legislation into the Legislative Council within two to three months, with the aim of implementing the proposal on 1 October this year.

21. To enhance HKIA's competitiveness as a transit hub, members have also suggested extending the exemption of APDT to cover all transit passengers arriving in Hong Kong via land and sea boundary control points. This measure would provide convenience to all kinds of transit passengers and reinforce Hong Kong's status as an international aviation hub through tourism promotion. The Administration has advised that it will discuss and study the exemption arrangements and implementation details with the Transport and Logistics Bureau and AAHK, with a view to enhancing the competitiveness of HKIA. Similar to the considerations for other tax concessions, a number of factors will be taken into account, including the relevant policy objectives, implementation details, impact on government revenue, fairness, etc. The Administration will conclude the study as early as possible and strive to finalize the specific proposals within the year.

Strategies for strengthening Hong Kong as an international aviation hub

22. Members have suggested that the Administration consider collaborating with the Transport and Logistics Bureau, AAHK and the industry to explore measures to attract passengers from the Greater Bay Area to transfer via Hong Kong, so as to consolidate Hong Kong's position as an international aviation hub, and at the same time promote inbound spending by transfer passengers during their stay in Hong Kong. The Administration has pointed out that it will continue to enhance the competitiveness of HKIA. Key measures include adopting a more forward-looking perspective in developing and expanding the aviation network by strengthening services on major routes and planning in advance for the "Belt and Road" market; striving to develop integrated intermodal transport networks by setting up city terminals and enhancing the "Fly-Via-Zhuhai-Hong Kong"⁵ direct passenger service; and constructing by phases the automated car parks at the Hong Kong-Zhuhai-Macao Bridge Port. Meanwhile, the Administration will press ahead with the development of the Airport City, by consolidating the land in the vicinity for the development of high-end commercial, art and leisure facilities, so as to attract global business and travellers, and consolidate Hong Kong's strengths and competitiveness as an international aviation hub.

⁵ Through the "Fly-Via-Zhuhai-Hong Kong" passenger service, Mainland and international passengers can enjoy seamless travel between the Mainland and other places in the world via Zhuhai and Hong Kong in an "air-land-air" mode using HKIA and the Hong Kong-Zhuhai-Macao Bridge.

Proposed retention of a part of the air passenger departure tax by aircraft operators

23. In order to streamline the existing arrangement of paying the administration fees to operators, clause 4 of the Bill seeks to repeal the section 10(2) of APDTO and to provide that under the proposed new section 10(2) of APDTO, FS could approve an operator to retain any part of the APDT collected by the operator to offset the administration fee payable to it under the existing section 10(1) of APDTO. Under the proposed new section 10(3) of APDTO, it is proposed that the part of the APDT that FS could approve the operator to retain would not form part of the general revenue for the purposes of section 3(1) of Cap. 2.

24. Members have expressed concern about the proposed revised APDT collection procedures. While agreeing that the revision could streamline the process, members have pointed out that under the current system, the administration fees deducted by operators from APDT are easily traceable. After the revision, however, CAD would no longer need to credit the administration fees to the relevant revenue account, which may undermine transparency and oversight.

25. The Administration has advised that the revision mainly seeks to streamline the administrative procedures. Although the current practice, under which the operators will first deduct the administration fees from the APDT collected and then remit the remaining sum to the Government's designated account, does not violate the requirements under Cap. 2 (as the administration fees have been allocated in the budget), it requires a cross-departmental transfer process. Following the revision, the Government will no longer need to go through the cumbersome administrative procedures and can directly credit all the taxes deducted of administration fees into government revenue. The Administration has emphasized that there are precedents of similar arrangements in other domains, such as in the management of government tunnels and waste disposal facility contracts. Under the relevant legislation, the amounts deducted by contractors from fees paid by facility users that are payable to them by the Government are not included in government revenue. As regards transparency, the Administration has agreed to maintain the mechanism of disclosing the information on administration fees. CAD will regularly publish the amounts of deduction for the administration fees to ensure that the public and Members' monitoring power is not compromised.

26. Members have enquired about the percentage of the administration fee deductions and the actual amount received by the Government upon the APDT increase from \$120 to the proposed \$200. The Administration has advised that the current rate of administration fees payable to airlines by the

Government is 2.322%, which has remained unchanged for nearly two decades. Both the Government and the airlines prefer to maintain the current rate.

Mechanism for collecting APDT and related agreements

27. The Legal Adviser to the Bills Committee has pointed out that the proposed new arrangement under clause 4 of the Bill is similar to existing arrangements under the Road Tunnels (Government) Ordinance (Cap. 368), the Tsing Sha Control Area Ordinance (Cap. 594), and the Waste Disposal Ordinance (Cap. 354). Under these ordinances, references are made to the fact that agreements were entered into by operators (or contractors) and approved by FS relating to sums payable to the operators or contractors, and it is expressly provided that such sums do not form part of the general revenue for the purpose of section 3(1) of Cap. 2. In contrast, section 10(1) of APDTO only provides that FS may authorize the payment to an operator of a fee for collection of the tax, without reference to any agreement(s). Clause 4 of the Bill does not propose to make any such references either. In this connection, the Legal Adviser to the Bills Committee has sought clarification on the arrangements between the operators and the Government relating to the system of collection of APDT and the operators' right to retain part of the APDT for offsetting the administration fees, and whether it is necessary to refer to any agreement(s) and approval by FS and if so, whether that would be provided for in the Bill.

28. The Administration has explained that the said ordinances (Cap. 368, Cap. 594 and Cap. 354) allow that where FS approves the payment to an operator of a government tunnel and a waste disposal facility, or remuneration/reimbursement retained by the operator under an agreement with the Government, subject to specific conditions stipulated in the agreement, the payment or remuneration/reimbursement retained shall not form part of the general revenue. Such agreements are management agreements which stipulate, among other things, the obligations of the operators and the administration fees/remuneration payable to them by the Government. In the case of APDT, the obligations of the operators as well as the payment of administration fee to them are provided under APDTO. There is no separate agreement between the operators and the Government. It is not practical for the Government to sign an agreement with each of the airlines operating at HKIA as there are more than 120 airlines regularly operating at HKIA. In addition, the number of airlines changes from time to time and some of the airlines do not have representative offices in Hong Kong. While no agreement has been signed between the Government and the operators, according to the established practice, CAD will inform all of them (including any new ones) in writing of the detailed arrangements for the collection of APDT, including the information to be filed, the

computation of the amount of administration fee, and the date of transferring the remaining sum to the Government. CAD will continue this practice to ensure that all operators will be well-informed of the operational arrangements as well as any updates.

29. The Administration has further explained that with APDTO governing the relationship between the Government and the operators, as well as the established practice of CAD to communicate with them on the operational arrangements, the Administration considers it sufficient to empower FS to approve operators to retain part of the APDT for offsetting the administration fees without the need for agreements between them and the Government. CAD will regularly review the list of operators required to collect APDT on behalf of the Government and seek approval from FS as necessary.

Proposed amendments to the Bill

30. Neither the Administration nor the Bills Committee would propose any amendments to the Bill. Mr YIU Pak-leung has also indicated that he would not propose the amendments to the Bill referred to in paragraphs 14 and 18 above.

Resumption of Second Reading debate on the Bill

31. The Bills Committee has completed scrutiny of the Bill and raised no objection to the resumption of the Second Reading debate on the Bill at the Council meeting of 28 May 2025.

Consultation with the House Committee

32. The Bills Committee reported its deliberations to the House Committee on 16 May 2025.

**Bills Committee on Air Passenger Departure Tax
(Amendment) Bill 2025**

Membership List

Chairman Ir Hon LEE Chun-keung, JP

Members Dr Hon CHAN Han-pan, BBS, JP
Hon Holden CHOW Ho-ding, JP
Dr Hon Johnny NG Kit-chong, MH, JP
Hon LAM Chun-sing
Hon YIU Pak-leung, MH, JP
Dr Hon Wendy HONG Wen
Hon Kenneth LEUNG Yuk-wai, JP
Hon Rock CHEN Chung-nin, SBS, JP
Hon Judy CHAN Kapui, MH, JP
Ir Hon CHAN Siu-hung, JP
Ir Hon Gary ZHANG Xinyu
Hon Benson LUK Hon-man
Revd Canon Hon Peter Douglas KOON Ho-ming, BBS, JP
Dr Hon TAN Yueheng, JP

(Total: 15 members)

Clerk Ms Joyce KAN

Legal Adviser Mr Jonathan CHENG

**Bills Committee on Air Passenger Departure Tax
(Amendment) Bill 2025**

**List of organizations/individuals which/who have given views to
the Bills Committee**

1. Travel Industry Council of Hong Kong
2. Hong Kong Association of Travel Agents
3. A member of the public (no name provided)
4. China Dream Think Tank
5. 鍾志勤
6. 日本國際線旅客關注組
7. 比利時國際線旅客關注組
8. 加拿大國際線旅客關注組
9. 加泰隆尼亞國際線旅客關注組
10. 北朝鮮國際線旅客關注組
11. 台灣國際線旅客關注組
12. 印尼國際線旅客關注組
13. 西班牙國際線旅客關注組
14. 法國國際線旅客關注組
15. 美國國際線旅客關注組
16. 英國國際線旅客關注組
17. 泰國國際線旅客關注組

18. 紐西蘭國際線旅客關注組
19. 馬來西亞國際線旅客關注組
20. 荷蘭國際線旅客關注組
21. 越南國際線旅客關注組
22. 奧地利國際線旅客關注組
23. 新加坡國際線旅客關注組
24. 瑞士國際線旅客關注組
25. 義大利國際線旅客關注組
26. 葡萄牙國際線旅客關注組
27. 德國國際線旅客關注組
28. 澳洲國際線旅客關注組
29. 韓國國際線旅客關注組
30. Hong Kong Association of China Travel Organisers Ltd.
31. The Board of Airline Representatives in Hong Kong
32. Hong Kong Express Airways Limited
33. 巴西國際線旅客關注組