

## Press release

### LCQ4: Payment of Government rent

Wednesday, January 18, 2012

Following is a question by the Hon Chan Kam-lam and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 18):

Question:

In recent years, some minority owners have often reflected to me that they have to pay rates and Government rent each year at 5% and 3% respectively of the rateable value of their properties, and that while rates concessions were given by the Government in the past five financial years, Government rent concession has never been offered. In respect of alleviating the financial burden of minority owners, will the Government inform this Council:

(a) in each of the past three financial years, of the respective numbers of private residential units and non-residential units which were required to pay Government rent and the respective total amounts of Government rent collected by the authorities from these two categories of units; of the respective numbers of private residential units and non-residential units which were required to pay Government rent at 3% of the rateable value to be adjusted from time to time and the respective total amounts of Government rent collected by the authorities from these two categories of units; of the respective numbers of private residential units and non-residential units which were required to pay Government rent at an amount of more than \$4,800 and the respective total amounts of Government rent collected by the authorities from these two categories of units;

(b) whether it has studied injecting funds into the accounts of the residential units which are required to pay Government rent, or implementing other measures to alleviate the burden of payment of Government rent on members of the public; if it has, of its conclusions and justifications; and

(c) given that the Executive Council decided on July 15, 1997 that the lessees of residential land leases newly approved thereafter would be required to pay Government rent each year at 3% of the rateable value, and that the subsequent amount of Government rent would be adjusted in step with subsequent changes in the rateable value, whether the Government plans to review this arrangement, and in drawing up the conditions of newly approved residential land leases, allow the lessees not to pay Government rent, or to pay a nominal amount of Government rent only; if not, of the reasons for that?

Reply:

President,

Private land in Hong Kong is normally held from the Government by way of a lease (known as a land lease). Under the lease, the lessee (more commonly known as the "owner" of the lot) is required to pay Government rent to the Government in return for the right to hold and occupy the land during the term (i.e. duration of the tenancy) specified in the lease document. Moreover, the liability to pay Government rent is governed by legislation such as the Government Leases Ordinance (Cap 40) and the Government Rent (Assessment and Collection) Ordinance (Cap 515).

Under leases granted by the Government, all property owners have the obligation to pay Government rent. At present, Government rent can be broadly classified into two types, namely Government rent payable in an amount stipulated in the leases and Government rent payable at 3 per cent of the rateable value of the property. Depending on the applicable Ordinances and provisions in the leases, Government rent is collected by the Rating and Valuation Department (RVD) and the Lands Department (LandsD).

My answers to the three parts of the question are set out below. Replies from the Development Bureau to parts (a) and (c) of the question have been incorporated.

(a) Statistics on Government rent collected by RVD under the Government Rent (Assessment and Collection) Ordinance (Cap 515) are at Annex A. Statistics on Government rent collected by LandsD in accordance with the amount stipulated under the leases or at 3 per cent of the rateable value of the property are at Annex B.

(b) According to Article 121 of the Basic Law, for all leases of land granted or renewed where the original leases contain no right of renewal, during the period from May 27, 1985 to June 30, 1997, which extend beyond June 30, 1997 and expire not later than June 30, 2047 (including all land leases in the New Territories and Kowloon north of Boundary Street), the lessee is not required to pay an additional premium as from July 1, 1997, but an annual rent equivalent to 3 per cent of the rateable value of the property, adjusted in step with any changes in the rateable value thereafter, shall be charged.

As the Basic Law has stipulated the obligation to pay Government rent for the above-mentioned leases, we have studied the matter in detail and have sought legal advice. To uphold the requirement as enshrined in the Basic Law, the Government is not able to provide any form of concession on Government rent for the relevant leases (including injection of funds into the Government rent accounts or refunding Government rent paid).

Indeed, based on RVD's records, about 1.6 million tenements are currently required to pay Government rent. Of these tenements, only around 15 600 tenements are merely required to pay Government rent but not rates. Hence, the overwhelming majority payers of Government rent have already benefitted from the rates concessions in the past few years.

When formulating the 2012-13 Budget, the Financial Secretary will continue to consider various measures to relieve the economic pressure of the public at large in the light of the social and economic outlook as well as the Government's fiscal position.

(c) For new leases granted as from July 1, 1997, the lessees are required to pay an annual Government rent equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with any changes in the rateable value thereafter. The objective of this policy is to ensure consistency in the treatment of leases granted as from July 1, 1997 and those granted before July 1, 1997. As such, the Administration has no intention to review the arrangement.

Ends