

Press Release

LCQ8: Collection of rates and government rent

Wednesday, January 20, 2016

Following is a question by the Hon Chan Kam-lam and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 20):

Question:

Some property owners have relayed to me that each year they have to pay both rates and government rent at 5 per cent and 3 per cent respectively of the rateable value of their properties. In recent years, following the continuous rise in rent levels, the relevant amounts payable by them have been on the rise even after taking into account the rates concessions granted by the Government, causing increasingly heavy burdens on them. In this connection, will the Government inform this Council:

(1) of the respective amounts of total revenues collected by the Government from rates and government rent in each of the past five years and the year-on-year rates of increase of such amounts, together with the cumulative rates of increase in the past five years;

(2) of the (i) number of units and (ii) respective annual total amounts of rates (before concessions) and government rent payable (set out in Annex 1 of the same format as the table), in respect of each type of buildings (i.e. private residential building, public rental housing estates, commercial buildings and industrial buildings) in each of the past five years, broken down by the groups to which the annual amounts payable for each unit belong, as set out in Annex 1; and

(3) given that the current overall property prices in Hong Kong have soared by more than 77 per cent as compared with those at the peak in 1997, whether the authorities will consider lowering the rates percentage charge, for instance, from the existing 5 per cent to 3 per cent, so as to alleviate the financial burden on members of the public (in particular property owners residing in properties owned by themselves)?

Reply:

President,

Rates accounts for about 5 per cent of the Government's annual revenue. Taking financial year 2014-15 as an example, the actual receipt from rates (after deducting the amount for rates concession) was over \$22.2 billion, accounting for about 4.7 per cent of the total government revenue. Rates is a broad-based source of government revenue and, with 3.15 million tenements liable to rates in Hong Kong, rates provides a relatively stable source of government revenue. Hence, it is necessary for the Government to preserve and stabilise the base of this important source of revenue, so as to meet the expenditure requirements and long-term financial commitments of the Government. In fact, the Rating and Valuation Department has been conducting general revaluation of the rateable value of properties in Hong Kong on an annual basis, so as to capture the changes in their market rental values. This regular adjustment mechanism can already reflect the changes in the rateable values of the properties under the latest circumstances of the economy and property market, and is more appropriate and objective when compared with adjusting the rates percentage charge.

The Government's reply to each of the three parts of the question is as follows:

(1) The amount of total revenue collected by the Government from rates and Government rent in each of the past five years and the year-on-year rates of change are set out in Table 1 of Annex 2.

The revenue from rates and Government rent is affected by the number of tenements liable to rates and Government rent, and the rateable value of these tenements. For rates, the receipt also reflects the change in financial implications of rates concessions across different years.

In 2014-15, the total revenue from rates and Government rent is 148.7 per cent and 47.3 per cent higher than that in 2010-11 respectively.

(2) The number of units and the annual amount of rates and Government rent payable for each property type from 2010-11 to 2014-15 is set out in Table 2 of

Annex 2.

(3) As mentioned above, rates provides a broad-based and stable source of government revenue. Reducing the rates percentage charge will have long-term negative implications on government revenue. However, the Government provided over the years rates concession as one of the relief measures from time to time.

In formulating the Budget, the Government will, as in the past, take into account Hong Kong's economic conditions, the Government's financial affordability, and the needs of various sectors in the community, and will carefully consider and formulate various fiscal measures, including the issue of whether to introduce any relief measures concerning rates.

Ends