

**Memorandum for the Commercial Properties Committee of
the Hong Kong Housing Authority**

**Rates Concession for the First Two Quarters of 2015/16
for Non-domestic Occupations**

PURPOSE

This paper seeks Members' approval on the arrangements for passing on rates concession to the Housing Authority (HA)'s non-domestic tenants/licensees.

BACKGROUND

2. On 25 February 2015, the Financial Secretary proposed in his Budget Speech to waive the rates for the first two quarters of 2015/16, subject to a ceiling of \$2,500 per quarter for each rateable property. Subsequently, the Chief Executive in Council granted the rates concession for the first two quarters of 2015/16 by gazette under the Rating (Exemption) Order 2015 (L.N. 42 of 2015) on the same day.

PROPOSED ARRANGEMENTS

3. In line with the past practice, it is considered appropriate for the HA to pass on the rates concession to its non-domestic tenants/licensees on a "no-loss-no-gain" principle. The rates assessments made by the Rating and Valuation Department (RVD), or in the case of block / floor assessment, the apportioned amount of rates for individual lettings, will constitute the basis of this concession exercise.

4. Among HA's non-domestic tenancies (including welfare tenancies), about 7 160 are charged at exclusive rents while about 5 370 at inclusive rents. Premises for which mesne profit is collected will be excluded as the tenancies concerned are deemed to have been terminated already. The monthly rates from 1 April to 30 September 2015 for exclusive and inclusive rent lettings

alike will be waived subject to the capping limit of \$2,500 per quarter for each rateable property. For tenancies that do not cover the entire month, the amount of rates concession will be made on a pro-rata basis.

Retail and Welfare Premises

5. Following the General Revaluation exercise of 2015 recently conducted by the RVD, HA's tenants will be notified of the new rates payable for 2015/16 based on RVD's Multiple Properties Ratepayer Schedule effective from 1 April 2015. The revised rateable values will be adopted for calculating the amount of rates concession for the first two quarters of 2015/16.

Single-Operator Markets

6. Currently, there are four Single-Operator Markets (SOMs) in HA's properties, viz. Ching Long, Kwai Chung, Lei Muk Shue and Tin Yan. These operators have agreed to pass on the rates concession in full to their licensees, whose units are separately assessed. The Estate Housing Managers will ensure that the rates concession for SOMs is made in line with the above arrangements applicable to other HA's non-domestic properties.

Factories

7. While not all factory units are separately assessed, RVD will provide a breakdown of rates by floor level for those cases on block assessment basis. The amount of rates will be apportioned by internal floor area of individual units to ensure that each tenant is given the appropriate amount of concession.

Carparks

8. Unlike retail premises, parking spaces are not individually assessed and the rates concession therefore applies to the bulk assessment of carpark buildings as a whole. The concession amount for the first two quarters of 2015/16 is estimated at about \$0.65M for the 132 HA's carparks comprising some 28 300 parking spaces. The amount of rates concession for each parking space is equivalent to around \$11.4 per quarter or \$3.8 per month on average.

9. Given the small amount of rates concession to individual carpark users and the significant administrative cost involved for its distribution, it is *proposed* to exclude carparks from this exercise in line with all the previous rates concession exercises. The amount of rates concession for carparks would

be invested on enhancing HA's carpark facilities, such as installation of electrical vehicle charging facilities in suitable sites, replacement of energy-efficient lighting to promote environmental protection, upgrading of security system, etc.

FINANCIAL AND STAFFING IMPLICATIONS

10. Based on RVD's latest data and subject to a ceiling of \$2,500 per quarter for each rateable property, the total amount of rates concession for non-domestic properties (excluding carparks) for the first two quarters of 2015/16 is estimated at around \$22.1M. As for carparks, the amount of rates concession estimated at about \$650,000 will not be passed on to individual users as mentioned in paragraph 9 above.

11. The extra workload will be absorbed by existing staff through re-prioritising their work or working extended hours if necessary.

PUBLIC REACTION AND PUBLICITY

12. Publicity will be given through the issuing of a press release. All the non-domestic tenants/licensees will be individually notified of the arrangements. We expect that the caring approach of HA in passing on the rates concession to its tenants/licensees will be appreciated.

RECOMMENDATIONS

13. Members are requested to *endorse* the proposed arrangements of the rates concession for the first two quarters of 2015/16 for HA's non-domestic properties in paragraphs 3 to 9 above.

DECLASSIFICATION

14. It is *proposed* that this paper be declassified upon Members' approval of the proposals in paragraph 13 above. Upon declassification, the public may gain access to the paper through the library of the Housing Department (HD), HA/HD website and the Departmental Access to Information Officer.

HOUSING AUTHORITY AND FINANCE COMMITTEE MEMBERS' INFORMATION

15. This paper is copied to Members of the HA and the Finance Committee concurrently for information.

PRESUMPTION

16. It is not thought that Members will object to the proposals in paragraphs 13 and 14 above. If no objection or request for discussion is received by the Committees' Secretary **by noon on 23 March 2015**, Members' approval will be presumed and appropriate actions will be taken accordingly.

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c.c. Members of the Housing Authority
Members of the Finance Committee

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