

This pamphlet is a simple guide to rating and Government rent systems in the Hong Kong Special Administrative Region. It has no legal effect and does not change the rights and obligations of the Commissioner of Rating and Valuation under the Rating Ordinance, the Government Rent (Assessment and Collection) Ordinance or any other Ordinances. The pamphlet is not intended to provide an authoritative interpretation of the law.

The forms mentioned in the pamphlet, except those in connection with appeals, are available for use, free of charge, from:

- ❖ the Department's office;
- ❖ any Public Enquiry Service Centre of the District Offices;
- ❖ the Department's website; or
- ❖ the fax service of the Department's 24-hour automated telephone enquiry hotline (2152 2152).

In case of doubt, please contact the Department at:

**15th Floor, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road, Kowloon**

**Tel. No. : 2152 0111 (24-hour general enquiry
operator service)**

Fax. No. : 2152 0123

Website : <http://www.rvd.gov.hk>

E-mail : enquiries@rvd.gov.hk

Our enquiry counter is open from 8:15 a.m. to 6:00 p.m. from Mondays to Fridays (except public holidays).

Rating and Valuation Department

The Government of the Hong Kong Special Administrative Region

November 2011

RATES AND GOVERNMENT RENT

1 *What are rates?*

Rates are a tax on the occupation of property, and are charged at a percentage of the rateable value of property. Properties in all parts of the Hong Kong Special Administrative Region are liable to the assessment of rates.

2 *What is Government rent?*

The Government rent referred to in this pamphlet is the Government rent payable under the Government Rent (Assessment and Collection) Ordinance (Cap. 515), which applies to the following types of land leases:

- (a) land leases in the New Territories and New Kowloon (north of Boundary Street);
- (b) land leases which have been granted, or surrendered and regranted, since 27 May 1985; and
- (c) non-renewable leases which expired on or after 27 May 1985 by way of lease extension at a Government rent assessed at 3% of the rateable value from time to time of the land leased.

The Government rent is calculated at 3% of the rateable value of the property situated on the land leased and is adjusted in step with any subsequent changes in rateable value.

[As distinguished from the above, some properties on Hong Kong Island and in Kowloon are held under renewable leases (e.g. 75 years renewable for another 75 years) and the rent payable during the second term of these renewable leases is governed by the provisions of the Government Leases Ordinance (Cap. 40). The rent payable is determined at 3% of the rateable value of the property as at the date of renewal. It will remain unchanged until the property is redeveloped in which case the rent is 3% of the rateable value of the new building. **Annual revaluation will not affect the amount of rents which are being paid.**]

3 *Who is responsible for paying rates and Government rent?*

Both the owner and the occupier are liable for rates. In practice, this will depend on the terms of the agreement between the owner and occupier of the property. In the absence of any agreement to the contrary, liability of

rates rests with the occupier.

On the other hand, Government may demand Government rent from the owner or the ratepayer of the property. If the person who pays Government rent is not the owner, he may claim reimbursement of the rent paid from the owner or set off the amount paid from any money due unless there is an express agreement to the contrary.

In the event of a change in the name and/or address of a payer, the Commissioner should be informed as soon as possible.

When a property is sold, the vendor and the purchaser should settle between themselves their respective share of rates and Government rent for the quarter during which the transaction takes place.

4 *What is the basis for charging rates and Government rent?*

Rates are charged at a percentage of the rateable value of the property. The rates percentage charge is determined by the Legislative Council.

Where there is no supply of fresh water from a Government water-main or where the water supply is unfiltered, the amount of rates payable is reduced by a percentage also determined by the Legislative Council.

The insertion to this pamphlet shows the current rates charge and reductions because of no or unfiltered water supply.

If payable, Government rent is charged at 3% of the current rateable value of the property.

5 *How often do rates and Government rent have to be paid?*

Rates and Government rent are payable quarterly in advance. Payers will normally receive the quarterly “Demand for Rates and/or Government Rent” (Demand) at the beginning of each quarter and need to settle the Demand by the “Last Day for Payment” as shown on the Demand. The “Last Day for Payment” normally falls on the last day of the first month of each quarter, namely, January, April, July and October (excluding Saturday, Sunday and Public Holiday).

Payment of rates and Government rent can be made by any of the methods shown on the demand.

Where rates and Government rent are not paid by the “Last Day for Payment”, the Commissioner may add a surcharge of 5% to the amount due and, if not paid within 6 months from the original due date, a further surcharge of 10% on all amounts outstanding.

6 *Are rates and Government rent reduced if certain services are not provided to the property?*

No. The lack of services should normally be reflected in the rents paid and therefore the rateable value of the property. However, there are concessions for property with no government water supply or where the supply is unfiltered.

7 *If rates and Government rent are charged on an unauthorized structure, does this mean it has been authorized?*

No. The assessment to and/or payment of rates and/or Government rent in respect of any property with unauthorized structures does not imply that these structures have legal status, nor does it confer any legal sanction or authorization on them. Neither does it constitute any waiver of Government’s right to enforce or forfeit the lease or take any other action for breach of the lease.

8 *Can I obtain a refund if my property is unoccupied?*

No. Refund of rates is not allowed for vacant properties unless they are vacant as a result of a Government initiated court order. Refunds are also allowed for vacant open land, providing it is not used for the parking of motor vehicles.

In the latter case, notice in writing must be given within 15 days of the beginning of the vacant period for which it is intended to claim a refund or, if the open land is newly assessed to rates, not later than the last date for payment of the first demand for rates.

There is no provision for refund of Government rent under any circumstances if the property is unoccupied.

RATEABLE VALUE

9 *What is rateable value?*

The rateable value of a property, as shown on the quarterly demand for rates and/or Government rent, is an estimate of its annual open market rental value at a designated valuation reference date made on the assumption that the property was then vacant and to let (for the valuation reference date, see the insertion to this pamphlet). Neither restrictions on sale or letting, such as those that apply to Home Ownership Scheme flats, nor the financial status of the ratepayer, can be taken into account. It also makes no difference to the rateable value whether the property is owner-occupied or let.

If a property is let, its rateable value may not necessarily be the same as the rent passing, since there are many factors affecting the rental level, such as commencement date of the rent and other terms of the tenancy agreement. Regard must be had to other open market rents agreed at or around the date of valuation, for similar properties in the locality, adjusted to reflect any differences in size, location, facilities, standards of finish and management, etc. Furthermore, changes in property price do not affect the level of rateable value.

Normally, the rateable value for Government rent purposes is the same as that applicable for rates if the property is wholly subject to both rates and Government rent. However, a separate rateable value will be determined if the property is only partly subject to Government rent (or is only partly subject to rates).

NEWLY-BUILT PROPERTY

10 *When will my property be assessed?*

Newly-built property or property not already included in a Valuation List and/or a Government Rent Roll in force is usually assessed to rates and/or Government rent by way of an “interim valuation”. Any such assessment is notified to the payer by means of a Notice of Interim Valuation (Form R6/R6A).

Where structural alterations and additions take place which affect the rental value of property, the assessment of the property will be altered by deleting the existing rateable value and undertaking an interim valuation of the altered property.

This Department aims for as many cases as possible to notify payers of newly built property of their rateable values within 8 months from the date rates and/or Government rent first become payable. Payers may contact the Valuer responsible for the district if no such notification is received after a lapse of 8 months.

11 *Can I object to an assessment?*

An owner or occupier may object to an interim valuation if he considers that the rateable value of the property is incorrect, or that the property is not liable for assessment to rates and/or Government rent.

You may contact the Valuer responsible for the district in which the property is situated to discuss your concerns.

If having discussed the matter with the Valuer you are still not satisfied with the assessment, you may lodge a formal objection on a Notice of Objection to an Interim Valuation (Form R23A). Such an objection must be lodged with the Commissioner by personal service, by post or by submitting a Form e-R23A through the “Electronic Submission of Forms” service provided at the Department’s website within **28 DAYS** after the service of the Notice of Interim Valuation. **The Commissioner does not have the discretion to accept late objections.** Service by fax is also not acceptable.

Where an objection is lodged, the case will be carefully reviewed by a professional officer of the Department. The Department will then issue a Notice of Decision which will either confirm the original assessment or state what alteration is to be made.

12 *When are rates payable?*

Generally, for newly constructed domestic properties, rates are payable **90 days** from the issue of the documents: Occupation Permit, Consent to Assign, Consent to Lease or Certificate of Compliance (whichever is applicable), irrespective of the date of first occupation. In the case of newly constructed non-domestic properties, rates become payable **180 days** after the issue of the aforesaid documents (whichever is applicable) or the date of first occupation, whichever is the earlier.

The first demand note for property newly assessed to rates will include all rates payable from the effective date of assessment, as shown on the Notice of Interim Valuation. As stipulated in the Rating Ordinance, the first demand note can cover a period of up to 2 years from the date rates first become payable.

Rates should be paid by the last day for payment as shown on the demand note, and late payments will be subject to surcharge.

ANNUAL REVALUATION

13 *What is the purpose of a revaluation?*

Rental levels change over time by varying amounts for different types of properties and in different locations. A revaluation is necessary to bring rateable values up to date in order to redistribute the liability for rates and Government rent fairly. Following the revaluation, rates and Government rent will be adjusted and may vary depending on the extent of change in the rental levels of the properties.

Revaluations are now conducted annually so that rateable values can better reflect prevailing market rentals. Annual revaluation also ensures that the overall rates burdens are equitably shared amongst ratepayers according to up-to-date rental level of properties.

The rateable values after a revaluation will take effect on 1 April each year.

OBJECTIONS TO NEW RATEABLE VALUES AFTER A REVALUATION

14 *What can I do if I think that the rateable value of my property is wrong?*

The new rateable value following a revaluation is shown on the April to June quarter demand for rates and/or Government rent issued at the end of March or early April each year. **The Valuation List and Government Rent Roll showing the new rateable values will be available for public inspection from late March to 31 May each year.** Notice of the place and time at which the Valuation List and Government Rent Roll may be inspected by members of the public will appear in the Government Gazette and certain Chinese and English newspapers. Entries in the Valuation List and Government Rent Roll can be searched online at the Department's homepage during this period.

You can discuss the new rateable value with concerned professional staff of the Rating and Valuation Department. Staff of the Department are always prepared to explain how the assessments are arrived at.

15 *Do I need to take any steps if I want to make an objection?*

Yes. You must make a formal objection (in the form of a "proposal") to the rateable value of your property if you propose that the rateable value be altered. **Any such proposal must be made after the new Valuation List and Government Rent Roll are declared in late March until 31 May of the year in which the rateable values take effect. The Rating Ordinance and the Government Rent (Assessment and Collection) Ordinance do not provide the Commissioner with any discretion to accept a proposal served at any other time.**

Most properties that are subject to both rates and Government rent have identical entries in both the Valuation List and the Government Rent Roll. For these properties, the proposal can only be made in respect of the rating assessment. If the rateable value is altered as a result of the proposal, the revised rateable value will apply to the calculation of both rates and Government rent. However, if the rateable value for rates and Government rent is different, a separate proposal must be made in respect to both the Valuation List and the Government Rent Roll.

16 *How do I make a proposal?*

You must complete a proposal form, Proposal for Alteration of Valuation List or Government Rent Roll (Form R20A). A proposal must be served on the Department by personal service, by post or by submitting a Form e-R20A through the “Electronic Submission of Forms” service provided at the Department’s website. Please note that service by fax is not acceptable.

17 *Who will decide whether the rateable value of my property should be altered once I have made a proposal?*

Proposals are carefully considered by professional staff of the Department. The Department will then issue a Notice of Decision before 1 December of the year (this deadline may be extended if necessary), either advising you that no alteration will be made, or advising you of what alteration is to be made.

RIGHT OF APPEAL

18 *What if I am not satisfied with the Department's decision?*

You may appeal to the Lands Tribunal.

19 *How do I go about lodging an appeal?*

You must lodge a Notice of Appeal with the Lands Tribunal within 28 days of service of the Notice of Decision. A fee is payable to the Lands Tribunal on lodging the appeal.

Forms used in connection with appeals, and advice on the procedures to be followed, can be obtained from the Registrar of the Lands Tribunal at :

Lands Tribunal Building
38 Gascoigne Road
Kowloon
Telephone No.: 2771 3034

Both the appellant and the Commissioner have a right to appear before the Tribunal to present evidence in support of their case. The Tribunal can uphold, increase, or reduce the rateable value and its decision is final. Further appeal can be made to the Court of Appeal of the High Court on a point of law.

20 *If I make an objection or a proposal or lodge an appeal, can I withhold payment of rates and Government rent until the matter is settled?*

Generally no. Rates and Government rent must normally be paid as demanded, and late payments will be subject to surcharge. If the rateable value is amended as a result of the objection, proposal or appeal, the alteration will be backdated to the date the rateable value first takes effect and adjustments to the rates and Government rent will be made in subsequent demands. In very exceptional circumstances only, the Commissioner may suspend payment of all or part of the rates or Government rent pending the result of the appeal. Rates and Government rent payers may make enquiries at the Department if they feel there are special circumstances justifying the suspension of payment.

Valuation Reference Date and Rates Percentage Charge

Rates are charged at a percentage of the rateable value of a property. The rateable value is an estimate of the annual rental value of the property and is determined by reference to market rents prevailing at a valuation reference date designated under the Rating Ordinance. General changes in rental level after the valuation reference date are not material in the determination of rateable values. Furthermore, changes in property prices do not affect the assessment of rateable value. The valuation reference date and rates percentage charge in recent years are shown below:

Financial Year	2010 – 2011	2011 – 2012	2012 – 2013
Valuation Reference Date	1 October 2009	1 October 2010	1 October 2011
Rates Percentage Charge	5.0%	5.0%	5.0%

Rates Concession for the Financial Year 2012-2013

Rates concession will be given to offset the rates payable for the four quarters from April 2012 to March 2013, subject to a ceiling of \$2,500 per quarter for each rateable tenement. For properties liable to rates for part of a quarter, the ceiling will be adjusted in proportion to that partial period in the corresponding quarter.

Display of Valuation List and Government Rent Roll

An electronic version of the new Valuation List and Government Rent Roll will be available for inspection at the Rating and Valuation Department, 15th Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon, during office hours from 12 March 2012 to 31 May 2012. During this period, members of the public may also visit the Department's website: <http://www.rvd.gov.hk> or the Department's Property Information Online website: <http://www.rvdpi.gov.hk> to inspect the Valuation List and Government Rent Roll.

Water Concessions

Where there is no supply of fresh water from a Government water-main or the Government supply is unfiltered, the amount of rates payable will be reduced by 15% and 7.5% respectively. For rating purposes, a supply is deemed to be available even if a connection has not actually been made, if a tenement is within 180 metres of a Government water-main constructed to supply fresh/unfiltered water to the tenement.