Waiving rates for 2020-21 and General Revaluation

1. Introduction

The Financial Secretary proposed, in his Budget Speech on 26 February 2020, to waive rates for four quarters of 2020-21, subject to a ceiling of $1,500 per quarter for each domestic rateable tenement. For each non-domestic rateable tenement, the ceiling will be $5,000 per quarter for the first two quarters (April 2020 to September 2020), and $1,500 per quarter for the following two quarters (October 2020 to March 2021). The following notes aim to give more details on the rates concession and other information about the General Revaluation.

2. What are Rates?

Rates are a tax on the occupation of property and are charged at a percentage of the rateable value of properties.

3. Budget Proposal

The rates percentage charge for 2020-21 will be maintained at the current level of 5%. Rates concession will be provided to offset the rates payable for four quarters from April 2020 to March 2021, subject to a ceiling of $1,500 per quarter for each domestic rateable tenement. For each non-domestic rateable tenement, the ceiling will be $5,000 per quarter for the first two quarters, and $1,500 per quarter for the following two quarters. This will benefit 3.35 million rateable properties (2.93 million domestic rateable tenements and 0.42 million non-domestic rateable tenements) in Hong Kong.

All ratepayers in Hong Kong will benefit from the waiver. In 2020-21, about 61.0% of domestic ratepayers will have their quarterly rates payments completely waived. No rates will be charged on 73.1% and 38.7% of non-domestic ratepayers in the first two quarters and the last two quarters of 2020-21 respectively. Overall speaking, about 62.5% and 58.2% of ratepayers will not need to pay any rates for the first two quarters and the last two quarters of 2020-21 respectively. The remaining will enjoy a full reduction of the respective rates concession per quarter, but will still be required to pay the outstanding portion after deducting the concession amount.

4. Effect of Rates Concession

There are about 2.56 million assessments in the 2020-21 Valuation List, some of which are block assessments, covering altogether approximately 3.35 million properties. The revaluation has resulted in an average reduction of 2.4% in rateable value. The combined effect of the revaluation and the
concession scheme on rates payment for the main classes of property in 2020-21 is set out below:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Average 2020-21 Rates Payable after Revaluation (Before Concession) $ p.m.</th>
<th>Average 2020-21 Concession Amount $ p.m.</th>
<th>Average 2020-21 Net Rates Payment $ p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private small domestic (up to 69.9m² (752 sq.ft.))</td>
<td>561</td>
<td>440</td>
<td>121</td>
</tr>
<tr>
<td>Private medium domestic (70m² to 99.9m² (753 sq.ft. to 1,075sq.ft.))</td>
<td>1,158</td>
<td>487</td>
<td>671</td>
</tr>
<tr>
<td>Private large domestic (100m² (1,076 sq.ft.) and above)</td>
<td>2,441</td>
<td>492</td>
<td>1,949</td>
</tr>
<tr>
<td>Public domestic</td>
<td>273</td>
<td>271</td>
<td>2</td>
</tr>
<tr>
<td><strong>All Domestic Properties</strong></td>
<td><strong>547</strong></td>
<td><strong>369</strong></td>
<td><strong>178</strong></td>
</tr>
<tr>
<td>Shops and commercial</td>
<td>3,564</td>
<td>741</td>
<td>2,823</td>
</tr>
<tr>
<td>Offices</td>
<td>4,621</td>
<td>814</td>
<td>3,807</td>
</tr>
<tr>
<td>Industrial</td>
<td>1,548</td>
<td>630</td>
<td>918</td>
</tr>
<tr>
<td><strong>All Non-domestic Properties</strong></td>
<td><strong>3,353</strong></td>
<td><strong>627</strong></td>
<td><strong>2,726</strong></td>
</tr>
<tr>
<td><strong>All Properties</strong></td>
<td><strong>899</strong></td>
<td><strong>401</strong></td>
<td><strong>498</strong></td>
</tr>
</tbody>
</table>

5. **Effect of Rates Concession on Public Rental Housing and Public Factory Estates**

In order to provide relief to the lower income group, ratepayers of domestic units in public rental housing estates and factory units in public factory buildings will each be entitled to the concession even though their properties are assessed in blocks. The Hong Kong Housing Authority, the Hong Kong
Housing Society and the Hong Kong Settlers Housing Corporation Limited will effect the rates concession through their rental bills.

6. **Effect of Rates Revenue**

The 2020-21 rates concession measures will cost Government a total of about $16.5 billion ($13.3 billion for domestic tenements and $3.2 billion for non-domestic tenements). The rates revenue (after the proposed rates concession measures) is estimated to be about $19.5 billion in 2020-21.

7. **General Revaluation of Rateable Value**

Rateable value is an estimate of the annual rental value of the premises in the open market at a designated date, assuming that the premises were then vacant and to let. For the 2020-21 revaluation, the new rateable values are based on rents passing around the designated valuation reference date of 1 October 2019 whereas the existing rateable values are based on rents passing around 1 October 2018. All factors which would normally affect the amount of rent a tenant is prepared to pay are taken into account, such as age, size, quality, location and transport facilities.

If premises were let at 1 October 2019, the rateable value may not necessarily be the same as the rent passing at that time, since there may be a number of factors affecting that rent. For instance, the rent may include an element for furniture or machinery; or it may have been agreed before 1 October 2019; or the agreement may be between friends or related parties.

It should also be noted that changes in rental values since 1 October 2019 will not affect the rateable values. Furthermore, since rateable values are determined by reference to rental values, they should not be affected by changes in property prices.

8. **2020-21 New Rateable Values and Demands for Rates and Government Rent**

Rates and rent payers will be notified of the new rateable values in the April to June 2020 quarterly demands which will be issued in late March or early April 2020. The demands will show the rates concession given and the net rates and/or Government rent payable for the April to June quarter.

9. **Payment of April to June Quarterly Rates and Government Rent**

Rates and rent payers should pay the amount demanded on or before 29 April 2020. This applies whether or not they have lodged a proposal objecting to the
new rateable value. If a reduction is eventually made as a result of proposal, this will be backdated to 1 April 2020. Any necessary adjustments to the rates and Government rent payable will be made in subsequent demands.

10. **Adjustment to Rates and Government Rent Payable by Tenants**

Subject to the terms of the tenancy agreement, tenants may be able to seek a reduction in rent due to the reduction in rates or Government rent. If the tenancy agreement allows rents to be varied according to actual rates and/or Government rent payment, the tenant will be able to get a reduction in rent if the amount is reduced.

11. **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 16 March to 31 May 2020. During this period, members of the public may also visit the Department’s website: www.rvd.gov.hk or the Department’s Property Information Online website: www.rvdpi.gov.hk to inspect the Valuation List and Government Rent Roll through their computers or other devices, or computers provided during office hours at the 19 Home Affairs Enquiry Centres of the Home Affairs Department.

12. **Exemption of Small Properties**

The 2020-21 rateable value threshold for exemption of small properties will remain unchanged at $3,000 (representing a rent of $250 a month). This will mean that a few properties with rateable values of $3,000 or less will cease to be rateable and will not receive a Government rent demand from 1 April 2020. To assess and collect rates and Government rent for these small properties is not cost-effective. Rates and rent demands will not be issued to the concerned payers.

13. **Booklet – “Your Rates and Government Rent”**

An explanatory booklet, entitled “Your Rates and Government Rent”, has been prepared, and should answer many of the questions rates and rent payers might have about rates, Government rent, rateable values and their rights of objection.
Copies of the booklet together with these notes will be available to the public at the Department’s office or at any Home Affairs Enquiry Centres of the Home Affairs Department, after the Budget Speech on 26 February 2020. A copy of the booklet will also be put on the Department’s website: www.rvd.gov.hk.

14. Enquiries and Objections

The explanatory leaflets enclosed with the rates and Government rent demand for April to June 2020 give a general explanation of the revaluation, the rates concession scheme and how rates and Government rent are charged. They also explain the proper procedures to object against the new rateable values. Anyone who still has queries may call at the Rating and Valuation Department or telephone 2152 0111 (24-hour operator service), and the concerned staff will be glad to answer any questions. Payers are also welcome to discuss the new rateable values with the valuers concerned. For better arrangement, they are advised to make prior telephone appointment with our staff.

Anyone who wishes to make an objection to the new rateable value may, during the period from 16 March to 31 May 2020, lodge a proposal to have it altered. Proposals received outside this period cannot be accepted. Proposals should be made on Forms R20A which are available from the Department or at any Home Affairs Enquiry Centres of the Home Affairs Department. They can be sent by post or delivered by hand to the Department. Members of the public may also lodge the proposal by submitting an electronic form (Form e-R20A) using the “Electronic Submission of Forms” service provided at the Department’s website. Because of the statutory requirement on the service of notices, proposals transmitted by fax cannot be accepted as valid.

If the property is subject to the payment of both rates and Government rent, and the rateable value for both is the same, payers are only required to lodge a proposal in respect of the rating assessment. Any alteration to the rateable value as a result of the proposal will be applied to calculate the revised rates and Government rent. However, if the rateable values for rates and Government rent purposes are different, separate proposals must be made in respect of both entries in the Valuation List and the Government Rent Roll.

For property which is only liable to Government rent, its rateable value will only be published in the Government Rent Roll. Any objection to the rateable value for Government rent purposes must also be made not later than 31 May 2020.

All proposals will be carefully considered by the professional staff of the Department. The Commissioner will, no later than 30 November 2020, issue Notices of Decision to the rates or rent payers lodging the proposals, either confirming the rateable values or advising them the alterations made to the
corresponding entries in the Valuation List and/or Government Rent Roll. If a
rates or rent payer is not satisfied with the decision, he may, within 28 days,
appeal to the Lands Tribunal.

Rating and Valuation Department
February 2020