

Rates Concession for 2021-22 and General Revaluation

1. Introduction

The Financial Secretary proposed, in the 2021-22 Budget announced on 24 February 2021, to waive rates for four quarters in 2021-22. For each domestic rateable tenement, the concession ceiling will be \$1,500 per quarter for the first two quarters (April 2021 to September 2021), and \$1,000 per quarter for the remaining two quarters (October 2021 to March 2022). For each non-domestic rateable tenement, the concession ceiling will be \$5,000 per quarter for the first two quarters, and \$2,000 per quarter for the remaining two quarters.

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 2021-22 will be maintained at the current level of 5%. Rates concession will be provided to offset the rates payable for four quarters from April 2021 to March 2022. For each domestic rateable tenement, the concession ceiling will be \$1,500 per quarter for the first two quarters, and \$1,000 per quarter for the remaining two quarters. For each non-domestic rateable tenement, the concession ceiling will be \$5,000 per quarter for first two quarters, and \$2,000 per quarter for the remaining two quarters. This will benefit about 3.38 million rateable properties (2.955 million domestic rateable tenements and 424 000 non-domestic rateable tenements) in Hong Kong.

All ratepayers in Hong Kong will benefit from the rates concession. In 2021-22, no rates will be charged on 63% and 39% of domestic ratepayers in the first two quarters and the remaining two quarters respectively. For non-domestic ratepayers, no rates will be charged on 74% and 49% in the first two quarters and the remaining two quarters respectively. The remaining ratepayers will enjoy a full reduction of the respective rates concession ceiling 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 2.59 million assessments in the 2021-22 Valuation List, some of which are block assessments, covering altogether approximately 3.38 million properties. The revaluation has resulted in an average reduction of 6.8% in rateable value. The combined effect of the revaluation and the rates concession for the main classes of property in 2021-22 is set out below:

| <u>Property Type</u> | Average 2021-22 Rates Payable after Revaluation (Before Concession) \$ p.m. | Average 2021-22 Concession Amount \$ p.m. | Average 2021-22 Net Rates Payment \$ p.m. |
|--|---|--|--|
| Private small domestic (up to 69.9m ² (752 sq.ft.)) | 538 | 377 | 161 |
| Private medium domestic (70m ² to 99.9m ² (753 sq.ft. to 1,075sq.ft.)) | 1,097 | 408 | 689 |
| Private large domestic (100m ² (1,076 sq.ft.) and above) | 2,281 | 411 | 1,870 |
| Public domestic | 259 | 249 | 10 |
| All Domestic Properties | 523 | 322 | 201 |
| Shops and commercial | 3,405 | 797 | 2,608 |
| Offices | 4,240 | 844 | 3,396 |
| Industrial | 1,467 | 660 | 807 |
| All Non-domestic Properties | 3,073 | 662 | 2,411 |
| All Properties | 843 | 364 | 479 |

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 2021-22 rates concession measures will cost Government a total of about \$15.0 billion (\$11.6 billion for domestic tenements and \$3.4 billion for non-domestic tenements). The rates revenue (after the proposed rates concession measures) is estimated to be about \$19.1 billion in 2021-22.

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 2021-22 revaluation, the new rateable values are based on rents passing around the designated valuation reference date of 1 October 2020 whereas the existing rateable values are based on rents passing around 1 October 2019. 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 2020, 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 2020; or the agreement may be between friends or related parties.

It should also be noted that changes in rental values since 1 October 2020 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. 2021-22 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 2021 quarterly demands which will be issued in late March or early April 2021. 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 30 April 2021. 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 2021. 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 rent 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 22 March to 31 May 2021. 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 20 Home Affairs Enquiry Centres of the Home Affairs Department.

12. Exemption of Small Properties

The 2021-22 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 2021. To assess and collect rates and Government rent for these small properties are 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 24 February 2021. 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 2021 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 22 March to 31 May 2021, 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 2021.

All proposals will be carefully considered by the professional staff of the Department. The Commissioner will, no later than 30 November 2021, 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 2021