

Rates Concession for 2018-19 and General Revaluation

1. Introduction

This note provides further information about the rates concession announced by the Financial Secretary in the Budget Speech on 28 February 2018 and the General Revaluation.

2. What are Rates?

Rates are one of the indirect taxes levied on properties in Hong Kong. Rates are charged at a percentage of the rateable value which is the estimated annual rental value of a property at a designated valuation reference date, assuming that the property was then vacant and to let. For 2018-2019, the rates percentage charge will be maintained at the current level of 5% and the designated valuation reference date is 1 October 2017.

3. Budget Proposal on Rates Concession

In 2018-19, rates concession will be provided to offset the rates payable for the four quarters from April 2018 to March 2019, subject to a ceiling of \$2,500 per quarter for each rateable tenement.

4. Effect of Rates Concession

There are about 2.5 million assessments in the 2018-19 Valuation List, some of which are block assessments, covering altogether about 3.25 million properties. The revaluation has resulted in an average increase of 4.4% in rateable value. The combined effect of the rates concession and revaluation for the main classes of property in 2018-19 is set out below:

<u>Property Type</u>	<u>Average 2018-19 Rates Payable after Revaluation (Before Concession)</u>	<u>Average 2018-19 Concession Amount</u>	<u>Average 2018-19 Net Rates Payment</u>
	\$ p.m.	\$ p.m.	\$ p.m.
Private small domestic (up to 69.9m ² (752 sq.ft.))	532	514	18
Private medium domestic (70m ² to 99.9m ² (753 sq.ft. to 1 075 sq.ft.))	1,114	768	346

<u>Property Type</u>	<u>Average 2018-19 Rates Payable after Revaluation (Before Concession)</u>	<u>Average 2018-19 Concession Amount</u>	<u>Average 2018-19 Net Rates Payment</u>
Private large domestic (100m ² (1 076 sq.ft.) and above)	2,393	799	1,594
Public domestic	259	Slightly more than 258	Less than 1
All Domestic Properties	521	431	90
Shops and commercial	3,800	656	3,144
Offices	4,243	712	3,531
Industrial	1,480	601	879
All Non-domestic Properties	3,364	568	2,796
All Properties	882	448	434

The rates concession will benefit all ratepayers, involving a total of about 3.25 million rateable properties. In 2018-19, about 83% of ratepayers will have their quarterly rates payments completely waived given the quarterly payable rates are at \$2,500 or below. The remaining 17% will enjoy a full reduction of \$2,500 per quarter in rates payment, but need to pay the outstanding portion after deducting the concession amount.

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

Ratepayers of domestic units in public rental housing estates and factory units in public factory buildings will each be entitled to the rates concession although 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 the rental bills.

6. Effect of Rates Concession on Rates Revenue

The 2018-19 rates concession will cost Government about \$17.8 billion, and the estimated rates revenue is about \$15.0 billion.

7. General Revaluation of Rateable Value

For the 2018-19 revaluation, the new rateable values are based on rents on the designated valuation reference date of 1 October 2017. Factors such as age, size, quality and location of the premises as well as the nearby transport facilities are taken into account.

It should also be noted that changes in rental values after 1 October 2017 will not affect the rateable values in 2018-19.

8. 2018-19 New Rateable Values and Demands for Rates and Government Rent

Rates and Government rent payers will be notified of the new rateable values for 2018-19 via the quarterly demands to be issued in late March or early April 2018. The demands will show the rates concession 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 Government rent payers should pay the amount demanded on or before 30 April 2018, irrespective of whether a proposal objecting to the new rateable value has been lodged. If a reduction is eventually made as a result of the proposal, it will be backdated to 1 April 2018 while necessary adjustments to the rates and Government rent already paid will be made in subsequent demands.

10. Adjustment to Rates and Government Rent Payable by Tenants

Subject to the terms of the tenancy agreement (e.g. if the tenancy agreement allows rents to be varied according to actual rates and/or Government rent payment), tenants may be able to benefit from a reduction in rent following a reduction in rates or Government rent.

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 (RVD), 15th Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon, during office hours from 19 March to 31 May 2018. During this period, members of the public may also visit RVD's website at www.rvd.gov.hk or the Property Information Online website at www.rvdp.gov.hk to inspect the Valuation List and Government Rent Roll.

12. Exemption of Small Properties

As the assessment and collection of rates and Government rent for small properties may not be cost-effective, some small properties are exempted from rates assessment and the exemption threshold for 2018-19 will remain

unchanged at \$3,000 (representing a rent of \$250 a month). In other words, properties with rateable values of \$3,000 or less will not be rateable and no demand for rates and/or Government rent for 2018-19 will be issued.

13. Booklet – “Your Rates and Government Rent”

A booklet, entitled “Your Rates and Government Rent”, addresses frequently asked questions about rates, Government rent, rateable values and the objection channel.

The booklet together with this note are available at RVD’s office and website as well as Home Affairs Enquiry Centres of the Home Affairs Department (HAD).

14. Enquiries and Objections

The explanatory leaflets enclosed with the rates and Government rent demand for April to June 2018 will give a general explanation of the revaluation, the rates concession and how rates and Government rent are charged. They will also explain the procedures to object to the new rateable values. Further enquiries may be made in person at RVD’s Enquiry Counter or by phone at 2152 0111 (24-hour operator service). Payers can also discuss the new rateable values with RVD’s valuers with prior telephone appointment.

Anyone who wishes to object to the new rateable value may, during the period from 19 March to 31 May 2018, lodge a proposal to have it altered. Proposals received outside this period cannot be accepted. Proposals should be made on Form R20A which is available from RVD’s office and website or at any Home Affairs Enquiry Centres of HAD. The completed forms can be sent by post or delivered by hand to RVD. Members of the public may also lodge a proposal by submitting an electronic form (Form e-R20A) using the “Electronic Submission of Forms” service provided at RVD’s website. Given the statutory requirement on the service of notices, proposals transmitted by fax cannot be accepted.

If a property is subject to the payment of both rates and Government rent, and the rateable value for both is the same, payers who wish to lodge a proposal are only required to do so in respect of the rating assessment. Any alteration to the rateable value as a result will apply to the calculation of 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 must also be made not later than 31 May 2018.

All proposals will be duly considered by RVD. The Commissioner will, no later than 30 November 2018, issue Notices of Decision to the rates or rent payers

lodging the proposals, either confirming the original 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
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