

## Rating (Exemption) Order 2018

### Government's Response on Gini Coefficient

At the meeting of the Subcommittee on Rating (Exemption) Order 2018 held on 17 April 2018, the Government was requested to provide information on the impact, if any, on the Gini coefficient arising from the one-off rates concession for 2018-19. Our response is set out in the ensuing paragraphs.

2. To facilitate a more comprehensive analysis at different angles and for delineating the underlying income disparity situation, the Census and Statistics Department compiles a number of Gini coefficients ("GCs") based on different household income concepts, including –

- (a) GC based on original household income; and
- (b) Three types of post-tax GC, namely –
  - (i) GC based on post-tax household income;
  - (ii) GC based on post-tax post-social transfer household income; and
  - (iii) GC based on post-tax post-social transfer household income (including Government's one-off relief measures).

3. While the one-off rates concession for 2018-19 would have no impact on the GC based on original household income (which is pre-tax in nature), the rates concession for **domestic properties** would theoretically have impact on the GC based on post-tax post-social transfer household income (including Government's one-off relief measures). The relevant assessment is, nevertheless, technically not feasible. This is because compilation of the GCs is based on the income data collected in population censuses / by-censuses, which are only conducted every five years. The recent population by-census was conducted in 2016 while the next population census will be conducted in 2021. Results of the ongoing General Household Survey ("GHS"), which are of a much smaller scale, cannot support reliable assessment of income disparity since GHS cannot capture sufficiently large number of households belonging to very high income groups due to sample size constraint. Against the above, the concerned impact analysis cannot be performed for the reference period of 2018-19.

4. It should however be noted that for the purpose of studying household income distribution, the rates paid by enterprises is not relevant. Hence, the proposed one-off rates concession for **non-domestic properties** would have no impact on any of the GCs mentioned in paragraph 2 above.

5. Members may also wish to note that the one-off rates concession for 2018-19 will cover some 3.25 million properties, including about 796 000 public rental housing units. Hence, the rates concession does not only benefit property owners.

**Financial Services and the Treasury Bureau**  
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