

**Business Facilitation Advisory Committee
Wholesale and Retail Task Force**

Review of Small Volume Exemption Fees

Introduction

Currently, the Director of Food and Environmental Hygiene (DFEH) may grant exemption in respect of any prepackaged food with annual sales volume in Hong Kong not exceeding 30 000 units which does not carry nutrition claims on its label or in any advertisement, from the nutrition labelling requirements stipulated in the Food and Drugs (Composition and Labelling) Regulations (“the Regulations”) (Cap.132W) (known as Small Volume Exemption (SVE)).

2. On 13 January 2014, DFEH, in exercise of the power under section 55(1) of the Public Health and Municipal Services Ordinance (Cap. 132), made the Food and Drugs (Composition and Labelling) (Amendment) Regulation 2014 (the Amendment Regulation) to introduce reduced fee for SVE applications and renewal applications submitted by electronic means through the Food Import Control System (FICS)¹. This paper briefs Members on the fee proposal.

Background

3. The Administration amended the Regulations in 2008 to introduce the Nutrition Labelling Scheme (the Scheme) for prepackaged food. The Scheme aims to (a) assist consumers in making informed food choices; (b) encourage food manufacturers to apply sound nutrition principles in the formulation of foods; and (c) regulate misleading or

¹ The Food Import Control System (FICS) is a web-based platform service of the Food and Environmental Hygiene Department. At present, traders may submit SVE applications, report monthly sales volumes of the exempted products and check the cumulative sales volumes of the products through FICS.

deceptive labels and claims. The Scheme covers nutrition labelling² and nutrition claims (which includes nutrient content claim³, nutrient comparative claim⁴ and nutrient function claim⁵). The Scheme has come into force since 1 July 2010.

4. To minimise the impact on food choice, the Government has established a SVE scheme upon the introduction of the Scheme. For a prepackaged food product with annual sales volume in Hong Kong not exceeding 30 000 units which does not carry nutrition claims on its label or in any advertisement, the food manufacturer / importer may apply to DFEH for exemption from providing nutrition label for the food product in accordance with the Regulations. If the sales volume does not exceed the exemption limit of 30 000 units in a year, the food manufacturer / importer may apply for renewal of exemption. As at 31 December 2013, there are a total of 16 491 SVE products with valid exemption for sale in the market.

5. In addition to submission by mail, fax, email or in person, SVE applications or renewal applications may also be submitted through FICS. Applications (including SVE applications or renewal applications) submitted by such electronic means accounted for 37% of the total number of applications in 2012 and 42% in 2013.

6. The fees for SVE applications are charged on a full-cost recovery basis. As stipulated in subsections 1(3) and 2(3) of Part 2 of Schedule 6 to the Regulations, the fees for SVE applications and renewal applications are currently \$345 and \$335 respectively, which were set in 2008 upon the introduction of the Scheme.

² Nutrition labelling refers to the listing of the nutrient content of a food in a standardised manner. When nutrition labelling is applied, energy content and the seven core nutrients (protein, carbohydrates, total fat, saturated fat, trans fat, sodium and sugars) or what is commonly known as “1+7”, and claimed nutrients are required to be affixed on the nutrition label.

³ A nutrient content claim describes the energy value or the level of a nutrient contained in a food, e.g. “High calcium”; “Low fat”; “Sugar-free”.

⁴ A nutrient comparative claim compares the energy value or the nutrient levels of two or more different versions of the same food or similar food, e.g. “Reduced fat – 25% less than the regular product of the same brand”.

⁵ A nutrient function claim describes the physiological role of a nutrient in growth, development and normal functions of the body, e.g. “Calcium aids in the development of strong bones and teeth”.

Review of Fees for SVE Applications

7. Since April 2011, the Centre for Food Safety (CFS) has accepted both SVE applications and renewal applications submitted by the food trade by electronic means through FICS. Having regard to the experience gained in processing electronic applications as well as streamlining its work procedures and upgrading its computer system, CFS has enhanced the efficiency in handling such applications.

8. As the above measures can effectively reduce the time taken by CFS staff to process applications, including screening the applications, inputting data, uploading images and examining the information in foreign languages on package labels, cost reduction can be achieved. Upon review, on a full-cost recovery basis, the fees for SVE applications and renewal applications submitted by electronic means through FICS can be significantly reduced by around 23% and 25% to \$265 and \$250 respectively (see table below).

	Current fees (\$)	Proposed fees (\$)	
		Submission by electronic means through FICS	Submission by other means (e.g. by mail, fax or email)
SVE application	345	265	345
Renewal application	335	250	335

9. According to the findings of the review, the cost incurred in respect of submission by other means (by mail, fax or email) is higher than the current fees by less than 5%. As the implication to the Government revenue is insignificant even if the fees for submission by these means are not raised, we recommend that such fees should remain unchanged.

10. We believe that the reduction of fees will encourage traders to submit their applications through FICS. In addition, the use of electronic applications will save paper and is in line with the Administration's policy on environmental protection.

Legislative Timetable

11. The Amendment Regulation introducing the above reduced fees for SVE applications that are submitted online through FICS was tabled at the Legislative Council on 22 January 2014. Subject to negative vetting by the Legislative Council, the Amendment Regulation will take effect on 24 March 2014.

Public Consultation

12. The Legislative Council Panel on Food Safety and Environmental Hygiene was consulted on 10 December 2013. Members did not raise any objection to the proposal.

13. Members of the trade were consulted at a Trade Consultation Forum on 18 December 2013. Traders present were content.

Way Forward

14. Members are invited to note the above fee proposal and offer comments, if any.

**Centre for Food Safety
Food and Environmental Hygiene Department
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