

30 April 2004

**EDUCATION AND MANPOWER BUREAU CIRCULAR No. 2/2004**

**Reimbursement of Rent for Non-profit-making Kindergartens**

【Note: This Circular should be read by:

- (a) Supervisors of all kindergartens and schools with kindergarten classes – for necessary action; and
- (b) Heads of Sections – for information ]

**Summary**

This circular is to inform supervisors of kindergartens of the details of the eligibility criteria for rent reimbursement for non-profit-making (NPM) kindergartens (KGs) and to remind supervisors of KGs in receipt of rent reimbursement of the terms to be observed. Education and Manpower Bureau (EMB) Circular (formerly referred as Administration Circular) No. 21/2002 issued on 8 May 2002 is hereby cancelled.

**Background**

2. All NPM KGs which are exempt from tax under the Inland Revenue Ordinance can apply for rent reimbursement under the KG rent reimbursement scheme (Scheme). Since the 1994/95 school year, a monitoring mechanism, based on a set of prescribed criteria, has been in place to assess the eligibility of KGs to continue participating in the Scheme. All new applications for joining the Scheme are also subject to the same assessment. In July 2003, EMB put forth a proposal to the KG sector for consultation, which aimed to operationalize the “other factors” in the prescribed criteria in clearer terms. Taking the views expressed by the sector, the proposal was modified and adopted for implementation.

**New Application for Rent Reimbursement**

3. When applying to join the Scheme for the first time or re-join the Scheme after a break, schools should submit their applications to respective School Development Officers together with the following documents:

- (a) completed application form (Form EMB71 at Annex 1, which can also be downloaded from [EMB Homepage](#) )
- (b) lease agreement and rental receipt;
- (c) exemption certificate issued by the Inland Revenue Department under the Inland Revenue Ordinance Section 88 to the school and the sponsoring body; and
- (d) documentary evidence provided by the landlord, indicating that the property can be sublet for rental purposes (if applicable, for example, the site is designated for religious purposes).

## **Eligibility Criteria for Joining the Scheme**

4. A vetting committee in EMB will consider each application on its own merit based on the criteria listed below:

- (a) the operating standard of the KG;
- (b) the curriculum standard of the KG;
- (c) the standard of the school premises;
- (d) compliance with the Education Ordinance and Education Regulations, administrative directives; and
- (e) other factors (including the demand of KG places in the district, enrolment capacity, financial implications, school fees level and rental cost, etc).

5. Starting from the 2004/05 school year, the “other factors”, i.e. paragraph 4(e) above, will be operationalised in more specific terms while all the criteria will remain unchanged. To be eligible for rent reimbursement, a KG should fulfil the assessment criteria as set out in paragraph 4 above and must also first fulfil the following two conditions under the “other factors”:

- (a) charge school fees at a level below a cut-off point to be determined by EMB.
- (b) have a rental cost per pupil per annum (pppa) not higher than the rental cut-off rate(s) to be determined by EMB.

Details of the rental cut-off rates together with a worked example are at [Appendix 1](#).

6. Notwithstanding the above, as in the existing practice, all new applications for rent reimbursement, other than those with their school premises allocated by the School Allocation Committee (SAC), will be considered only when EMB satisfies that there is a proven demand of KG places in the district.

7. Unsuccessful KGs may appeal against the decision of the vetting committee within two weeks from the date of the notification letter. These KGs can re-apply one year later if they are satisfied that due arrangements have been made to meet the aforesaid criteria. Schools re-applying for rent reimbursement must submit once again the documents listed in paragraph 3 above.

## **Amount of Rent to be Reimbursed**

8. Also starting from the 2004/05 school year, for all eligible KGs, the actual amount of rent to be reimbursed will be determined by its fill-up rate. A KG having a fill-up rate of 50% or above will be granted full reimbursement of the rent approved by EMB whereas a KG having a fill-up rate below 50% will receive 50% reimbursement of the rent approved by EMB. Details of the calculation of fill-up rate with a worked example are given at [Appendix 1](#).

## **Monitoring Mechanism**

9. As in previous years, all KGs participating in the Scheme are subject to a two-year monitoring mechanism to assess whether they will continue to be eligible for rent reimbursement. Starting from the 2004/05 school year, the eligibility criteria listed in paragraphs 4 and 5 above will be used in the monitoring mechanism. The actual amount of rent to be reimbursed will also be determined by the fill-up rate of the KG, as mentioned

in paragraph 8 above. After the assessment, EMB will notify, in writing, KGs which have failed to meet the criteria and give them sufficient time to improve. If these KGs still fail to improve within the given period, rent reimbursement will cease (if KGs fail to meet requirements as stipulated in paragraphs 4 and 5 above) or be reduced by 50% (if KGs have a fill-up rate below 50% on the basis of calculation in paragraph 8 above) at the start of next school year.

10. New KGs in housing estates operating in premises allocated by the SAC are eligible for full rent reimbursement in the first three-year tenancy agreement regardless of their rental cost and fill-up rate. The new KGs should submit application for rent reimbursement in their first year of operation and the effective date of rent reimbursement should be the commencement of the tenancy agreement or the date of provisional school registration, whichever is the later. Starting from the fourth year, they will be subject to the same eligibility criteria and conditions as listed above.

### **Implementation**

11. The arrangements as set out in paragraphs 4 to 10 above will be implemented as from the 2004/05 school year. EMB will collect relevant data, such as school fees, rental cost, enrolments and permitted accommodation, at a date in mid-September, based on which the various cut-off points will be calculated. Schools should take heed of the date should they wish to introduce any changes to school fees, rent and/or permitted accommodation. Any applications for change of room use or room cancellation should be submitted to respective School Development Officers and all applications are to be considered on individual merits. The time frame for the implementation of the above arrangement is detailed at [Appendix 2](#).

### **Terms to be Observed by KGs in Receipt of Rent Reimbursement**

#### *Submission of Audited Accounts*

12. With effect from the 2002/03 school year, all KGs in receipt of rent reimbursement must submit the audited accounts to EMB annually. The accounts should be audited by Certified Public Accountants/Public Accountants registered under the Professional Accountants Ordinance. Schools receiving subsidy under the Kindergarten Subsidy Scheme (KSS) and rent reimbursement at the same time need to submit only one set of audited accounts. The audited accounts should contain the school's general operating situation, including the amount of rent reimbursed and the surplus, etc. The time for submission and the format of the audited accounts will be announced in due course.

#### *Use of Surplus*

13. All KGs in receipt of rent reimbursement and/or joining the KSS cannot transfer the surplus, in whatever form, to their sponsoring body or other organizations as from the 2002/03 school year. Schools should use their surplus in more positive ways to improve the quality of education delivered. This includes improving school facilities and the quality of their teaching staff, raising the standard of teaching activities, improving the teacher to pupil ratio and reducing the level of school fees, etc.

### *Submission of New Lease Agreement*

14. In case of any renewal and adjustment of tenancy agreement (even when there is no change in the amount of rent), KGs in receipt of rent reimbursement should notify immediately respective School Development Officers and submit the new lease agreement.

### *Notification in changes of school premises*

15. All KGs in receipt of rent reimbursement must submit immediately fresh applications to their respective School Development Officers in case of any changes of premises, including extension or relocation, etc. These will be processed as new applications as stated in paragraphs 3 to 6 above.

### **Refund of Rates and Government Rent**

16. The existing arrangements for refund of rates and government rent remain unchanged.

### **Briefing**

17. Supervisors are cordially invited to attend any one of the following two identical briefing sessions on the Scheme. Details are as follows:

Date	: 12 May 2004
Time	: <b>Session 1 : 10:00 am</b> (preferably for KGs located in Kowloon, Sai Kung, Tai Po, North and Sha Tin)
	: <b>Session 2 : 2:15 pm</b> (preferably for KGs located in Hong Kong, Islands, Kwai Chung and Tsing Yi, Tsuen Wan, Tuen Mun and Yuen Long)
Venue	: Hong Kong Teachers' Centre (North Point) Room G01, 4 Pak Fuk Road, North Point, Hong Kong.
Participants	: A maximum of 2 representatives from each KG
Language	: Cantonese

18. As no parking spaces are available at the Hong Kong Teachers' Centre (North Point), participants are advised to use public transport. In the event of adverse weather conditions such as tropical cyclone or rainstorm and announcement by EMB on the suspension of school activities on the radio and television broadcasting, the briefing session(s) will be postponed until further notice.

19. All enquiries should be directed to your respective School Development Officers.

Andrew C S POON  
for Secretary for Education and Manpower

**\*非牟利幼稚園租金發還申請表格/租金更改通知書**  
**\*Application Form for Rent Reimbursement/Notification of Change in the Amount of Rent**  
**for Non-Profit-Making Kindergartens**

致 To : 教育統籌局常任秘書長 Permanent Secretary for Education and Manpower  
 經辦人 Attention : \_\_\_\_\_ (高級學校發展主任 SSDO)

- (1) 本人現\*申請發還校舍租金/通知更改租金, 每月 \_\_\_\_\_元。由 \_\_\_\_\_年\_\_\_\_\_月  
 \_\_\_\_\_日至 \_\_\_\_\_年\_\_\_\_\_月\_\_\_\_\_日, 為期 \_\_\_\_\_。

I wish to \*apply for reimbursement of rent for the school premises/ inform the change in the amount of rent at \$\_\_\_\_\_ per month for a term of \_\_\_\_\_ from \_\_\_\_\_ to \_\_\_\_\_ .

- (2) 現附上下列證明文件, 以支持本人之申請:

The following copies of documentary evidence are enclosed to support my application:

- a) 租約及租單 lease agreement and rental receipt  
 b) \*本園及主辦團體根據稅務條例獲得免繳稅證明 (申請發還校舍租金適用)  
 \*Exemption certificates of both the sponsoring body and this kindergarten proving the organizations are charitable institutions and are exempt from tax under the Inland Revenue Ordinance (For applying for reimbursement of rent)  
 c) 其他 (例如: 物業可作分租用途及收取租金的證明文件), 請列明:  
 Others (e.g.: Documents confirming the permission to sublet or to receive rent), please specify:

- (3) 如發還校舍租金申請獲得批准, 本人同意在學費中減去與租金相稱之數額。[首次獲發還校舍租金的幼稚園適用。]

If the application for reimbursement of rent for the school premises is approved, I agree to reduce the tuition fees by an amount commensurate with the rent reimbursement. (Only applicable to kindergartens in receipt of rent reimbursement for the first time.)

- (4) 如發還校舍租金申請獲得批准, 本人將確保所有循使用校舍而得的收入, 包括於課餘時間由學校或校外人士舉辦的收費活動, 均納入學校的賬目內, 經會計師核實後呈交教育統籌局。

If the application for reimbursement of rent for the school premises is approved, I agree to include in the school accounts all income generated through the use of my school premises, including fee-collecting activities organized by my school or outside bodies in the non-school hours. After being audited, the school accounts will be submitted to the Education and Manpower Bureau.

- (5) 本人答應將任何多付與本幼稚園之款項交還政府。

I undertake to refund to the Government any amount overpaid.

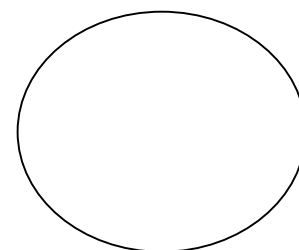
校監簽署 Signature of Supervisor: \_\_\_\_\_

姓名 (請用正楷) Name (in block letters): \_\_\_\_\_

幼稚園名稱 Name of Kindergarten: \_\_\_\_\_

幼稚園地址 Address of Kindergarten: \_\_\_\_\_

日期 Date: \_\_\_\_\_



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\*請將不適用者刪去 Delete whichever is inappropriate

## 填表須知

1. 請將填妥之表格交回學校發展組處理。
2. 幼稚園若非位於房屋委員會及房屋協會轄下的屋邨，須遞交有關證明文件一式兩份。
3. 教育統籌局在辦理有關申請時，可能需將附表所載的個人資料，提交其他政府部門/機構處理。
4. 根據《個人資料（私隱）條例》第 18 和 22 條及其附表第 6 項的規定，資料當事人有權更改或查詢所提供的個人資料。
5. 倘若提供資料不充分，教育統籌局可能無法辦理有關申請。
6. 若需獲得及更改有關表格/證明文件內的個人資料，請與高級學校發展主任聯絡。

## Notes for completing the Form

1. Return the completed form to School Development Section for processing.
2. For kindergarten located in non-estate premises, documentary evidence should be submitted in duplicate.
3. The personal data provided by means of this form will be used for processing application. They may be disclosed to other Government departments/agencies for the above-mentioned purposes.
4. You have a right to protect access to and correction of your personal data as provided for in Sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance.
5. If you do not provide sufficient information, the Education and Manpower Bureau may not be able to process your application.
6. Enquiries concerning the personal data collected by means of this form/documents, including the making of access and corrections, should be addressed to Senior School Development Officer.

### Calculation for Rental Cut-off Rate(s)

1. For the purpose of calculating the rental cut-off rate(s), all KGs joining the Scheme will be classified as estate and non-estate KGs and, based on the location of their school premises are further sub-divided into six groups. A rental cut-off rate will be set at two times of the average rent per pupil per annum (pppa) of the respective group of KGs. Details of the six groupings of KGs are as follows:

Non-estate KGs	Hong Kong Region, including Central and Western, Hong Kong East, Southern, Wanchai
	Kowloon Region, including Kowloon City, Sham Shui Po, Kwun Tong, Wong Tai Sin, Yau Tsim & Mong Kok
	New Territories Region, including Tai Po, Sha Tin, Kwai Chung & Tsing Yi, Tsuen Wan, Tuen Mun, Yuen Long, North, Islands, Sai Kung
Estate KGs	

2. Details of calculation are as follows:

(a) The calculation of rental cost pppa of a KG:

$$\text{Total amount of rent reimbursed annually} \div \text{total number of pupils}^1$$

(b) The calculation of rental cut-off rate of a specified group of KGs is as follows:

$$(\text{Total amount of rent reimbursed annually by all KGs of a specified group} \div \text{total number of pupils in the respective group of KGs in the same region}) \times 2$$

### Amount of rent to be reimbursed

3. Starting from the 2004/05 school year, for an eligible KG, the actual amount of rent to be reimbursed will be determined by its fill-up rate. A KG having a fill-up rate of 50% or above will be granted full rent reimbursement whereas a KG having a fill-up rate below 50% will be given 50% rent reimbursement.

4. The calculation of fill-up rate is as follows:

$$(\text{Total number of students in the school} \div \text{total permitted accommodation as stated on the Accommodation Certificate}) \times 100\%$$

### Worked Example for Reference Only

In the 2004/05 school year, there are 4 estate KGs in the HK region.

Name of KG	Rental cost per annum (a)	Total student number (b)	Rental cost pppa (c)=(a)/(b)	Fulfilment of Rental Cut-off Rate Yes/No (Note 1)	Total Permitted Accommodation (d)	Fill-up Rate (e)=(b)/(d) x 100%	Amount of rent subsidy (Note 2)
A	\$440,000	220	\$2,000	Yes	240	92%	\$440,000
B	\$340,000	90	\$3,778	Yes	210	43%	\$170,000
C	\$500,000	60	\$8,333	No			
D	\$270,000	30	\$9,000	No			
Total	\$1,550,000	400	\$3,875				

The rental cut-off rate for all estate KGs in the HK region (i.e. two times of the average rent pppa of the respective group of KGs in receipt of rent reimbursement) is \$3,875 x 2, which amounts to \$7,750.

Note 1: KGs joining the Scheme must have a rental cost pppa not higher than the rental cut-off rate.

Thus, in the above worked example, only KGs A and B have fulfilled the criteria on rental cut-off point.

Note 2: Assuming that KGs A and B fulfil all the other eligibility criteria for the Scheme, KG A with a fill-up rate of 92% (i.e. 50% or above) is entitled to full rent reimbursement while KG B with a fill-up rate of 43% (i.e. below 50%) is entitled to 50% of rent reimbursement.

<sup>1</sup> Total number of pupils includes total pupil numbers of half-day and/or whole-day sessions, no replication is allowed.

**Time Frame on the Implementation  
of the Revised Arrangement on Rent Reimbursement to NPM KGs**

	First School Year (Major Events)				Second School Year (Major Events)		Third School Year (Major Events)	
	September	End of November/ Early December	December	January	December	January	September	November
First 2-year Monitoring Cycle <i>(Note)</i>	Collect data for calculation of various cut-off points	Announce the cut-off points with reference to the objective criteria	Vetting committee to consider the eligibility of all KGs in the Scheme, based on the set of criteria and the cut-off points announced in November/December	Issue advice letter to high risk KGs which fail to pass the assessment	Re-visit high risk KGs, based on the set of criteria and/or the cut-off points announced in November/December of the previous year	Issue notification on cessation/reduction of rent to those KGs which still fail to meet the eligibility criteria	Cessation/reduction of rent to KGs under the first 2-year monitoring cycle	
Second 2-year Monitoring Cycle							To follow the same schedules as the first monitoring cycle	

Note: The first monitoring cycle of the refined rent reimbursement is to be implemented with effect from the 2004/05 school year