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Bills Committee on Stamp Duty (Amendment) Bill 2010

**Background brief prepared for the
meeting on 17 May 2010**

Purpose

This paper gives a summary of discussion by Members on the proposals relating to stamp duty on transactions of properties valued more than \$20 million as set out in the 2010-2011 Budget Speech.

Background

2. The increased global liquidity, very low interest rate environment and keen competition in the mortgage market have fuelled the surge in property prices recently. To reduce the potential risk of forming a property bubble, the Financial Secretary has announced in the 2010-2011 Budget speech a number of measures to ensure a stable and healthy development of the property market. These include measures to curb speculative activities by increasing the transaction cost of property speculation.

The Bill

3. Considering that there is a higher potential risk of speculative activities for flats with a transacted value above \$20 million, the Bill seeks to amend the Stamp Duty Ordinance (Cap. 117) to –

- (a) disallow deferment of payment of stamp duty chargeable on an agreement for sale made in respect of residential property; and
- (b) increase the rate of stamp duty payable in relation to transactions of immovable property valued more than \$20 million from 3.75% to 4.25%.

Legislative time-table

4. The two measures pertaining to the Bill have in fact come into effect on 1 April 2010 by virtue of the Public Revenue Protection Order 2010. As the Order will lapse on 1 August 2010, the Bill has to be passed before that date.

Previous discussion by Members

5. Owing to confidentiality of the Budget, the Panel on Housing was not briefed on the two proposals pertaining to the Bill. However, the proposals were discussed at the briefing by the Financial Secretary and the Secretary for Financial Services and the Treasury on the Budget for the Finance Committee on 25 February 2010.

6. Some members queried whether the Administration had conducted a systematic analysis of property transactions before deciding to increase the stamp duty for transactions of properties valued more than \$20 million. They also considered that the disallowance of deferment of payment of stamp duty should be applied across the board to all property transactions in order to curb property speculation.

Relevant papers

Legislative Council Brief issued by the Transport and Housing Bureau on 21 April 2010

http://www.legco.gov.hk/yr09-10/english/bills/brief/b25_brf.pdf

Council Business Division 1
Legislative Council Secretariat
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