

**The Administration's response to the submissions on  
the impact of the Buyer's Stamp Duty on redevelopments**

This paper is in response to the submissions from Mr CHENG Chun-ting (LC Paper No. CB(1)808/12-13(01) refers) and the BSD Concern Group (LC Paper No. CB(1)808/12-13(02) refers) of 18 February 2013 and 6 March 2013 respectively, which were referred to us by the Legislative Council Secretariat on 3 April 2013. Both submissions are concerned with the impact of the Buyer's Stamp Duty (BSD) on redevelopment activities.

**The BSD refund mechanism for redevelopments**

2. The policy intent is that the BSD should not hinder redevelopments. Under the Stamp Duty (Amendment) Bill 2012 (the Bill), a refund mechanism has been proposed so that acquisitions of residential properties for redevelopment purpose (whether the residential property acquired is for redevelopment into a residential or a non-residential property) will be exempted from the BSD, provided that the immovable properties being constructed are completed within six years, with extension allowed in specific circumstances. For BSD purposes, our proposal is that the "six-year period" will start counting when the relevant developer has become the owner of the entire lot of the redevelopment concerned. The developer will be considered to have completed the construction if it has obtained, within six years thereafter, the Occupation Permit (OP) in respect of the redevelopment, or the first OP if there is more than one for the entire redevelopment.

3. We would like to emphasise that the proposed "six-year" period is not set on an arbitrary basis. In formulating the mechanism, we have made reference to the redevelopment timeframe set out under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap.545), which stipulates that the redevelopment of the lot sold under an order granted under that Ordinance shall be completed and made fit for occupation within six years after the date on which the purchaser of the lot became the owner of the lot. We have also made reference to the building covenants stipulated in the land grants, which require the lot owners to complete the developments concerned within the specified periods, generally four to six years.

4. To facilitate redevelopments, once the development has acquired

its first OP within the “six-year period”, this will be regarded as satisfying the refund requirement and a full refund will be granted for all phases in the redevelopment. In short, we consider that the proposed mechanism will not block redevelopments. Indeed, it should be flexible enough to cater for the actual operation of redevelopments.

### **Suggestions to advance the timing of refund of the BSD paid for redevelopment projects**

5. We note Mr Cheng’s suggestion to advance the timing of refund of the BSD paid to the moment when the original structures on the lot concerned have been demolished. We also note the suggestion of the BSD Concern Group that the BSD paid should be refunded once the developer concerned has obtained 80% of the lots concerned, or when the original structures on the lot concerned have been demolished and the foundation works have commenced. Our view is that, it would be difficult to give any exemption from the BSD before the Inland Revenue Department can obtain solid proof that an acquisition is indeed for the purpose of redevelopment and that the developer can subsequently fulfill the various conditions for exemption. Therefore, under the mechanism as proposed in our Bill, the person or company pursuing redevelopment has to pay the BSD upfront as and when individual units are acquired. However, once the development has acquired the first OP within the “six-year period”, it will be regarded as satisfying the refund requirement. We consider that our proposed arrangement under the Bill could avoid any risk of abuse, has struck the right balance between maintaining the integrity of the BSD regime while not interfering with practical aspects of redevelopment projects.

6. The Administration will continue to listen to the views of Members on this issue.

**Transport and Housing Bureau**  
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