

**The Administration's Responses to Matters Raised at the Meeting of
the Bills Committee on Stamp Duty (Amendment) Bill 2013
held on 19 May 2014**

This paper sets out the Administration's responses to the matters raised by the Bills Committee on Stamp Duty (Amendment) Bill 2013 at the meeting held on 19 May 2014. The key matters are as follows -

- (a) in relation to acquisition of flats under the Tenants Purchase Scheme ("TPS"):
 - (i) consider extending the scope of exemption from the doubled ad valorem stamp duty ("AVD") to also cover acquisitions of TPS flats by non-Hong Kong Permanent Residents ("non-HKPRs");
 - (ii) consider allowing the Buyer's Stamp Duty ("BSD") and the doubled AVD to be paid by installments over a long period to alleviate the financial burden of TPS purchasers who are in need; and
 - (iii) provide information on the transactions involving TPS flats since the introduction of the doubled AVD measures by the Government on 23 February 2013; and
- (b) explain whether disposal of the original residential property by way of a deed of gift would fulfill the requirement of the refund mechanism under section 29DF of the Stamp Duty (Amendment) Bill 2013 ("the Bill").

Acquisition of units under TPS

2. Like other residential properties, units acquired under TPS are subject to the doubled AVD. Under the Bill, we do not differentiate the residential properties by types nor do we intend to provide exemption for a particular type of residential property. This same treatment applies across the board.

3. According to the prevailing policy of the Hong Kong Housing Authority, sitting tenants in self-contained flats in the selected TPS estates can purchase their flats provided that there is no breach of the existing tenancy agreement. Under TPS, the purchasers, irrespective of whether they acquire the flats jointly with others, must be sitting tenants who are 18 years old or above and they must act on their own behalf at the time of acquisition. If a person and his/her close relative(s) fulfill the criteria to purchase a flat under TPS, as long as there is a HKPR and they are not beneficial owners of any other residential property in Hong Kong, the Bill provides exemption for the relevant transaction and the relevant person(s) are only required to pay AVD at the old rates.

4. From the introduction of BSD on 27 October 2012 up to 30 April this year, there are about 5 200 cases of completed transactions under TPS. Regarding the number of cases which are subject to the doubled AVD, the Inland Revenue Department (“IRD”) will, after the passage of the Bill, ascertain whether the instruments of the transactions are subject to the payment of the doubled AVD, having regard to the finalized doubled AVD regime and the actual circumstances of each stamping request. Hence, IRD is not in a position to confirm the number of TPS flats which are subject to the doubled AVD at this stage.

5. We are aware of some Members’ concern. Given that the circumstances of individual cases are different, IRD may, depending on the needs of individual cases, consider accepting payment of stamp duty by installments under the existing stamp duty regime. While the installment period is determined on the merits of each case, the period normally does not exceed 12 months. That said, IRD may exercise discretion to allow payment by installments for over 12 months to cater for individual cases with exceptional economic hardship.

Disposal by way of a deed of gift

6. In general, the refund mechanism for owners having acquired a new residential property before disposing of their original one under section 29DF of the Bill is applicable to those who dispose of their original residential property by way of a conveyance on sale (including a deed of gift), provided that they fulfill the requirements so specified in the provision to dispose of their original residential property and apply to IRD for refund.

Financial Services and the Treasury Bureau
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