

LC: Opening remarks by SFST at Joint Meeting of Panel on Housing and Panel on Financial Affairs

Following is the English translation of opening remarks by the Secretary for Financial Services and the Treasury, Professor KC Chan, at the Joint Meeting of Panel on Housing and Panel on Financial Affairs today (November 2):

The Secretary for Transport and Housing has just elaborated the exuberant state of the property market. To combat short-term speculative activities effectively, the Administration has enhanced the Special Stamp Duty. Now I will provide you with an account of the reasons underlying the introduction of the demand side management measures at this juncture.

First of all, facing the sluggish external economy, the economy of Hong Kong has also been dragged by the euro sovereign debt crisis. Our export has been badly hit and the GDP was slightly shrunken in the second quarter of this year as compared with the previous quarter. The growth of retail sales slowed down significantly in July and August. However, the overall flat prices have risen by almost 20% during the first three quarters of this year. This clearly suggests that the property market and the local economy are heading in different directions. This is worrying.

Even more worrying is with the announcement of the third round of quantitative easing measures by the US, the interest rate has been staying in an exceptionally low level. The expectation of the public that the funds flowing into Hong Kong will further push up the asset prices for at least two or three years has made the property market even more exuberant. Since the market is in general not alert enough and ignores the fact that flat prices have already been risen to a level beyond the purchasing power and out of tune with the local economy, the flat prices may continue to spiral upward. In this regard, apart from introducing a Special Stamp Duty with longer period and higher duty rates, we also introduce for the first time a brand new Buyer's Stamp Duty.

This new measure is applicable to buyers of residential properties in Hong Kong who are non-Hong Kong permanent residents which include foreigners, local and non-local companies. They are required to pay the Buyer's Stamp Duty at 15 per cent on top of the existing stamp duty.

Special Stamp Duty will also be charged on resale within three years. This measure will increase substantially the cost of non-Hong Kong permanent residents in purchasing local residential properties, hence reducing their desire to purchase.

We have already resumed land sale and the supply of land should address the shortage in the long run. Nevertheless, it takes time for residential properties to come on stream. To address the current exuberant state of the property market, we see the need to implement as early as possible new measures to manage the demand. Hong Kong has been adopting a simple tax regime and new types of taxes will not be introduced lightly. However, the two measures introduced could tackle the problem of short-term speculative activities and alleviate the immediate demand for residential properties in the most effective and targeted manner, hence addressing the mismatch in the demand and supply.

It is our long-standing policy to ensure healthy and stable development of the property market. We shall continue to monitor the lasting impact of external economy on Hong Kong and closely evaluate the effectiveness of the measures. We would take appropriate actions if necessary.

Ends