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**LC Paper No. CB(1)536/12-13(09)**  
**(English version only)**

The Chairman  
Bills Committee on Stamp Duty (Amendment) Bill 2012  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Hong Kong

Our ref Letters to Bills Committee on  
Stamp Duty.docx  
  
Contact Darren Bowdern  
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31 January 2013

Dear Sir:

**Bills Committee on Stamp Duty (Amendment) Bill 2012**

I refer to the Bills Committee's invitation for submissions on the proposed Stamp Duty (Amendment) Bill 2012 (the Bill) which seeks to amend the Stamp Duty Ordinance (SDO) to increase the duty rates and extend the holding period in respect of Special Stamp Duty (SSD) and to introduce a Buyer's Stamp Duty (BSD).

KPMG understands that these measures, announced by the Financial Secretary on 26 October 2012, are aimed at addressing concerns about the affordability of the residential property market. Whilst KPMG supports the Government's initiative to address housing affordability, we would like to outline some of our concerns about the potential impact of the BSD.

In particular, KPMG is concerned about the negative impact the BSD may have on Hong Kong's reputation as a free market economy with no restrictions on either investment and or capital flows. The proposed BSD is aimed at a discrete category of potential investors in Hong Kong residential property, applying to all purchases by companies and persons who are not HKPRs. The proposed legislation will only provide an exemption from BSD for Hong Kong permanent residents (HKPRs). This may be seen as contrary to a free and open market and indeed discriminatory from the perspective of persons with a valid Hong Kong working permit who may equally aspire to acquiring residential property for their own personal use.

Furthermore, many HKPRs acquire residential property, under the umbrella of a corporate vehicle, particularly for investment purposes. However, under the proposed Bill, the use of a corporate vehicle by a HKPR to purchase residential property will also be subject to BSD at the rate of 15 percent. This is, in our opinion, unduly harsh and KPMG considers that the Bill should be amended to allow companies wholly owned or controlled by HKPRs to enjoy exemption from BSD. We appreciate that the Government has received submissions on this matter but feel it important that the issue be re-visited. Equally, we understand the Government's concern at the potential for any such exemption of corporate vehicles from BSD

to be manipulated. However, we consider that appropriate mechanisms and procedures can be put in place to mitigate these concerns.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'Darren Bowdern', written in a cursive style.

Darren Bowdern  
Partner