The Administration's response to the submission from the Hon Tony Tse Wai-chuen of 4 March 2013

This paper serves to respond to the issues raised in the letter dated 4 March 2013 from the Hon Tony Tse Wai-chuen (LC Paper No. CB(1)674/12-13(01) refers).

Rationale for extending the coverage of Special Stamp Duty (SSD) from 24 months to 36 months

2. The objective of the SSD is to help maintain the healthy and stable development of the property market through combating short-term speculative activities. While the SSD has been effective in combating short-term speculative activities, we have reviewed the SSD in view of the continued exuberant state of the property market. In the first nine months of 2012, i.e. before the announcement of the new demand-side management measures in October 2012, on average there were a total of 15 cases per month for resale within 12 months (including confirmor transactions) which were subject to the SSD. During the same period, the monthly average number of transactions for resale between 12 to 24 months subject to the SSD was higher, at 102 cases. Moreover, the number of such cases has been on the rise, from 83 in March 2012 to 218 in September 2012, as properties bought in the early months after the introduction of the SSD reach the end of the first year of the higher SSD rates. Given the current tight supply and the continued exuberant state of the market, we see a need to provide a stronger disincentive for speculators and short-term investors. The Government expects that by increasing the SSD rates and extending its coverage period from the existing 24 months to 36 months, the SSD would further reduce the volume of short-term speculative activities immediately, which would in turn help minimise the risk of a property bubble. With most speculators driven out of the market, the number of flats held by speculators would decrease, and it would result in a more healthy market of end-users.

3. In fact, we note that other jurisdictions have also formulated measures on property market with reference to their specific circumstances. For instance, Singapore has enhanced its Seller's Stamp Duty (similar to the SSD in Hong Kong) to cover resale of residential properties within four years.

Share transfer of "property holding companies"

4. As explained in our response to the Hon James To's submission of 30 January 2013 (LC Paper No. CB(1)562/12-13(01) refers), the Inland Revenue Department (IRD) does not keep information on the total number of cases involving share transfer of "property holding companies", nor does IRD have any breakdown of such cases by types of property (i.e. residential vis-à-vis non-residential). This is because for stamp duty purposes, duty-payers submitting the transfer instruments for stamping are not required to state the type of landed properties held by the company, be it a "property holding company" or not. Furthermore, for companies which are incorporated overseas and do not maintain their share registers in Hong Kong, any transfer of their shares is not subject to stamp duty in Hong Kong. IRD therefore does not have information of these cases.

5. Notwithstanding the above, IRD has been keeping a close watch on suspected speculation cases in the form of share transfer of "property holding companies", in order to ensure that profits derived from property speculations are duly assessed to profits tax. IRD has been compiling such statistics since April 2010. Detailed statistics have been provided in Annexes II and III to our response to the Hon James To's submission mentioned above (LC Paper No. CB(1)562/12-13(01) refers), copies of which are repeated at **Annex** for ease of reference.

Other information

6. The statistics on resale cases which were subject to the SSD as requested by the Hon Tse have already been provided in the Administration's response to the follow-up issues arising from the Bills Committee meeting on 28 February 2013 (LC Paper CB(1)715/12-13(01) refers).

Transport and Housing Bureau
March 2013

Annex

(extracted from LC Paper No. CB(1)562/12-13(01))

Table 1: Number of suspected speculation cases in the form of share transfer of "property holding companies" (since April 2010)

Year	Number of cases*
2010**	282
2011	236
2012	423
2013***	38
Total	**979**

* IRD does not have breakdown by types of property (i.e. residential vis-à-vis non-residential).

** April to December 2012

*** January 2013

Table 2: Information on share transfer cases of "property holding companies" which were charged to profits tax (in financial year)

Financial year	Number of cases*	Amount of profits tax assessed
2010-11	22	$15.53 million
2011-12	7	$3.63 million
2012-13**	4	$0.54 million

* IRD does not have breakdown by types of property (i.e. residential vis-à-vis non-residential), and hence it is not possible to compare the amount of profits tax assessed and the SSD that may be collected.

** Up to 31 December 2012 only.