



香港地產建設商會

THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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The Honourable Starry LEE Wai-king, JP
Chairman

Bills Committee on Stamp Duty (Amendment) Bill 2013
c/o Legislative Council Complex
1 Legislative Council Road
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Stamp Duty (Amendment) Bill 2013

We thank you for your letter of 8 May and would like to offer our views on the subject Bill for the consideration of the members of the Bills Committee.

This latest round of “demand-side management” measures in doubling the ad valorem stamp duty on **all** property transactions has brought even greater distortion to an already distorted property market. Hong Kong’s overheated property market is the result of a shortage in housing supply (caused by the Government’s constriction on land supply in previous years) and exacerbated by a super-low interest rate environment and abundance of liquidity, both arising from the quantitative easing measures taken by the Fed and other central banks.

While we are encouraged to see that the Government is finally making the right move in enhancing land supply, these “demand-side management” measures, by contrast, are counter-productive to say the least. They will have the effect of, among others, reducing the risk appetite of developers and result in a reduction in housing supply in the long run.

The Government has repeatedly justified these “extraordinary measures” in the name of “extraordinary times”, but it has refused to date to provide any objective criterion upon which achievement it would be prepared to have them withdrawn. Its latest proposal to double the ad valorem stamp duty on **all** properties has sent a very clear



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signal to international investors that they are not welcome here. The image that Hong Kong has been fostering so painstakingly over the years as an open economy, a level playing field, and the investment destination of choice has been tarnished by these recent measures.

On the local front, the 6-month window proposed for those owners who intend to sell their current homes and buy later is just too short to be of use, as they will be subject to undue time pressure and may be forced to accept a below market offer for their existing homes and suffer financial loss unnecessarily. Further, with the 20-month presale period currently set for the sale of uncompleted properties, they will not be able to purchase a flat from pre-sale projects, thus needlessly limiting their freedom of choice.

To minimize the collateral damage, we would propose the following amendments to the Bill:

1. Periodic review of the Double Stamp Duty every 6 months, with clear established criteria for its ultimate withdrawal.
2. Refund the additional Stamp Duty so collected at the end of 2 years from date of assignment if there is no change in ownership.
3. Eliminate the Double Stamp Duty on non-residential properties.
4. For residential properties, extend the window for exemption for owners to trade up/down from the current provision of 6 months to 24 months.

Finally, we should add that our proposals 1 and 2 above are equally applicable to the proposed Buyer's Stamp Duty under the Stamp Duty (Amendment) Bill 2012.

Yours sincerely

Stewart Leung
Chairman, Executive Committee