



KPMG Tax Limited
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
P O Box 50
General Post Office
Hong Kong

Telephone +852 2522 6022
Fax +852 2845 2588
Internet kpmg.com/cn

The Chairman
Bills Committee on Stamp Duty (Amendment) Bill 2013
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Hong Kong

Contact: Darren Bowdern
+852 2826 7166

24 May 2013

Dear Sir:

Bills Committee on Stamp Duty (Amendment) Bill 2013

We refer to the Bills Committee formed to consider the Stamp Duty (Amendment) Bill 2013 (the Bill). The Bill seeks to amend the Stamp Duty Ordinance (SDO) by doubling the *ad valorem* Stamp Duty rates payable on the value of both residential and non-residential property. The timing of when Stamp Duty is payable is also to be brought forward.

KPMG notes that the Bill is a further measure aimed at curbing speculation in the residential property market and, on this basis, has our support.

KPMG understands that the principal objective of the Bill is to address speculation in an over-heated residential property market and the consequential spill-over to the non-residential property market. However, KPMG believes that in tackling this issue the approach adopted by the Government has been too broad brushed and simplistic in that the measures apply to **all** acquisitions of property regardless of whether the acquisition is for speculative or non-speculative purposes.

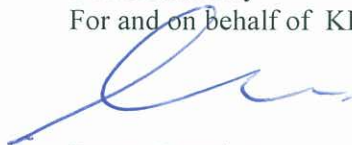
The Bill proposes to provide relief from the increased Stamp duty for purchases of residential property where the purchaser is a Hong Kong permanent resident who is not the beneficial owner of any other residential property in Hong Kong on the date of acquisition. A refund mechanism is also provided to cater for properties acquired for the purpose of redevelopment. In the case of a Hong Kong permanent resident purchaser/transferee who acquire a new residential property before disposing of their original one (which must be their only other residential property) they have to pay Stamp Duty at the increased rates. However, after the disposal of the old property is completed, a refund of the difference between the increased and old rates of Stamp Duty will be made on condition that the agreement to dispose of the old property was entered into within six months from the date of the applicable instrument.

However, KPMG notes that the proposed Bill does not provide relief for genuine long term investors in the non-residential property market. This runs counter to the Government's professed aim of targeting speculators and we are strongly of the opinion that long term investors in the non-residential property market should not be so penalised. As noted above, the proposed Bill includes a number of exemptions and KPMG believes that it should be a relatively straight forward matter to include long-term investors in non-residential property within their ambit. For example, if the property was to be sold within a certain specified period of time, say three years, provision could be made for the additional Stamp Duty to be clawed back. On this basis, the increased Stamp Duty would only be payable by persons engaged in potentially speculative transactions in non-residential property, who typically buy and sell property within a relatively short period of time.

On a general note, KPMG considers that the Government should ensure that their proposals only focus on targeted transactions and do not unnecessarily impact on transactions which are not speculative in nature. Accordingly, KPMG considers that the all-encompassing nature of the proposed Bill is not at all appropriate. In our view, genuine long-term investors in non-residential property should not be subject to the increased Stamp Duty.

Including an exemption for genuine long-term investors in the non-residential property market will send a positive message to the local and international community that Hong Kong remains an attractive destination for genuine long term investors in the commercial property market. We consider that this is important in maintaining Hong Kong's position as the preferred location for regional headquarters in the Asia Pacific region.

Yours faithfully
For and on behalf of KPMG Tax Limited



Darren Bowdern
Partner