

Stamp Duty (Amendment) Bill 2017

Government's response to comments expressed by and written submissions received from deputations/individuals

Comments / issues raised	Organisation / individual	Government's response
Policy objectives and effectiveness of demand-side management measures		
<p>1. Agree with the Government's introduction of the New Residential Stamp Duty (NRSD) to stabilise the property market and reduce the risk of a housing bubble, as well as the provision of exemption arrangements for Hong Kong permanent residents (HKPRs)</p>	<p>Democratic Alliance for the Betterment and Progress of Hong Kong</p>	<ul style="list-style-type: none"> • Comments are noted.
<p>2. The demand-side management measures have reduced the supply of secondary residential properties, thus pushing up property prices and rents</p>	<p>Federation of International SME Hong Kong Chamber of Professional Property Consultants Limited Hong Kong Real Estate Agencies General Association Estate Agent Association Hong Kong Property Agencies</p>	<ul style="list-style-type: none"> • The demand-side management measures aim to redress the demand-supply imbalance by increasing the cost of property acquisition and curbing the demand of some groups of buyers (e.g. short-term speculators, non-local buyers and those who already owned residential property). The demand-side management measures will not reduce the actual housing supply, and exemption arrangements have been provided to cater for the home ownership needs

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	<p>Association</p> <p>The Hong Kong Institute of Surveyors</p> <p>The Hong Kong Conveyancing and Property Law Association Limited</p> <p>Liberal Party</p> <p>Mr HO Wang</p>	<p>of HKPRs who do not own any residential property in Hong Kong.</p> <ul style="list-style-type: none"> • Just like the overall flat price and transaction volume, secondary residential property transaction volume is subject to influence of various factors, including property prices, supply of first-hand private residential properties, global and local economic outlook, the pace of United States (US) interest rate normalisation, international liquidity, demand-side management measures introduced by the Government in response to the overheated property market (e.g. the introduction and enhancement of the Special Stamp Duty (SSD) in November 2010 and October 2012 respectively), etc. These measures, which aim to combat short-term speculative activities, have impacted on transaction volume of residential properties. We believe that local buyers with genuine home ownership needs will eventually benefit from these measures when most speculators, investors and non-local buyers are driven out of the property market.

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<p>3. Propose that the NRSD measure should not apply to secondary residential property transactions</p>	<p>Hong Kong Property Agencies Association</p> <p>Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> The Government has no plan to withdraw any demand-side management measure at this stage. In addition, the NRSD measure mainly aims at managing investment demand. If the NRSD measure is inapplicable to secondary residential property transactions, it will send a wrong message to the market that the Government encourages investment in secondary residential properties, which will in turn fuel potential demand and undermine the effectiveness of demand-side management measures, resulting in further heating up the secondary residential property market.
<p>4. The demand-side management measures have not curbed or reduced property prices / are ineffective / not the right cure / not the fundamental solution / will compromise the healthy development of Hong Kong's economy and property market in the long run</p>	<p>Hong Kong Real Estate Agencies General Association</p> <p>Hong Kong Property Agencies Association</p> <p>Joint Council of Estate Agents Associations</p> <p>The Real Estate Developers Association of Hong Kong</p> <p>Civic Party</p>	<ul style="list-style-type: none"> The Government has repeatedly stressed that there is no single solution to all the problems related to the property market. The various measures are introduced in a targeted manner by the Government in response to the different signs of exuberance of the property market. In sum, SSD aims to lower the incentive for short-term speculative activities; the Buyer's Stamp Duty (BSD) aims to reduce the demand of non-HKPRs to purchase residential properties; the doubled ad valorem stamp duty (DSD) previously introduced and the NRSD measure

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	Liberal Party Mr HO Wang	<p>currently rolled out aim to reduce the demand of residential property owners to purchase more properties; whereas the new round of supervisory measures on property mortgages introduced by the Hong Kong Monetary Authority (HKMA) aim to strengthen the banks' risk management ability and resilience in order to reduce damage to the banks and the overall economy in case of significant adjustments to property prices.</p> <ul style="list-style-type: none"> ● In addition to managing demand to narrow the spectrum of buyers and redress the demand-supply imbalance, the Government has also adopted a supply-led strategy by continuing to increase land and housing supply to address the demand-supply imbalance at source in the long run. ● Data show that the various demand-side management measures have achieved the intended objectives and effectively reduced speculative activities, external demand and investment demand. Property prices are subject to various factors. Stabilisation of the residential property market does not necessarily mean that property prices will go down

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		<p>significantly at once or within a short period of time. The market development will still depend on increase in supply in future and changes in many other external and local factors, including global and local economic outlook, the pace of US interest rate normalisation, international liquidity, etc. The Government will remain vigilant and closely monitor the movement of the property market and the ever-changing external environment with reference to a series of indicators (including property prices, home purchase affordability ratio, transaction volume, supply of private flats, changes in local and external economic factors, etc.).</p>
<p>5. NRSD increases the cost for owners to replace their properties</p>	<p>Hong Kong Real Estate Agencies General Association Joint Council of Estate Agents Associations The Hong Kong Institute of Surveyors</p>	<ul style="list-style-type: none"> ● If a HKPR replaces his/her residential property by disposing of his/her only original property before acquiring a new one, the acquisition of the new residential property will be subject to the lower AVD rates at Scale 2. ● For those who replace their residential properties by acquiring a new property before disposing of the only original one, the NRSD measure maintains the existing refund

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		<p>mechanism provided for under the DSD regime. Under the existing mechanism, a HKPR who acquires a new residential property to replace his/her only original residential property will be subject to NRSD in the first instance, but he/she may apply to the Inland Revenue Department (IRD) within the statutory time limit¹ for a partial refund of the AVD paid upon proof that his/her only original property has been disposed of within six months from the date of executing the assignment of the new residential property. The amount to be refunded is the stamp duty paid at the new rate of 15% in excess of that computed at Scale 2 rates. It is noted that bridging loans are currently provided by local banks for customers replacing their properties to cater for their financial needs during property replacement, such as making down payments for the new property, paying renovation costs and stamp duties, etc.</p>
<p>6. NRSD increases the cost for people to acquire their first</p>	<p>Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> • Having regard to the Government's policy of according priority to the home ownership needs of HKPRs who do not own any residential

¹ There is a general time limit for claiming refunds, which is within two years from the date of executing the agreement for sale and purchase for acquisition of the new residential property or not later than two months after the date of executing the assignment for the disposal of the original residential property, whichever is the later.

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property	<p>The Hong Kong Institute of Surveyors</p> <p>Estate Agent Association</p> <p>Civic Party</p>	<p>property in Hong Kong, the following exemption arrangement is provided for under the NRSD measure: acquisition of a single residential property under a single instrument by a HKPR who is acting on his/her own behalf and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition is exempted from NRSD and will continue to be subject to the lower AVD rates at Scale 2. Therefore, NRSD will not increase the cost for people to acquire their first property.</p>
<p>7. The loan-to-value (LTV) ratio has been lowered under the prudential measures for property mortgage loans adopted by HKMA, thereby increasing the cost of property replacement by flat owners/cost of property acquisition by first-time home buyers</p>	<p>Hong Kong Chamber of Professional Property Consultants Limited</p> <p>Hong Kong Property Agencies Association</p> <p>The Real Estate Developers Association of Hong Kong</p>	<ul style="list-style-type: none"> ● Since the outbreak of the global financial crisis in 2008-09, many major economies in the world have introduced “quantitative easing” monetary policies. Hong Kong has been experiencing an abnormal macro financial environment in the past few years where interest rate was at an extremely low level. ● To maintain banking stability, HKMA has introduced seven rounds of countercyclical macroprudential measures since October 2009 to strengthen the resilience of banks and borrowers to cope with any impact of a fall in

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		<p>property prices.</p> <ul style="list-style-type: none"> ● HKMA will continue to closely monitor changes in macro financial environment and the situation of Hong Kong property market, and take appropriate measures when necessary to ensure banking stability.
<p>8. The Government should consider the various factors that push up property prices, including the devaluation of the Renminbi, the US interest rate rise, mainland enterprises bidding up land prices in Hong Kong, the global low interest rate and credit easing environment, inadequate land and housing supply, etc.</p>	<p>The Hong Kong Institute of Surveyors</p> <p>The Real Estate Developers Association of Hong Kong</p> <p>The Hong Kong Conveyancing and Property Law Association Limited</p> <p>Civic Party</p> <p>Liberal Party</p> <p>Mr HO Wang</p> <p>Democratic Alliance for the Betterment and Progress of Hong Kong</p>	<ul style="list-style-type: none"> ● The Government has kept in view the development of the property market, and will continue to closely monitor the property market movements and ever-changing external conditions with reference to a series of indicators, including property prices, home purchase affordability ratio, transaction volume, flat supply, changes in local and global economies, etc.
<p>9. In order to keep profits unaffected by the demand-side</p>	<p>The Hong Kong Institute of Surveyors</p>	<ul style="list-style-type: none"> ● The provision of stamp duty or cash rebates by some developers is a commercial decision made

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<p>management measures, developers offer stamp duty rebates to buyers while increasing the sale price of first-hand residential properties; as a result, stamp duty hike will push up property prices</p>	<p>Federation of International SME Estate Agent Association</p>	<p>in the light of the market situation. We note that these rebates are generally offered with additional conditions, say only for a certain type or number of flats, or buyers are required to join specified payment plan (e.g. cash payment plan). Some developers also offer other cash rebates / discounts to local buyers who only have to pay AVD at Scale 2 rates in a bid to lower the sale price in disguise.</p> <ul style="list-style-type: none"> Overall, property prices are affected by various factors, including return on investment, overall housing demand and supply, economic environment, etc. We will continue to pay close attention to the development of the property market.
<p>10. Property prices remain at a high level due to the high land premium policy implemented by the Government</p>	<p>Hong Kong Real Estate Agencies General Association Civic Party</p>	<ul style="list-style-type: none"> On land sale, the Government does not have the so-called "high land premium policy". According to information from the Development Bureau, the Government has been offering land for sale at market value. It will not influence land sale by making upward or downward adjustments to premium valuation. Developers' bids for each site depend on the development potential of the site and the market

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		situation, and the site will not be sold unless the reserve price set by the Government is reached.
11. The demand-side management measures only encourage speculative activities and have failed to accord priority to meet self-use home ownership needs of HKPRs	Civic Party	<ul style="list-style-type: none"> According to IRD's statistics, the number of residential property transactions involving HKPR-buyers who have owned one or more local residential property has decreased from about 1 800 cases in November 2016 to the monthly average of 340 cases during the period from January to April 2017, representing a significant drop of 80%. Among residential property transactions involving HKPR-buyers from January to April 2017, the percentage of buyers who do not own any other residential property in Hong Kong at the time of acquisition reached 94% on average. These data show that the new measure is effective in reducing investment demand and meeting self-use home ownership needs of HKPRs.
12. The Government should not, in violation of legality, assume that residential property transactions are necessarily commercial profit-making activities and thus adopt a	Civic Party	<ul style="list-style-type: none"> In view of the overheated residential property market, we consider it necessary to strengthen management of investment demand. Pitching the NRSR rate at 15% clearly shows that the Government is determined in managing demand. We consider the intensity of the

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stamp duty rate which is the same as the profits tax rate (which is 15% for persons other than corporations) for all residential property transactions		measures appropriate and conducive to reducing investment demand and cooling down the market.
13. The introduction of NRSD is only a government gesture which is not conducive to the development of the property market	Estate Agent Association	<ul style="list-style-type: none"> • In view of the overheated residential property market, we consider it necessary to strengthen management of investment demand. Pitching the NRSD rate at 15% clearly shows that the Government is determined in managing demand. We consider the intensity of the measures appropriate and conducive to reducing investment demand and cooling down the market.
14. Related trades (e.g. the real estate sector, lawyers, and the decoration industry) are hit by NRSD	Liberal Party	<ul style="list-style-type: none"> • The policy objective of introducing the demand-side management measures is to ensure the healthy and stable development of the property market, which is of paramount importance to the sustainable development of Hong Kong as a whole. While we understand that these measures may affect certain trades, a still tight demand-supply balance in the short term and the expectation of a continued low

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		<p>interest rate environment render it necessary for us to strengthen the demand-side management measures to guard against further increase in the risk of a housing bubble. Failure to take timely action carries a high risk of an unabated upward spiral in residential property prices, eventually precipitating a very costly adjustment, which will in turn endanger the overall macroeconomic and financial stability of Hong Kong and bring adverse consequences to individuals, various trades and industries as well as the investment environment.</p>
<p>15. Non-HKPRs are the main cause of soaring property prices, but NRSD has failed to curb their demand</p>	<p>The Hong Kong Conveyancing and Property Law Association Limited</p>	<ul style="list-style-type: none"> ● With the introduction of NRSD, acquisition of residential property in Hong Kong by a non-HKPR is subject to both BSD and NRSD (both at a flat rate of 15%), i.e. a stamp duty of 30% in aggregate. ● Data show that the demand-side management measures (especially BSD) have effectively curbed external demand. From January to April 2017, transactions involving non-local individuals and non-local company buyers accounted for only 1.5% of the total number of residential property transactions, lower than the

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		monthly average of about 4.5% of the total number of residential property transactions from January to October 2012 (i.e. before the introduction of BSD).
16. Propose that the Government should prepare medium and long-term policies; otherwise it will run out of options once the demand-side management measures become ineffective	Civic Party	<ul style="list-style-type: none"> As set out in the Long Term Housing Strategy, the Government has adopted the supply-led strategy to maintain the healthy and stable development of the private residential property market, and strived to increase the housing land supply through short, medium and long-term measures in order to address the demand-supply imbalance at source in the long run.
17. The demand-side management measures and high property prices have encouraged developers to build more residential flats of smaller size	The Hong Kong Institute of Surveyors	<ul style="list-style-type: none"> Developers determine the sizes of private residential units to be built with reference to market needs. There is a time gap of several years between the sale of residential sites and the completion of residential units on such sites, with the market constantly changing in the intervening years. At this stage, the Government considers it appropriate to allow the market the flexibility to adjust based on market needs. The Government will closely monitor the market situation, and consider taking appropriate measures as and when

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		necessary.
Exemption Arrangements		
<p>18. Propose plugging the loophole in relation to acquisition of multiple residential properties under a single instrument</p>	<p>The Hong Kong Conveyancing and Property Law Association Limited</p> <p>Democratic Alliance for the Betterment and Progress of Hong Kong</p> <p>Civic Party</p>	<ul style="list-style-type: none"> The Government has been closely monitoring the development of the property market. There has been public concern over the increase in transactions involving acquisition of multiple residential properties under a single instrument in recent months. To prevent local buyers from making use of the exemption arrangement to avoid the payment of NRSD, the Government announced on 11 April 2017 the tightening of exemption arrangement for HKPRs under the NRSD regime. Under the tightened exemption arrangement, acquisition of a single residential property under a single instrument by a HKPR who is acting on his/her own behalf and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition will continue to be subject to the lower AVD rates at Scale 2. However, if the buyer concerned acquires more than one residential property under a single instrument, the transaction will no longer be exempted and will be subject to the NRSD rate of 15%. The

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		tightened exemption arrangement came into effect on 12 April 2017.
19. Propose that the partial refund of AVD paid under the NRSD regime be allowed for HKPRs who acquire a new residential property to replace all their existing residential properties	The Law Society of Hong Kong The Real Estate Developers Association of Hong Kong	<ul style="list-style-type: none"> • The NRSD measure only involves raising the AVD rates chargeable on residential property transactions to 15%. The refund mechanism provided for under the existing AVD regime will be maintained in order to minimise confusion to the market. The refund mechanism for owners who replace properties by acquiring a new residential property before disposing of their original one is in line with the Government's policy objectives of introducing demand-side management measures to accord priority to the home ownership needs of HKPRs and to step up management on housing demand from buyers who have already owned residential properties. The refund mechanism is only applicable to cases where one residential property is acquired to replace the only and original residential property.
20. Propose extending the property replacement period for partial refund of AVD paid from 6 months to 9 / 12 / 24 months	Hong Kong Property Agencies Association Joint Council of Estate Agents	<ul style="list-style-type: none"> • The refund mechanism and the statutory time limit for disposal of the original property have been thoroughly discussed by the relevant Bills Committee of the Legislative Council (LegCo)

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	<p>Associations</p> <p>The Real Estate Developers Association of Hong Kong</p> <p>Democratic Alliance for the Betterment and Progress of Hong Kong</p>	<p>when it scrutinised the Stamp Duty (Amendment) Bill 2013 (the 2013 Bill) that implements the DSD measure. Taking into account the views of the Bills Committee, the Government revised the original arrangement by moving committee stage amendments (CSAs) to adjust the six-month time limit to commence from the date of conveyance on sale instead of the agreement for sale and purchase of the newly acquired property. Supported by LegCo, the CSAs were passed.</p> <ul style="list-style-type: none"> <li data-bbox="1283 762 2085 1428">● We believe that the adjusted statutory time limit mentioned above has struck the right balance between safeguarding the effectiveness of the demand-side management measures and addressing HKPRs' practical needs in replacing properties. Extension of the statutory time limit for disposal of the original property from six months to nine months, 12 months or even 24 months may result in a situation where more property owners may acquire another residential property under the guise of replacement and delay disposal of their original one, which in effect allows them to hold more than one residential property for a long period of time.

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		<p>This is inconsistent with the policy objective of implementing the NRSD measure and may also reduce the supply of residential properties in the secondary market, which would not help the circulation of residential properties. We gather that the repayment period for bridging loans currently provided by local banks for customers to replace their properties is also six months in general. We therefore consider the six-month statutory time limit for disposal of the original property practicable and appropriate.</p>
<p>21. Propose that owners replacing properties be allowed to pay NRSD in two payments or by instalments or to defer payment</p>	<p>Hong Kong Real Estate Agencies General Association Hong Kong Property Agencies Association Joint Council of Estate Agents Associations The Real Estate Developers Association of Hong Kong Democratic Alliance for the Betterment and Progress of Hong Kong</p>	<ul style="list-style-type: none"> ● We consider the suggestion infeasible. Under the Stamp Duty Ordinance (SDO) (Cap. 117), both buyers and sellers shall, within 30 days after executing a chargeable instrument, present the instrument concerned to IRD for stamping and pay AVD at the applicable rate. Late payment of stamp duty is subject to a fine. The suggestion amounts to allowing deferred payment of partial stamp duty, and will have a fundamental impact on the levying system of stamp duty. ● Moreover, the pre-sale period of some

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		<p>uncompleted residential properties can be as long as 30 months. In other words, under the existing refund mechanism, it is possible that persons replacing their properties may only dispose of their original properties 36 months after the date of executing the agreement for sale and purchase of the new property. If the above suggestion is accepted, it may invite some owners without genuine intention to dispose of their original property to take advantage of the arrangement to acquire a new residential property under the guise of property replacement and defer payment of NRSD for as long as three years. This will significantly undermine the effectiveness of the new measure. Furthermore, as far as administrative cost is concerned, IRD has to deploy substantial resources and manpower to continuously monitor if the buyer who claims to replace his/her property has disposed of his/her only original property within the six-month time limit in order to determine whether to recover the difference in stamp duty from the guarantor bank. This may not be an appropriate way to collect stamp duty.</p>

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<p>22. The current exemption arrangements are considered too lax. The Government should only exempt HKPR-buyers who have never owned any residential property in Hong Kong (i.e. first-time home buyers) from NRSD</p>	<p>Hong Kong Real Estate Agencies General Association</p>	<ul style="list-style-type: none"> • The policy objective of the NRSD measure is to accord priority to the home ownership needs of HKPRs who do not own any residential property in Hong Kong amidst the current tight demand-supply balance in housing. If the exemption arrangement is tightened and only buyers who have never owned any residential property in Hong Kong can be exempted, this may impact on the unintended targets (e.g. persons replacing their properties and HKPRs who previously sold their only residential property but now need to acquire a residential property for self-use due to personal or family reasons). This is inconsistent with our policy objective.
<p>23. Propose that first-time home buyers who are HKPRs be offered a more favourable AVD rate and be allowed 90% LTV mortgages, subject to mortgage insurance coverage provided by the Hong Kong Mortgage Corporation Limited (HKMC)</p>	<p>The Real Estate Developers Association of Hong Kong</p>	<ul style="list-style-type: none"> • Under the NRSD regime, acquisition of a single residential property under a single instrument is exempted from NRSD and is only subject to the lower AVD rates at Scale 2 if the buyer concerned is a HKPR acting on his/her own behalf and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition. • Currently, regular salaried first-time home

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		buyers with a maximum debt-servicing ratio not exceeding 45% may apply for a mortgage loan of up to 90% LTV ratio under the Mortgage Insurance Programme of HKMC for properties valued at \$4 million or below.
24. Propose plugging the loophole of acquiring residential property in the name of a relative / friend who does not own any residential property to avoid the payment of NRSD	<p>Hong Kong Chamber of Professional Property Consultants Limited</p> <p>The Hong Kong Conveyancing and Property Law Association Limited</p>	<ul style="list-style-type: none"> ● Under the existing regime, when applying to IRD for stamping at the lower AVD rates at Scale 2, a buyer has to submit a statutory declaration and declare that he/she is a HKPR acting on his/her own behalf and is not a beneficial owner of any other residential property in Hong Kong. A buyer who wilfully makes a false statement in the statutory declaration made by virtue of the Oaths and Declarations Ordinance may commit the relevant criminal offence under the Crimes Ordinance. ● Moreover, if AVD has been charged at Scale 2 rates based on the statutory declaration submitted by a buyer, and it is subsequently found that the buyer's declaration is not correct, the buyer will be liable for paying the duty difference (i.e. the difference between AVD computed at the new rate of 15% and Scale 2),

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		<p>as well as the penalty incurred by late stamping. Besides, the Government has all along emphasised that acquiring properties on other's behalf is risky in that there may be future disputes on the title of the properties concerned.</p>
<p>25. The unintended targets of the NRSD measure may suffer as no exemption will be granted if an heir gives up inheritance in the title transfer of estate</p>	<p>Civic Party</p>	<ul style="list-style-type: none"> • We propose that the NRSD measure to maintain the exceptions and exemption arrangements provided for under the DSD regime. Under the NRSD regime, transfer of a residential property to the beneficiaries of the estate of a deceased person pursuant to a will or in accordance with the law of intestacy, or acquisition of the property by the right of survivorship, can be exempted from AVD.
<p>26. The buyer should be liable for paying additional AVD if he/she is exempted from NRSD based on his/her statutory declaration and it is subsequently found that the statutory declaration is incorrect</p>	<p>Real Estate Developers Association of Hong Kong</p>	<ul style="list-style-type: none"> • The suggestion is already the existing arrangement under the DSD and NRSD regimes. • Under section 29DH of the SDO, if AVD on an agreement for sale and purchase or a conveyance on sale for a residential property (whether or not together with a car parking space) has been charged at Scale 2 rates based on a statutory declaration made by the buyer or transferee and the declaration is subsequently

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		<p>found to be incorrect, only the buyer or transferee under the instrument concerned is civilly liable to the Collector of Stamp Revenue for the payment of the specified amount (i.e. the difference between the AVD paid and the AVD computed at Scale 1 rates).</p>
<p>27. NRSD affects the progress of urban renewal</p>	<p>Liberal Party</p>	<ul style="list-style-type: none"> ● We propose that the NRSD measure to maintain the exceptions and exemption arrangements provided for under the DSD regime, including the refund mechanism for redevelopment projects. ● Under the NRSD regime, acquisition of a residential property (including bare sites) for the purpose of redevelopment is subject to the payment of AVD at the NRSD rate of 15% in the first instance. A subsequent stamp duty refund of the difference between the AVD paid and the AVD computed at Scale 2 rates will be made if specified conditions under the SDO are met. These conditions are: the developer concerned has acquired the entire lot to be redeveloped and has obtained the Building Authority's consent to commence any foundation work for the lot; or the developer

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		<p>has demolished all the original structure(s) on the lot and obtained the Building Authority's approval of the building plan for the redevelopment.</p> <ul style="list-style-type: none"> Modelling on the BSD regime, the above refund mechanism has fully taken into account the views on redevelopment expressed by LegCo Members and deputations during LegCo's scrutiny of the Stamp Duty (Amendment) Bill 2012 for implementation of BSD.
Other issues		
<p>28. Propose incorporating the Departmental Interpretation and Practice Notes (DIPNs) issued by the IRD into the legislation to reduce the uncertainty in implementing the new measure</p>	<p>The Hong Kong Conveyancing & Property Law Association Limited</p>	<ul style="list-style-type: none"> DIPNs set out in detail IRD's usual practice and are intended for reference by taxpayers only. They should not be confused with the SDO. Incorporating DIPNs into the SDO will make the provisions too cumbersome for implementation.
<p>29. NRSD is deemed to come into operation on 5 November 2016. Past experiences show that after the gazettal of the Amendment Ordinance, IRD</p>	<p>The Hong Kong Conveyancing & Property Law Association Limited</p>	<ul style="list-style-type: none"> IRD will endeavour to deploy staff as appropriate so that all cases in the transitional period can be completed within a shorter period. IRD will also accord priority to urgent cases as far as possible, depending on

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<p>and law firms handling property transactions had to process a huge amount of cases involving further demand of stamp duty chargeable on transactions completed within the transitional period. This resulted in tremendous workloads, caused delays in issuing stamp certificates denoting payment of stamp duty, and hindered the property transaction processes. It is proposed that the Government should take action to minimise delay in the process.</p>		<p>individual circumstances and subject to reasonable explanations.</p>
<p>30. The Government should not formulate its property market policies based solely on the number of residential property transactions. It is suggested that the number of cases involving residential property replacement be verified.</p>	<p>Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> • The Government has been paying close attention to the property market development and will continue to closely monitor the property market movements and ever-changing external conditions with reference to a series of indicators, including property prices, home purchase affordability ratio, transaction volume, flat supply, changes in local and global

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		<p>economies, etc.</p> <ul style="list-style-type: none"> As buyers are not required to state whether they are replacing their original residential property with a new one when presenting instruments for stamping, we do not have the information on relevant transactions unless the replacement of properties involves application for partial refund of stamp duty (e.g. cases where a HKPR-buyer replaces his/her residential property by disposing of the only original property before acquiring a new one).
<p>31. Propose providing tax incentives to boost supply in the secondary market</p>	<p>Hong Kong Property Agencies Association Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> Whether, when and at what price an individual will sell his/her property in the market is a personal decision. The Government has no intention to provide tax incentives for owners or buyers participating in transactions of secondary residential properties.
<p>32. Property transaction figures cannot reflect the cases involving residential property speculation through transfer of company shares</p>	<p>Federation of International SME The Hong Kong Conveyancing and Property Law Association Limited</p>	<ul style="list-style-type: none"> Under the current stamp duty regime, any person who transfers local company shares to another person has to pay stamp duty chargeable on the contract note for the transfer. At the same time, IRD has been actively tracking and taking follow-up actions on property speculation cases (including

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		<p>transactions involving transfer of company shares) to ensure that profits derived from property speculation are duly taxed. The prevailing profits tax rate for corporations is 16.5%, whereas unincorporated businesses are charged at a standard tax rate (currently 15%).</p> <ul style="list-style-type: none"> • Transfer of property by way of transfer of company shares involves considerable risk. For example, the company concerned may have hidden debts or is involved in legal actions. Buyers acquiring a property in such way are liable for the debts or liability incurred.
<p>33. Propose that the Government relax the demand-side management measures gradually / announce the relaxation of such measures two years later (retain BSD only)</p>	<p>Hong Kong Real Estate Agencies General Association The Hong Kong Institute of Surveyors Federation of International SME Liberal Party</p>	<ul style="list-style-type: none"> • It is impossible for us to predict with certainty future market direction and various external factors to pre-determine a date as to when the demand-side management measures would no longer be applicable. Acceding to the suggestion will only send out erroneous signals to the market, fuel potential demand and undermine the effectiveness of demand-side management measures, thereby further heating up the property market. • The Government will continue to closely monitor the property market development and

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		<p>make reference to a series of indicators, including property prices, home purchase affordability ratio, transaction volume, flat supply, changes in local and global economies, etc. The Government will take appropriate measures to ensure the stable and healthy development of the property market.</p>
<p>34. Propose dividing the property market into free market and housing market for the citizens</p>	<p>Hong Kong Property Agencies Association Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> • The NRSD measure seeks to reduce the investment demand and accord priority to the home ownership needs of HKPRs who do not own any residential property in Hong Kong.
<p>35. Propose expediting land and housing supply</p>	<p>Hong Kong Property Agencies Association Joint Council of Estate Agents Associations Liberal Party</p>	<ul style="list-style-type: none"> • Since taking office, the current-term Government has been committed to increasing the public and private housing supply and has adopted a multi-pronged approach to identify sites to meet the housing needs of the community in the long run. The Government will continue to adopt a multi-pronged approach to increase housing land supply in the short, medium and long-term by conducting land use reviews and rezoning, increasing development intensity, cultivating new development areas, reclamation on an appropriate scale, etc. The latest progress of these measures has been set

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		<p>out in detail in the Long Term Housing Strategy Annual Progress Report 2016.</p> <ul style="list-style-type: none"> As for private housing supply, according to the latest estimate as at end-March 2017, the projected supply from the first-hand private residential property market in the coming three to four years is approximately 96 000 units, a record high since the release of quarterly statistics on the supply of first-hand private flats in September 2004.
<p>36. Propose that compensation be made to the trades adversely affected by the introduction of NRSD</p>	<p>Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> The policy objective of introducing the demand-side management measures is to ensure the healthy and stable development of the property market, which is of paramount importance to the sustainable development of Hong Kong as a whole. While we understand that these measures may affect certain trades, a still tight demand-supply balance in the short term and the expectation of a continued low interest rate environment make it necessary for us to strengthen the demand-side management measures to guard against further increase in the risk of a property bubble. Failure to take timely action carries a high risk of an unabated

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		<p>upward spiral in residential property prices, eventually precipitating a very costly adjustment, which in turn endanger the overall macroeconomic and financial stability of Hong Kong and bring adverse consequences to individuals, various trades and industries as well as the investment environment.</p>
<p>37. Propose adding to land grant conditions to impose a cap on the sale price per square foot / to allow sale to first-time home buyers only</p>	<p>Hong Kong Property Agencies Association Joint Council of Estate Agents Associations Liberal Party</p>	<ul style="list-style-type: none"> • There is a time gap of several years between the sale of residential sites and the completion of residential units on such sites, and the market constantly changes in the intervening years. The current demand-side management measures may be more effective in bringing immediate benefits.
<p>38. Propose re-launching various interest-free housing loan schemes to help young people and first-time home buyers purchase homes</p>	<p>Hong Kong Property Agencies Association Joint Council of Estate Agents Associations Estate Agent Association</p>	<ul style="list-style-type: none"> • We consider that in view of the current serious housing demand-supply imbalance, providing any form of housing loans in haste may backfire by fuelling housing demand and further pushing up property prices.
<p>39. Propose waiving SSD for properties sold at below purchase price (i.e. “sold at a loss”) within three years to</p>	<p>Joint Council of Estate Agents Associations</p>	<ul style="list-style-type: none"> • The objective of SSD is to reduce the risk of a property bubble and ensure the healthy and stable development of the property market through combating short-term speculative

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encourage supply in the secondary market		<p>activities. Whether, when and at what price an individual will sell his/her property in the market is a personal decision. The suggestion will not necessarily increase the supply in the secondary market. Prescribing that SSD is not chargeable on transactions where properties are "sold at a loss" will undermine the effectiveness of the measure.</p> <ul style="list-style-type: none"> ● According to the information from IRD, the number of short-term resale transactions (including confirmor transactions and resale within 24 months) remained at a low level from January to April 2017, with a monthly average of 39 cases, or only 0.7% of the total transactions. This represents a significant drop from the monthly average of 2 661 cases (or 20% of the total transactions) for the period from January to November 2010 (i.e. before the introduction of SSD).
40. Propose setting a ceiling for rent increases in private residential units	The Hong Kong Japanese Chamber of Commerce & Industry	<ul style="list-style-type: none"> ● Tenancy control is highly controversial and consensus has not yet been reached in the community over this issue. The Government has conducted a detailed study on the issue of tenancy control by looking into Hong Kong's

Comments / issues raised	Organisation / individual	Government's response
		<p>past experience and overseas experience in implementing tenancy control measures.</p> <ul style="list-style-type: none"> ● Empirical findings, both local and overseas, suggest that tenancy control measures often lead to an array of unintended consequences, including those detrimental to the tenants whom the measures seek to assist. These unintended consequences include reducing supply of rented accommodation; encouraging landlords to be more selective about their tenants, thereby limiting access to adequate housing by socially disadvantaged groups; encouraging certain behaviour from landlords to offset the impact of the tenancy control measures (including increasing initial rent and requiring the tenants to pay excessive miscellaneous charges); and discouraging proper maintenance of rented accommodation by landlords. ● On balance, in view of the lack of consensus in the community, introducing tenancy control measures in haste under the current tight housing supply situation may be counter-productive, bringing even more disadvantages to tenants at large before the benefits can be realised. The Government thus considers that

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		it is not in the overall interest of the community to implement tenancy control in Hong Kong.
41. Propose that more Home Ownership Scheme (HOS) flats be built and the income and asset limits be raised to assist more members of the public in acquiring their homes	Mr HO Wang	<ul style="list-style-type: none"> ● One of the strategic directions under the Long Term Housing Strategy promulgated by the Government in December 2014 is to provide more subsidised sale flats, including HOS flats, to address the home ownership aspirations of lower-to-middle income families. According to the estimation as at September 2016, over the five-year period from 2016-17 to 2020-21, the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS) will build a total of about 22 600 subsidised sale flats². Among these flats, 2 160 flats under HA scheduled for completion in 2016-17 were put up for pre-sale in December 2014 and were sold out. A total of about 3 700 flats under HA and HKHS were also put up for pre-sale in February 2016 and were sold out. In 2017, HA put up about 2 100 flats for pre-sale in March and HKHS will put up about 600 flats for pre-sale. ● HA has put in place an established methodology

² These subsidised sale flats include those of the Green Form Subsidised Home Ownership Pilot Scheme of HA and the Subsidised Sale Flats Project of HKHS.

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		<p>to determine the income and asset limits for HOS flats based on objective data. The amount of total household expenditure (i.e. both housing and non-housing expenditure) required to purchase a reasonably sized flat in the private sector constitutes the basis for assessing the income and asset limits for HOS flats.</p> <p>Households with income and assets below the prescribed limits are deemed to be unable to afford home ownership in the private sector and therefore eligible to apply for the HOS flats put up for sale by HA. Raising the income and asset limits for HOS flats in haste will in fact reduce the chance of lower-to-middle income families who are genuinely dependent on subsidies for achieving home ownership to acquire HOS flats.</p>
<p>42. Propose introducing capital gains tax</p>	<p>Hong Kong Property Agencies Association</p>	<ul style="list-style-type: none"> As capital gains tax is chargeable only when a property is sold, we consider that the current demand-side management measures may be more effective in bringing immediate benefits. Upon enactment of the relevant Amendment Ordinance, unless otherwise specified in the Ordinance, NRSD at 15% shall be payable within 30 days after transactions. This should

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		have a more instant impact on investors in that their transaction costs are increased immediately.