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Panel on Housing
Meeting on 5 November 2018

**Background brief prepared by the Legislative Council Secretariat
on issues relating to measures to address public aspirations
for home ownership**

Purpose

This paper provides background information on issues relating to the current-term Government's measures to address the public aspirations for home ownership, and gives a summary of the major views and concerns expressed by Members on the subject.

Background

2. With the persistent imbalance in housing demand and supply, the average waiting time for public rental housing ("PRH") has lengthened and ordinary families can hardly afford private housing. According to the Administration, as at end-June 2018, there were over 150 000 families and elderly singletons waiting for PRH, with an average waiting time of 5.3 years.¹ The overall private residential price in August 2018 registered a 16% increase over the same period in 2017. The index of home purchase affordability (i.e. the ratio of mortgage payment to median income of households) was 74% in the second quarter of 2018, and was above the annual average of 67% in 2017.²

¹ The Hong Kong Housing Authority's [website](#)

² The [2018 Policy Address](#)

Current-term Government's measures to address home ownership aspirations

3. The Policy Address delivered in October 2017 ("the 2017 Policy Address") has outlined the housing policy of the current-term Government, which comprises four elements, including establishing the Government's role in the provision of housing; building a housing ladder to rekindle the hopes of families in different income brackets to become home-owners; focusing on supply; and optimizing the existing housing resources to improve people's living conditions.

Subsidized sale housing

4. To shorten the waiting time for PRH while stepping up the efforts to help those relatively better-off PRH tenants to move up the housing ladder and vacate their units for allocation to the needy, the Hong Kong Housing Authority ("HA") has since the 2017 Policy Address regularized the Green Form Subsidised Home Ownership Scheme ("GSH")³, launched the sale of 2018 Home Ownership Scheme ("HOS"), and regularized the Interim Scheme to Extend the HOS Secondary Market to White Form Buyers ("Interim Scheme") as the White Form Secondary Market Scheme ("WSM")⁴. The Administration has invited the Urban Renewal Authority to assign its redevelopment project at Ma Tau Wai Road as a "Starter Homes" pilot project ("SH")⁵.

Pricing mechanism of Home Ownership Scheme

5. In June 2018, the Chief Executive announced six new housing initiatives, and one of them is the revision of the pricing mechanism for HOS⁶ to the effect that the selling prices of HOS flats would no longer be linked to market prices of private flats, and would be determined primarily with reference

³ GSH aims at helping the financially more capable Green Form applicants (primarily existing PRH tenants and PRH applicants who have gone through detailed eligibility vetting and are about to be offered a PRH unit) to purchase their own homes.

⁴ In the past, subsidized sale flats ("SSFs") with premium unpaid in the Secondary Market used to be available for sale to Green Formers only. The Interim Scheme and WSM seek to allow White Form applicants to purchase SSFs in the Secondary Market without payment of premium

⁵ SH aims to help higher-income families which are not eligible for HOS and yet cannot afford private housing to meet their home ownership aspirations in the face of hiking property prices.

⁶ On 17 July 2018, HA's Subsidised Housing Committee approved the revised selling prices for the HOS sale exercise in 2018 as well as the revised resale restrictions. (<https://www.info.gov.hk/gia/general/201807/17/P2018071701081.htm>).

to the financial means of applicants. According to the Administration⁷, GSH and SH will also be priced according to the new HOS pricing mechanism. Together with the arrangement for buyers to obtain mortgage loans of up to 90% or even higher loan-to-value ratio, the future subsidized sale flats ("SSFs") will be more affordable to the target households.

Optimizing the existing subsidized sale flats

6. It is mentioned in the 2018 Policy Address announced in October 2018 that the Administration has accepted the Hong Kong Housing Society's recommendation of launching a "Flat-for-Flat Pilot Scheme for Elderly Owners" on a trial basis for its SSFs with premium not yet paid. The scheme allows owners aged 60 or above, who have owned their Flat-for-Sale Scheme flats for at least 10 years, to sell their flats and then buy a smaller one in the Secondary Market without payment of premium, so that their original flats which are larger in size would be vacated for eligible families in need of more living space.

Private housing

7. To maintain the healthy and stable development of the private residential property market, the Administration has adopted a two-pronged approach, by increasing the housing land supply through short, medium and long-term means under the "supply-led" strategy to address the demand-supply imbalance at source in the long run, and opportunely introducing demand-side management measures to minimize various adverse consequences that may arise from an overheated market.

First-hand private residential flats

8. Two of the new housing initiatives announced by the Chief Executive in June 2018 aim to encourage more timely supply of first-hand private residential flats. The two initiatives include (a) amending the Rating Ordinance (Cap. 116) to introduce "Special Rates" on vacant first-hand private residential units;⁸ and (b) amending the Lands Department Consent Scheme to require developers to offer for sale no less than 20% of the total number of residential units subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method (including tender and auction).

⁷ LC Paper No. CB(1)14/18-19(01)

⁸ The Administration plans to introduce an amendment bill into the Legislative Council during the 2018-2019 legislative session (LC Paper No. CB(1)14/18-19(01)).

Members' views and concerns

9. Members have expressed views on issues relating to the measures to address public aspirations for home ownership at meetings of the Legislative Council and its committees. The major views and concerns are summarized in the ensuing paragraphs.

Unsold first-hand private residential units

10. With respect to the Administration's advice that there were about 9 000 unsold first-hand private residential units in completed projects as at the end of March 2018, Members enquired whether apart from levying new taxes on the vacant residential units, the Administration would also consider introducing a capital gains tax on the sale of residential units owned by non-local residents or companies at least 25% of the beneficial interest of which were held by such persons, so as to dampen their desire to purchase residential units in Hong Kong.

11. The Administration advised that introduction of capital gains tax was controversial and would complicate Hong Kong's longstanding simple tax regime. Given that capital gains tax would only be charged when an owner earned profits from selling his/her property, the Administration believed that the various demand-side management measures currently in place had a more immediate impact on increasing the transaction costs of non-Hong Kong permanent residents ("non-HKPRs"), thereby reducing their demand for local residential properties.

Demand-side management measures

12. In response to Members' enquiry on whether the Administration had considered introducing appropriate measures on purchase restrictions to curb the speculative demand for residential properties, the Administration advised that the Government introduced the doubled ad valorem stamp duty ("DSD") in February 2013, and the New Residential Stamp Duty ("NRSD") in November 2016. Unless the buyer was a Hong Kong permanent resident acting on his/her own behalf who did not own any other residential property in Hong Kong at the time of acquisition, the residential property transaction concerned was subject to NRSD at 15 per cent. In other words, acquisition of residential property by a non-HKPR was subject to NRSD besides Buyer's Stamp Duty,⁹ i.e. a stamp duty of 30 per cent in aggregate.

⁹ The Administration introduced the Buyer's Stamp Duty ("BSD") in October 2012. Unless the buyer is a HKPR acting on his/her own behalf, the residential property transaction concerned is subject to BSD at 15 per cent.

Impact of regularizing Green Form Subsidised Home Ownership Scheme

13. Members opined that PRH was a long-established safety net for low-income families, and regularizing GSH would reduce the PRH supply if the land originally earmarked for PRH developments was used for providing GSH. Some members expressed concern on whether the government's policy focus had shifted from providing PRH to low-income families to encouraging home ownership.

14. The Administration advised that it was the Government's responsibilities to continue providing PRH units and the Administration had been sparing no efforts in increasing PRH supply through both producing new PRH flats and ensuring rational use of existing PRH resources. In line with the Long Term Housing Strategy, apart from providing adequate and affordable housing such as PRH to families in need, the Administration should also provide SSFs to meet home ownership aspirations. SSFs such as GSH flats were PRH tenants' first step for home ownership. PRH households who had purchased GSH flats would surrender their rental units for allocation to those waiting for PRH.

Resale restrictions on subsidized sale flats

15. Some Members opined that HA should not allow HOS flat owners who were receiving subsidized housing benefits to sell their flats to make profit, and suggested that HA should consider putting in place new arrangements under which HOS flat owners would be allowed to sell their flats to the Government/HA only.

16. The Administration advised that HOS flats had been subject to resale restrictions that had not included a requirement for the flats to be sold only to the Government/HA. The HOS Secondary Market Scheme was to allow owners of SSFs to sell their flats with premium unpaid to households with Green Form status in the Secondary Market. The Administration believed that it was appropriate for HA to respect and follow the established resale restrictions imposed on HOS flats, and would take into account Members' suggestion when considering the resale restrictions on new HOS flats for sale in future.

Latest development

17. At the work plan meeting of the Chairman and the Deputy Chairman of the Panel on Housing and the Administration on 24 October 2018, the Chairman proposed and the Administration agreed that the Panel will discuss with the Administration issues relating to the measures to address the public aspirations for home ownership at the meeting on 5 November 2018.

Relevant papers

18. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
2 November 2018

**Issues relating to measures to address public aspirations
for home ownership**

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	30 October 2017	Administration's paper (LC Paper No. CB(1)19/17-18(01)) Minutes of meeting (LC Paper No. CB(1)746/17-18)
Council	15 November 2017	Council question on imposing restrictions on the purchase of residential properties to curb speculation
Panel on Housing	9 January 2018	Administration's paper (LC Paper No. CB(1)411/17-18(04)) Minutes of meeting (LC Paper No. CB(1)892/17-18)
Panel on Housing	5 March 2018	Administration's paper (LC Paper No. CB(1)627/17-18(05)) Minutes of meeting (LC Paper No. CB(1)1214/17-18)
Council	23 May 2018	Council question on assisting local residents in acquiring properties by levying new taxes
Panel on Housing and Panel on Development	-	Administration's paper on Government's New Initiatives on Housing (LC Paper No. CB(1)1210/17-18(01))
Panel on Housing	29 October 2018	Administration's paper (LC Paper No. CB(1)14/18-19(01))