

立法會
Legislative Council

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Panel on Housing

Meeting on 1 April 2019

**Background brief prepared by the Legislative Council Secretariat
on introduction of "Special Rates" on vacant first-hand private
residential units by amending the Rating Ordinance (Cap. 116)**

Purpose

This paper provides background information on the introduction of "Special Rates" on vacant first-hand private residential units by amending the Rating Ordinance (Cap. 116), and gives a summary of the views and concerns expressed by Members on issues relating to the subject.

Background

2. According to the Administration, the number of unsold first-hand private residential units in completed projects¹ was around 4 000 units at end-March 2013 and was about 9 000 units as at end-March 2018. Of the 9 000 units, 6 000 were completed in 2017 or the first quarter of 2018 while the remaining 3 000 units were completed between 2011 and 2016. In the face of severe housing shortage, the Administration considered that the trend of increasing number of unsold first-hand private residential units was undesirable. To encourage developers to expedite the supply of first-hand private residential units, the Chief Executive indicated in end-June 2018 that the Administration planned to introduce a "Special Rates" on vacant first-hand private residential units by amending the Rating Ordinance.²

¹ These unsold units may be vacant units, units occupied by the developers for self use or units rented out by developers as serviced apartments.

² The Administration plans to introduce an Amendment Bill into the Legislative Council during the 2018/2019 legislative session. "Special Rates" will take effect after gazettal of the Amendment Ordinance following passage of the Amendment Bill in the Legislative Council.

3. As advised by the Administration in October 2018, under the proposed legislative amendments, owners (mainly developers) of first-hand private residential units with the Occupation Permit issued for 12 months or more would be required to furnish annual returns to the Government on the occupancy status of the units. Units that have not been occupied or rented out for more than six months during the past 12 months will be considered as vacant and subject to "Special Rates". "Special Rates" will be collected by the Rating and Valuation Department annually at two times (i.e. 200%) the rateable value of the units concerned.³

Members' views and concerns

4. Members have expressed views on issues relating to the subject at meetings of the Legislative Council and its committees. The major views and concerns are summarized in the ensuing paragraphs.

Vacancy tax on all residential properties

5. In view that the high and increasing flat prices and rents lied with the demand-supply imbalance in housing, some Members opined that apart from vacant first-hand private residential units, second-hand flats should also be subject to vacancy tax so as to increase the cost for property owners to keep their flats vacant, thereby releasing more residential properties into the market.

6. Some Members expressed concern that low-income families who were forced to live in sub-divided units ("SDUs") when waiting for allocation of public rental housing were suffering from high and frequent rent increases. To address their difficulties, the Administration should provide them with rent subsidies and implement tenancy control targeted at SDUs on the one hand, and introduce vacancy tax on second-hand flats on the other to discourage landlords from withholding their premises for leasing owing to the implementation of tenancy control.

³ LC Paper No. [CB\(1\)14/18-19\(01\)](#)

7. The Administration advised that the overall vacancy rate of private residential properties had dropped from 4.3% as at end 2012 to 3.7% as at end-2017, which was significantly lower than the long-term average vacancy rate of 5% over the period from 1997 to 2016. Such low level of vacancy rate indicated that it was uncommon for flat owners to leave their properties vacant. In fact, it was inevitable to leave properties vacant for a period of time when landlords searched for buyers or tenants, engaged in price negotiation, or refurbished their properties. This was a normal market phenomenon. With a rather low vacancy rate, the introduction of vacancy tax on all residential properties might not effectively help increase the housing supply. When compared with the overall property market, the Administration was more concerned about the vacancy of first-hand private residential units owned by developers. Therefore, the Chief Executive announced the introduction of "Special Rates" on vacant first-hand private flats in end-June 2018, with a view to encouraging more timely supply of first-hand private residential units.

Vacancy tax on residential units owned by non-local buyers

8. Some Members opined that to accord priority to local home-ownership needs, the Administration should take measures to suppress the external investment demand for local residential properties effectively, such as levying new taxes on the vacant residential units owned by non-local residents or companies.

9. The Administration advised that under the existing stamp duty regime, unless otherwise specified in the law, the acquisition of residential property by a non-Hong Kong permanent resident (including any companies) was subject to the Buyer's Stamp Duty and the New Residential Stamp Duty, both at a flat rate of 15%, i.e. a stamp duty of 30% in aggregate. According to the information provided by the Inland Revenue Department, in the first four months of 2018, the number of residential property transactions involving non-local individuals and non-local companies accounted for only 1% of the total number of transactions, which was lower than 4.5% recorded during the period from January to October 2012 (i.e. before the introduction of the Buyer's Stamp Duty). This indicated that the demand-side management measures had been effective in curbing external and investment demands.

Latest development

10. The Administration will brief the Panel on the proposed legislative amendments to the Rating Ordinance for the purpose of introducing "Special Rates" on vacant first-hand private residential units at the meeting on 1 April 2019.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
28 March 2019

Appendix

Introduction of "Special Rates" on vacant first-hand private residential units by amending the Rating Ordinance (Cap. 116)

List of relevant papers

Council/ Committee	Date of meeting	Papers
Council	19 December 2012	Council question on vacant private residential flats
Council	23 May 2018	Council question on assisting local residents in acquiring properties by levying new taxes
Panel on Housing and Panel on Welfare Services	4 June 2018	Minutes of meeting (LC Paper No. CB(1)1413/17-18)
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	5 November 2018	Minutes of meeting (LC Paper No. CB(1)400/18-19)
Panel on Housing	3 December 2018	Minutes of meeting (LC Paper No. CB(1)630/18-19)
Subcommittee to Follow Up Issues Related to Inadequate Housing and Relevant Housing Policies	22 January 2019	Administration's paper on Measures alleviating the housing difficulties of inadequately housed households (LC Paper No. CB(1)485/18-19(02))