

立法會
Legislative Council

LC Paper No. CB(1)994/20-21

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by the Administration)

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Bills Committee on Revenue (Stamp Duty) Bill 2021

**Minutes of the first meeting
on Tuesday, 30 March 2021, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

Members present : Hon CHUNG Kwok-pan (Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon YIU Si-wing, BBS
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS, JP

Member attending : Hon CHAN Kin-por, GBS, JP

**Public officers
attending** : Agenda item II

Mr Joseph CHAN, JP
Under Secretary for Financial Services and the
Treasury

Ms May CHAN, JP
Deputy Secretary for Financial Services and the
Treasury (Financial Services)¹

Mr George TSOI
Principal Assistant Secretary for Financial
Services and the Treasury (Financial Services)2

Miss Helen CHUNG
Principal Assistant Secretary for Financial
Services and the Treasury (Treasury)R1

Mr Henry CHAN
Senior Assistant Law Draftsman
Department of Justice

Clerk in attendance : Mr Boris LAM
Chief Council Secretary (1)3

Staff in attendance : Miss Rachel DAI
Assistant Legal Adviser 2

Miss Rita YUNG
Senior Council Secretary (1)3

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Election of Chairman

Mr WONG Ting-kwong, the Member who had the highest precedence in the Council among members of the Bills Committee on Revenue (Stamp Duty) Bill 2021 ("the Bills Committee") present at the meeting, presided at the election of Chairman of the Bills Committee. Mr WONG invited nominations for the chairmanship of the Bills Committee.

2. Mr SHIU Ka-fai nominated Mr CHUNG Kwok-pan and the nomination was seconded by Mr Tony TSE. Mr CHUNG accepted the nomination. There being no other nomination, Mr CHUNG Kwok-pan was declared Chairman of the Bills Committee. Mr CHUNG then took the chair.

3. Members agreed that there was no need to elect a Deputy Chairman.

II. Meeting with the Administration

(LC Paper No. CB(3)376/20-21 -- The Bill

File Ref: SF&C/1/2/57C -- Legislative Council Brief issued by the Financial Services and the Treasury Bureau

LC Paper No. LS52/20-21 -- Legal Service Division Report on the Bill

LC Paper No. CB(1)732/20-21(01) -- Marked-up copy of the relevant provisions of the Stamp Duty Ordinance (Cap.117) to be amended by the Bill prepared by the Legal Service Division (Restricted to members only)

Disclosure

4. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure of the Legislative Council ("LegCo"), they should disclose the nature of any direct or indirect pecuniary interests relating to the subjects under discussion at the meeting before they spoke on the subjects.

5. Mr Christopher CHEUNG declared that he was a Category C securities broker according to the classification of the Hong Kong Exchanges and Clearing Limited.

Discussion

6. The Bills Committee deliberated and completed clause-by-clause examination of the Revenue (Stamp Duty) Bill 2021 ("the Bill") (index of proceedings in the **Appendix**).

[At 3:00 pm, the Chairman suspended the meeting for members to attend a press conference regarding the approval by the Standing Committee of the National People's Congress of the amended Annex I and Annex II to the Basic Law. The meeting resumed at 3:15 pm.]

Amendments to the Bill

7. The Bills Committee noted that the Administration would not propose any amendments to the Bill. The Chairman said that if members intended to propose amendments to the Bill and wished their draft amendments to be considered by the Bills Committee, they were invited to forward their draft amendments to the Clerk.

Invitation of public views

8. Taking into account the situation of Coronavirus Disease-2019 epidemic in Hong Kong and the need to maintain social distancing to prevent spread of the disease, the Bills Committee agreed to invite written submissions from the public on the Bill.

(Post-meeting note: A notice was posted on the website of LegCo on 30 March 2021 to invite the public to provide written submissions on the Bill. The 18 District Councils were also notified of the invitation. A total of six written submissions were received by the Bills Committee. The Administration's response to the written submissions was circulated to members vide LC Paper No. CB(1)788/20-21(07) on 21 April 2021.)

III. Any other business

9. There being no other business, the meeting ended at 4:12 pm.

Council Business Division 1
Legislative Council Secretariat
10 June 2021

**Proceedings of the first meeting of
the Bills Committee on Revenue (Stamp Duty) Bill 2021
on Tuesday, 30 March 2021, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

Time Marker	Speaker	Subject(s)	Action Required
Agenda item I – Election of Chairman			
000345 – 000527	Mr WONG Ting-kwong Mr SHIU Ka-fai Mr Tony TSE Mr CHUNG Kwok-pan	Mr CHUNG Kwok-pan was elected Chairman of the Bills Committee.	
Agenda item II – Meeting with the Administration			
000528 – 000720	Chairman Mr Christopher CHEUNG Administration	Mr Christopher CHEUNG said that Hong Kong was an international financial centre and investors all over the world were concerned about the proposed increase in the rate of stamp duty on stock transfers. He expressed dissatisfaction that the Secretary for Financial Services and the Treasury ("SFST") did not attend the meeting. Under Secretary for Financial Services and the Treasury responded that SFST could not attend the meeting due to other official engagement, but reiterated that the Administration had all along maintained communication with Members on the proposed increase in stamp duty on stock transfers.	
000721 – 001014	Chairman Administration	Briefing by the Administration on the Revenue (Stamp Duty) Bill 2021 ("the Bill") (LC Paper No. CB(3)376/20-21 and File Ref: SF&C/1/2/57C).	
001015 – 001036	Chairman	The Chairman reminded members of the requirements under Rule 83A of the Rules of Procedure of the Legislative Council.	
001037 – 001645	Chairman Mr LUK Chung-hung Administration	Mr LUK Chung-hung expressed the following views: (a) he supported the Bill to increase government revenue for the provision of infrastructure facilities and welfare services etc. for the society; (b) Hong Kong's vibrant stock market and position as an international financial centre were attributed to various advantages of Hong Kong, but not the low rate of stamp duty on stock transfers; and	

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		<p>(c) the rate of stamp duty on stock transfers after the proposed increase was still low when compared with other major stock markets, such as Singapore and the United Kingdom, where buyers were required to pay a stamp duty of 0.2% and 0.5% respectively of the amount of consideration.</p> <p>The Administration responded that:</p> <p>(a) the competitiveness of Hong Kong's financial market was built on many unique institutional strengths including free flow of capital, an internationally-aligned regulatory system, and sound financial infrastructures;</p> <p>(b) in addition to stamp duty on stock transfers, the total transaction costs of stock trading in other major stock markets might include dividend tax and capital gains tax; and</p> <p>(c) continued efforts had been made to increase the breadth and depth of the Hong Kong stock market in recent years, including enhancing the Stock Connect schemes, allowing pre-revenue biotech and new economy companies with weighted voting rights structures to list in Hong Kong, and facilitating Greater China companies to seek secondary listing in Hong Kong. The Administration would continue to formulate policies and measures to develop the stock market, and enhance the competitiveness of Hong Kong as an international financial centre.</p>	
001646 – 002654	Chairman Mr Christopher CHEUNG Administration	<p>Mr Christopher CHEUNG expressed the following views:</p> <p>(a) the proposed increase in the rate of stamp duty on stock transfers would increase the transaction costs of stock trading and reduce the volume of stock trading, thus would affect the business of the securities brokers, in particular the small and medium-sized securities brokers who relied on the commission of securities transactions as their main source of income;</p> <p>(b) the small and medium-sized securities brokers were facing a difficult operating environment in competition with large securities brokers and</p>	

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		<p>banks, and the Administration had failed to address their views and requests; and</p> <p>(c) the Administration should consider withdrawing the Bill, lowering the proposed increase in the rate of stamp duty or levying the new rate of stamp duty on only one side of the transaction (i.e. either buyers or sellers), as well as introducing a sunset clause to the Bill to revert to the current rate of stamp duty on stock transfers when the economy recovered.</p> <p>The Administration responded that:</p> <p>(a) the Administration had no intention to make any amendments to the current proposal to increase the rate of stamp duty on stock transfers from 0.1% to 0.13%. The proposed increase had struck a balance between increasing government revenue and sustaining financial market development, as well as the need to maintain Hong Kong as an international financial centre;</p> <p>(b) the policy objective of the proposed increase in the rate of stamp duty on stock transfers was to increase government revenue. Lowering the new rate of stamp duty or levying the new stamp duty rate on only one side of the transaction would reduce the effect of the Bill to increase government revenue;</p> <p>(c) imposing different rates of stamp duty on stock transfers on buyers and sellers would entail a fundamental and structural change to the stamp duty regime, thereby affecting the current ecology of the stock market;</p> <p>(d) the Administration had no intention to introduce a "sunset clause" to the Bill. The Administration would however review the rate of stamp duty on stock transfers from time to time having regard to the need to strike a balance among those factors mentioned in (a) above;</p> <p>(e) the Administration had provided a special subsidy under the Anti-epidemic Fund to small and medium-sized securities brokers and licensed individuals in the securities industry to help alleviate their financial burden;</p>	

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		<p>(f) to relieve the regulatory cost burden on the securities and futures industry, the Securities and Futures Commission had waived the annual licensing fees payable by all licensed corporations, registered institutions, responsible officers and representatives for the financial years of 2020-2021 and 2021-2022;</p> <p>(g) to provide relief to the industry amidst the economic downturn and global financial turmoil, the Hong Kong Exchanges and Clearing Limited ("HKEX") offered \$10,000 invoice credits to each eligible exchange participants in August 2020; and</p> <p>(h) the Administration noted the operating difficulties faced by small and medium-sized securities brokers, and would continue to liaise with the industry in this regard.</p>	
002655 – 003344	Chairman Dr CHIANG Lai-wan Administration	<p>Dr CHIANG Lai-wan expressed the following views:</p> <p>(a) the proposed increase in the rate of stamp duty on stock transfers would increase the transaction costs of stock trading, thus would affect millions of stock investors in Hong Kong; and</p> <p>(b) the Administration should consider introducing dividend tax, which was imposed on the financial gains from dividend payments, rather than increasing the stamp duty on all stock transactions.</p> <p>The Administration responded that:</p> <p>(a) the transaction cost structure of stock markets around the world varied. Unlike some markets which charged dividend tax and capital gains tax, Hong Kong did not charge such taxes;</p> <p>(b) the competitiveness of Hong Kong's stock market was premised on the financial infrastructure, the quality of assets being traded as well as the connectivity with, and the enormous opportunities presented by the expanding Mainland economy;</p> <p>(c) trading activities were driven by a combination of factors, such as market conditions.</p>	

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		<p>Transaction cost was only one of the many factors. As a matter of fact, the average daily turnover after the Budget Day remained roughly the same as that before the announcement on the proposed increase in the rate of stamp duty on stock transfers; and</p> <p>(d) the Administration would continue to spare no efforts in introducing measures to facilitate the development of the securities market, so as to take the financial services sector to the next level.</p>	
003345 – 004847	Chairman	Suspension of meeting	
004848 – 005906	Chairman Mr Tony TSE Administration	<p>Mr Tony TSE expressed support for the Bill to increase government revenue given the pressure on public finance amid the prevailing economic environment and the epidemic.</p> <p>Mr Tony TSE expressed concern about the operating difficulties of the small and medium-sized securities brokers brought by the Bill. He considered that the Administration should introduce measures to help them tide over their difficulties.</p> <p>Mr Tony TSE enquired about:</p> <p>(a) the average daily turnovers of the stock market in the past four years; and</p> <p>(b) whether investors would turn to invest in depositary receipts of Hong Kong listed companies in the stock market in the United States after the increase in the rate of stamp duty on stock transfers in Hong Kong.</p> <p>The Administration responded that:</p> <p>(a) the average daily turnovers of the stock market in recent years were as follows –</p> <ul style="list-style-type: none"> - 2018: \$107.41 billion; - 2019: \$87.15 billion; - 2020: \$129.48 billion; - January 2021: \$245.7 billion; - February 2021: \$233.9 billion; - 1 to 29 March 2021: \$200.9 billion; <p>(b) the trading hour of overseas stock markets was</p>	

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		<p>one factor which investors might take into consideration when deciding which market to invest. The numerous homecoming listings of China Concept Stocks on HKEX should also be highlighted;</p> <p>(c) the mounting pressure on public finance necessitated measures to contain government expenditure and increase government revenue. Notably, in the past year, the Administration had increased government expenditure substantially to combat the epidemic and roll out relief measures, which resulted in the fiscal reserves dropping sharply in two years from the equivalent of 23 months of government expenditure to 13 months. The policy objective of the Bill was hence to increase government revenue to address the fiscal needs in the short to medium term; and</p> <p>(d) the Administration would continue to engage with the trade on the sustainable development of the industry.</p>	
005907 – 010510	Chairman Mr YIU Si-wing Administration	<p>Mr YIU Si-wing expressed the following views:</p> <p>(a) he supported the Bill to increase government revenue given the pressure on public finance amid the prevailing economic environment and the epidemic;</p> <p>(b) the proposed 30% increase in the rate of stamp duty on stock transfers was reasonable given that the relevant rate had not been adjusted for 20 years; and</p> <p>(c) the Administration should introduce appropriate measures to assist small and medium-sized securities brokers which were facing a difficult operating environment in competition with large securities brokers and banks.</p> <p>Mr YIU Si-wing enquired about:</p> <p>(a) the reasons for having reduced the rate of stamp duty on stock transfers three times since 1993; and</p> <p>(b) the rate of stamp duty on stock transfers in other major stock markets.</p>	

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		<p>The Administration responded that:</p> <ul style="list-style-type: none"> (a) the Administration had been reviewing the rate of stamp duty on stock transfers from time to time, seeking to strike a balance between government revenue and market development; (b) the effect of reducing the rate of stamp duty on stock transfers to the market turnover was not conclusive. It was observed that after the reduction of the rate of stamp duty on stock transfers in 1998, 2000 and 2001, the average daily turnover of the stock market had actually decreased; (c) the transaction costs of stock trading (including rate of stamp duty on stock transfers) in some other major stock markets were as follows – <ul style="list-style-type: none"> - United Kingdom: 0.5% stamp duty on buy side; - United States: no stamp duty, 30% dividend tax; - Mainland: 0.1% stamp duty on sell side, 10% dividend tax; and (d) the Administration reassured that it would continue to liaise with the industry on how the operating difficulties faced by the small and medium-sized securities brokers might be addressed. 	
010511 – 010948	Chairman Mr Holden CHOW Administration	<p>Mr Holden CHOW enquired about:</p> <ul style="list-style-type: none"> (a) the breakdown of the stamp duty on stock transfers contributed by different categories of investors; and (b) whether the Administration would consider levying the new rate of stamp duty on stock transfers on only one side of the transaction. <p>The Administration responded that:</p> <ul style="list-style-type: none"> (a) around 80% of the stamp duty on stock transfers was contributed by institutional investors, while around 20% was from retail investors; (b) the policy objective of the proposed increase in the rate of stamp duty on stock transfers was to 	

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		<p>increase government revenue; and</p> <p>(c) the suggestion of levying the new rate of stamp duty on only one side of the transaction would significantly undermine the objective of the Bill to increase government revenue. Furthermore, the suggestion would bring about a fundamental and structural change to the market which should not be taken lightly.</p>	
010949 – 011913	Chairman Mr WONG Ting-kwong Administration	<p>Mr WONG Ting-kwong expressed the following views:</p> <p>(a) the proposed increase in the rate of stamp duty on stock transfers would increase the transaction costs of stock trading, and might affect the turnover of the stock market and Hong Kong's position as an international financial centre;</p> <p>(b) the Administration should consider levying the new rate of stamp duty on stock transfers on buyers only; and</p> <p>(c) the Administration should consider imposing taxes on financial gains, such as capital gains from property transactions, or inheritance of estate.</p> <p>The Administration responded that:</p> <p>(a) the proposed increase in the rate of stamp duty on stock transfers had already struck a balance between increasing government revenue and sustaining financial market development, in order to maintain Hong Kong as an international financial centre;</p> <p>(b) the policy objective of the proposed increase in the rate of stamp duty on stock transfers was mainly to increase government revenue. Levying the new rate of stamp duty on buyers only would significantly undermine the objective of the Bill to increase government revenue; and</p> <p>(c) in 2019, Hong Kong was Asia's largest private wealth management hub and ranked second in the world. Abolition of estate duty was conducive to the long-term development of the asset management business and the financial</p>	

Time Marker	Speaker	Subject(s)	Action Required
		sector of Hong Kong as a whole.	
011914 – 012055	Chairman Mrs Regina IP	<p>Mrs Regina IP expressed the following views:</p> <ul style="list-style-type: none"> (a) she supported the Bill to increase government revenue given the pressure on public finance amid the prevailing economic environment and the epidemic; (b) it was not the right time to introduce new taxes under the current economic situation; and (c) the increase in the rate of stamp duty on stock transfers would neither affect people's livelihood nor the turnover and development of the Hong Kong stock market. 	
012056 – 013210	Chairman Mr Christopher CHEUNG Administration	<p>Mr Christopher CHEUNG expressed the following views:</p> <ul style="list-style-type: none"> (a) the measures provided by the Administration under the Anti-epidemic Fund, and by the Securities and Futures Commission and HKEX to help reduce the burden of the small and medium-sized securities brokers were one-off and short-term. However, the proposed increase in the rate of stamp duty on stock transfers would increase the transaction costs and reduce the volume of stock trading, which would affect the business of the securities brokers in the long run; (b) the proposed increase in the rate of stamp duty on stock transfers would increase government revenue at the expense of the interests of the financial services sector; (c) given that there was no stamp duty on derivatives trading, increasing the rate of stamp duty on stock transfers might boost the trading of high-risk derivatives products by retail investors; (d) the Administration should consider levying the new rate of stamp duty on stock transfers on only one side of the transaction, and resuming the current rate of stamp duty when the economy recovered; and (e) the Administration should balance the interests 	

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		<p>between the small and medium-sized securities brokers, and the large securities brokers when proposing the new rate of stamp duty on stock transfers.</p> <p>The Administration responded that:</p> <ul style="list-style-type: none"> (a) market turnover and competitiveness of the stock market would hinge on various factors, and transaction costs of stock trading, comprising stamp duty and other types of levy and/or tax applicable in other jurisdictions, such as dividend tax and capital gains tax, was only one of them; (b) continued efforts would be made to consolidate Hong Kong's fundamental strengths, enhance market quality and expand mutual market access. The Hong Kong stock market was expected to remain robust and vibrant, providing ample business opportunities to the financial services sector, including the small and medium-sized securities brokers; (c) at present, the trading of derivatives under HKEX was cash-settled and therefore not subject to stamp duty. However, the nature of the products were different, for example, unlike stock investors, derivative product investors did not have rights such as dividend payment and voting rights. The secondary market price of derivatives was also affected by other factors such as the time value of the derivative products and the volatility of the underlying stocks. It would therefore not be appropriate to compare the trading activities of stocks with those of derivative products; (d) the Administration had neither intention to levy the new rate of stamp duty on only one-side of the transactions, nor include a "sunset clause" in the Bill. In any case, the Administration would conduct review on the rate of stamp duty on stock transfers from time to time having regard to the need to strike a balance among different factors including government revenue, market development and competitiveness of the Hong Kong stock market; and (e) the Administration reiterated that they would 	

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		continue to maintain close contact with the industry	
013211 – 013502	Chairman Mr Christopher CHEUNG Administration	<p>Disclosure of interest by Mr Christopher CHEUNG</p> <p>Mr Christopher CHEUNG expressed the following views:</p> <p>(a) small and medium-sized securities brokers had contributed to the development of Hong Kong's financial services sector and position as an international financial centre. The Administration should formulate appropriate policies and support measures to facilitate their operation and development; and</p> <p>(b) HKEX should lower the fees on its services and system infrastructure payable by the small and medium-sized securities brokers to help reduce their operating costs.</p> <p>The Administration responded that:</p> <p>(a) the Administration recognized the significant contribution of small and medium-sized securities brokers to the development of Hong Kong's financial services sector, and undertook to work together with the trade to create an operating environment that was conducive to the sustainable development of the industry ;</p> <p>(b) the Administration would continue to pursue policy reform that would increase the breadth and depth of the securities market, so as to further enhance the competitiveness of the Hong Kong stock market; and</p> <p>(c) the Administration noted the views of the small and medium-sized securities brokers about the impact of HKEX's fees on their operating costs, and would follow up with HKEX on the matter.</p>	
013503 – 013612	Chairman Mr Christopher CHEUNG	Invitation of public views	
<p>Clause-by-clause examination of the Bill [The Bill (LC Paper No. CB(3)376/20-21)] [Marked-up copy of the Bill prepared by the Legal Service Division (LC Paper No. CB(1)732/20-21(01))]</p>			

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013613 – 014024	Chairman Administration Assistant Legal Adviser 2	<p>Briefing by the Administration on the Bill</p> <p><u>Clause 1 — Short title and commencement</u></p> <p><u>Clause 2 — Stamp Duty Ordinance amended</u></p> <p><u>Clause 3 — First Schedule amended</u></p> <p>Assistant Legal Adviser 2 advised that no difficulties relating to the legal and drafting aspects of the Bill had been identified.</p>	
014025 – 014421	Chairman Mr Tony TSE Mr Christopher CHEUNG Administration	<p><u>Clause 1 — Short title and commencement</u></p> <p>Mr Tony TSE asked about the reason for setting the commencement date of the Bill on 1 August 2021 which was a public holiday.</p> <p>The Administration responded that:</p> <p>(a) any adjustment of stamp duty could only be implemented on a prospective basis; and</p> <p>(b) the commencement date on 1 August 2021 was set taking into account the time required for the legislative process and the need for HKEX and the industry to make necessary adjustments to their operation systems.</p> <p>Mr Christopher CHEUNG called on the Administration to postpone the implementation of the adjustment to end of 2021, so as to allow more time for the industry to adjust their operation systems.</p> <p>The Administration responded that there would already be sufficient time for HKEX and the industry to make necessary adjustments to their operation systems for the new rate of stamp duty on stock transfers with effect from 1 August 2021.</p>	
014422 – 014447	Chairman Mr Christopher CHEUNG Administration	<p>Members raised no further query. The Bills Committee completed clause-by-clause examination of the Bill.</p> <p>Amendments to the Bill</p>	
014448 – 014551	Chairman	<p>Invitation of written submissions from the public on the Bill</p> <p>Meeting arrangements</p>	

Time Marker	Speaker	Subject(s)	Action Required
Agenda item III – Any other business			
014552 – 014607	Chairman	Closing remarks	

Council Business Division 1
Legislative Council Secretariat
10 June 2021