

香港特別行政區政府  
財經事務及庫務局  
財經事務科  
香港添馬添美道二號  
政府總部二十四樓



FINANCIAL SERVICES BRANCH  
FINANCIAL SERVICES AND  
THE TREASURY BUREAU  
GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

24TH FLOOR  
CENTRAL GOVERNMENT OFFICES  
2 TIM MEI AVENUE  
TAMAR  
HONG KONG

電話 TEL.: (852) 2810 2056  
圖文傳真 FAX.: (852) 2529 2075  
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20 April 2021

Clerk to Bills Committee on  
Revenue (Stamp Duty) Bill 2021  
Legislative Council  
No. 1 Legislative Council Road  
Legislative Council Complex  
Central, Hong Kong

(Attn: Mr Boris LAM)

Dear Mr LAM,

### **Bills Committee on Revenue (Stamp Duty) Bill 2021**

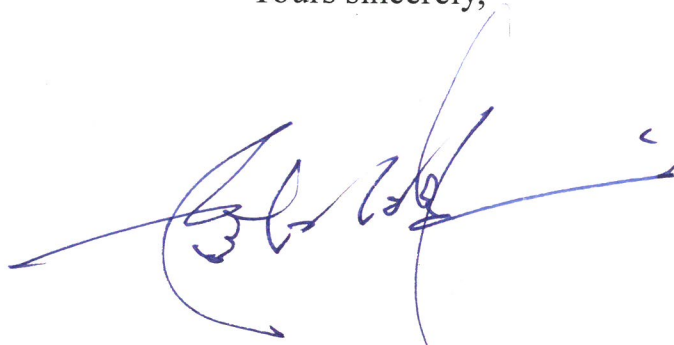
Thank you for your letter of 13 April 2021 inviting the Government's views on Hon Christopher CHEUNG's draft amendments to the Revenue (Stamp Duty) Bill 2021 ("the Bill").

2. We note that Hon Christopher CHEUNG's draft amendments seek to add a new clause ("Sunset Clause") to provide that "the Amendment Ordinance shall expire at midnight on 31 July 2022 and the pre-amended Ordinance shall be reinstated at midnight on the same date" and also to allow the Legislative Council to substitute for the said date another date specified in a resolution of the Legislative Council. The purported effect of the proposed Sunset Clause is to limit the duration of the proposed increase in the rate of stamp duty on stock transfers to one year or until any time to be determined by the Legislative Council through a resolution. The rate of stamp duty on stock transfers will return back to the pre-adjusted level (i.e. 0.1%) afterwards.

3. As the Government has explained before, with the combined result of the COVID-19 pandemic and economic downturn, coupled with the launch of counter-cyclical measures to support the public and businesses and the need to sustain recurrent expenditure, the Government has already recorded fiscal deficit in two consecutive financial years (2019-20 and 2020-21). The latest Medium Range Forecast also projects a deficit for five consecutive years from 2021-22 in the Operating Account. Such mounting pressure on public finance necessitates measures to contain government expenditure and increase government revenue. There is an obvious and sustained need to improve the fiscal position of the Government. Having considered all factors, we propose to increase the rate of stamp duty on stock transfers from 0.1% to 0.13% each side with effect from 1 August 2021 which has struck a balance between increasing government revenue and sustaining financial market development.

4. A wide range of factors, including economic, fiscal and the market situation, would need to be taken into account in determining whether any changes would need to be made to the rate of stamp duty on stock transfers. The Government had, in the past, lowered the stamp duty having considered the situation. As such, we do not support including a Sunset Clause in this legislative exercise to automatically put back the original rate. As stressed at the Bills Committee meeting, we will continue to strike a balance between sustaining the development of the financial market and maintaining competitiveness, and increasing government revenue.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'George Tsoi', with a long horizontal stroke extending to the right.

(George Tsoi)  
for Secretary for Financial Services and the Treasury

c.c.  
Law Draftsman

(Attn: Mr Henry Chan)