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來函檔號 YOUR REF.:

LC Paper No. CB(1)788/20-21(07)

20 April 2021

Mr Boris LAM
Clerk to Bills Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Lam,

Revenue (Stamp Duty) Bill 2021 ("the Bill")

Thank you for the Secretariat's emails dated 9 April, 12 April, 16 April and 20 April 2021, conveying the written submissions in relation the the captioned Bill (including two submissions received after the deadline of 12 April). Please find the Government's consolidated response to the respective written submission at **Annex** for perusal.

Yours sincerely,

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

Annex

Bills Committee on Revenue (Stamp Duty) Bill 2021

Summary of views of Submissions and the Government's response

Item	Summary of views of submissions	Government's response
(A) Matters relating to the bill		
1.	➢ Supportive of the proposal to increase the rate of Stamp Duty on Stock Transfers to increase government revenue *[Citizen L, New People's Party, The Taxation Institute of Hong Kong, Hong Kong Professionals and Senior Executives Association]*	➢ We thank the support for the proposed increase in Stamp Duty on Stock Transfers and take note of the views.
2.	➢ The rate of Stamp Duty on Stock Transfers should be increased to 0.15% *[Citizen L]*	➢ We thank the support for the proposed increase in Stamp Duty on Stock Transfers and take note of the views. ➢ The Government has proposed to raise the Stamp Duty on Stock Transfers in order to increase government revenue, while maintaining the growth of the financial market and our competitiveness. ➢ The Government considers that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the current level of 0.1% to 0.13% has struck a balance between increasing revenue and sustaining the development of the securities market.

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3.	➢ The proposal to increase the rate of Stamp Duty on Stock Transfers lacked thorough consultation *[Hong Kong Securities & Futures Employees Union]*	➢ The proposal of increasing the rate of the Stamp Duty on Stock Transfers is featured in the 2021-22 Budget. The Government launched a public consultation exercise for the 2021-22 Budget on 20 December 2020. Public views varied when it comes to public finance. While some advocated that certain tax and rates concessions should continue in order to reduce the burdens of the general public, others urged the Government to gradually increase tax rate, or even introduce new tax and broaden the tax base to increase income.
4.	➢ The increase in Stamp Duty on Stock Transfers will hamper the competitiveness of Hong Kong, thereby adversely affecting the businesses of the securities industry *[Hong Kong Securities & Futures Employees Union]* ➢ The increase in stamp duty would unlikely affect Hong Kong's status as an international financial centre, but the rate should be reviewed in good time, including the impact on the market turnover, and adjusted as appropriate to maintain the competitiveness of Hong Kong market. *[Hong Kong Professionals and Senior*	➢ The competitiveness of Hong Kong's securities market is built on our institutional strengths in terms of our established financial infrastructure, quality of the assets being traded and our connectivity with, and the enormous opportunities presented by the expanding Mainland economy. Our free flow of capital, rule of law and internationally-aligned regulatory framework are also our unique and irreplaceable advantages. ➢ The competitiveness of each stock market would hinge on various factors. Transaction cost is only one of the many factors. The transaction cost structure of stock markets around the world varies. Unlike some markets which charge dividend tax and capital gain tax, Hong Kong does not charge

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	Executives Association] ➢ Recognise the needs for balancing government revenue and financial market development *[Capital Markets Tax Committee of Asia]*	such taxes. ➢ The upward adjustment of the rate of Stamp Duty on Stock Transfers from the current level of 0.1% to 0.13% (i.e. for every transaction of $100,000, the increase in stamp duty is $30 each side) will not undermine the attractiveness and competitiveness of the securities market in Hong Kong. ➢ We are committed to pursuing policy reform that would help consolidate our fundamental strengths, enhance market quality, expand mutual market access and update the listing mechanism, so that Hong Kong can serve as a robust platform for connecting the Mainland and international markets. These measures will help enhance the competitiveness of the Hong Kong stock market.
5.	➢ Why stamp duty is exempted for the trading of derivative products *[Hong Kong Securities & Futures Employees Union]*	➢ At present, the trading of derivatives under the markets of the Hong Kong Exchanges and Clearing Limited (HKEX) is cash-settled and thus, it is not subject to stamp duty. ➢ However, the nature and purpose of purchasing products in the cash markets and derivatives markets are different. For example, unlike stock investors, derivative product investors do not have rights such as dividend entitlement and voting. They are therefore not directly comparable.

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(B) Other matters		
6.	➢ HKEX fees should be reduced and the minimum brokerage commission should be reinstated, so as to alleviate the burden of small and medium-sized brokers *[Hong Kong Securities & Futures Employees Union]*	➢ The Government appreciates the continuous contribution of small and medium-sized securities brokers over the years, and recognises their operating difficulties. The Government and regulators will continue to roll out measures to alleviate their burden and help the industry in upskilling: ✧ Apart from the Employment Support Scheme opened to all employers in Hong Kong, the Government launched the Subsidy Scheme for the Securities Industry under the Anti-epidemic Fund during May to September 2020 to provide cash subsidies to support small and medium-sized intermediaries and brokers; ✧ The Securities and Futures Commission waived the annual licensing fees payable by all licensed corporations, registered institutions, responsible officers and representatives for the financial years of 2020-21 and 2021-22; ✧ HKEX offered \$10,000 invoice credits to each eligible exchange participant in August 2020;

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		✧ The Financial Services and the Treasury Bureau, the Hong Kong Productivity Council and the Cyberport co-organised an SME ReachOut-Fintech Development Roundtable Meeting for Securities Industry in October 2020 to facilitate the adoption of Fintech by the securities sector for upgrading and transforming their services as appropriate. ➢ The Government would continue to maintain close contact with the industry to assist its sustainable development.
7.	➢ The Government should explore broadening tax base, including introducing new type(s) of taxes or levies *[Hong Kong Securities & Futures Employees Union]*	➢ There should be adequate, in-depth and informed discussions in the community before any proposals to introduce new taxes are implemented. This is not the time to introduce new taxes as fighting the epidemic and reviving the economy are the current priorities of the whole community. Nevertheless, the Government will carry out related research and preparation work, including studying the practices of other places and drawing on their experience.

Financial Services and the Treasury Bureau
20 April 2021