

LEGISLATIVE COUNCIL BRIEF

Stamp Duty Ordinance
(Chapter 117)
Public Revenue Protection Ordinance
(Chapter 120)

STAMP DUTY (AMENDMENT) BILL 2020 PUBLIC REVENUE PROTECTION (STAMP DUTY) ORDER 2020

INTRODUCTION

At the meeting of the Executive Council on 25 November 2020, the Council ADVISED and the Chief Executive (“CE”) ORDERED that –

- A (a) the Stamp Duty (Amendment) Bill 2020 (“the Bill”), at **Annex A**, should be introduced into the Legislative Council (“LegCo”); and
- B (b) the Public Revenue Protection (Stamp Duty) Order 2020 (“the Order”), at **Annex B**, should be made to give full force and effect of law to all the provisions of the Bill so long as the Order remains in force.

2. The Bill amends the Stamp Duty Ordinance (Cap. 117) (“SDO”) to revert the ad valorem stamp duty (“AVD”) rates applicable to non-residential property transactions from the Doubled Ad Valorem Stamp Duty (“DSD”) rates to the “Scale 2” rates, with effect from 26 November 2020 (“the Effective Date”).

JUSTIFICATIONS

Demand-side Management Measures

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D
E

3. Before the roll out of successive rounds of demand-side management measures on the property market since 2010 (**Annex C**), sale of immovable property was subject to stamp duty at a single scale on an ad valorem basis only. The previous single scale of rates is now commonly known as “Scale 2 rates” (**Annex D**), and is currently applicable to acquisition of residential property by a Hong Kong permanent resident who is acting on his or her own behalf and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition and other specific property transactions. Property transactions are otherwise subject to AVD at the Scale 1 rates, which were initially prescribed as the double of the Scale 2 rates¹, since the introduction of DSD in 2013. Since November 2016, the Scale 1 rates have been further split into two parts: Part 1 relates to residential property transactions which are subject to a flat rate of 15% of consideration (known as the New Residential Stamp Duty) and Part 2 relates to non-residential property transactions which are subject to DSD rates. The prevailing “Part 2 of Scale 1” rates for non-residential property transactions are at **Annex E**.

4. The stated objective of introducing DSD in 2013 was to dampen local demand for residential and non-residential properties and to narrow the supply-demand gap, and hence contribute to the stable development of our property market. With regard to non-residential properties, DSD was introduced against the backdrop of an overheating non-residential property market, as evidenced by soaring prices throughout 2012 along with hectic trading activities in respect of retail, office and flatted factory space.

Development in the Non-residential Property Market

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5. Owing to US-Mainland trade conflicts, local public order events and more recently the coronavirus pandemic, as well as their impacts on the global and local economic outlook, prices of offices/retail and flatted factories have been facing downward pressure for a period of time. It is evidenced in the price indexes of office, retail and flatted factory premises, which dropped by 19%, 17% and 13% respectively in September 2020 from their respective peaks in 2018 and 2019. The price indexes for different types of property between mid-2010 and mid-2020 are detailed at **Annex F**.

6. Moreover, transactions of these three types of non-residential

¹ The only exception is that for properties with consideration or value below \$2 million, Scale 2 rate is \$100 whilst Scale 1 rate is 1.5% of consideration or value.

properties fell to recent record lows of 270 (offices), 480 (retail) and 790 (factories) respectively in the first half of 2020, as compared with 550, 740 and 1 570 respectively in the first half of 2019. The contrast is even sharper when compared against the situation in the second half of 2012 (the half-year period before the introduction of DSD), when transactions of office, retail and flatted factory space reached 1 910, 4 140 and 6 060 respectively. Market intelligence² also suggests that the number of vacant street-level commercial properties have risen to record highs in the four major shopping districts (namely Tsim Sha Tsui, Mong Kok, Causeway Bay and Central) owing to lacklustre domestic and tourism consumption.

7. The falling prices and transaction volumes are key indicators of contracting demand for non-residential properties. It is apparent that the circumstances under which DSD was introduced, namely an overheating non-residential property market with hectic trading activities and rapidly increasing prices, are no longer evident in the prevailing economic climate.

Proposed Lowering of AVD Rates for Non-residential Property

8. There have been calls for abolishing DSD imposed on non-residential property transactions, so as to facilitate selling of non-residential property by businesses that are encountering financial predicament or liquidity needs because of the economic downturn. While the Government has launched or reinforced measures³ to help ease businesses' liquidity pressure including those announced in the 2020-21 Budget and through three rounds of injections into the Anti-epidemic Fund, lowering AVD rates for non-residential properties may render property sale a more financially favourable option for property-owning businesses looking for ways to cope with short-term financial needs or contingency, thereby providing further relief to property-owning business operators.

9. In the light of the latest development in the non-residential property market and with a view to providing liquidity to businesses during the economic downturn, we propose to cease the application of DSD rates to non-residential property transactions.

10. The stamp duty that could be saved by duty payers upon the proposed change is illustrated below –

² Such as a recent survey conducted by Midland IC&I in July and August 2020 which shows that the overall number of vacant street-level shops at the four major shopping districts jumped 37% when compared with the first quarter this year.

³ E.g. the Special 100% Loan Guarantee of the SME Financing Guarantee Scheme, the Pre-approved Principal Payment Holiday Scheme, time-limited financial support under the Employment Support Scheme, relief grants to businesses hard-hit by the pandemic, tax and rates concessions, etc.

Assumed property price	AVD payable at existing rates (i.e. DSD rates)	AVD payable upon the abolition of DSD rates (i.e. Scale 2 AVD rates)	Stamp duty saved
\$2,000,000	\$30,000 (1.5%)	\$100 (\$100)	\$29,900
\$3,000,000	\$90,000 (3%)	\$45,000 (1.5%)	\$45,000
\$4,000,000	\$180,000 (4.5%)	\$90,000 (2.25%)	\$90,000
\$6,000,000	\$360,000 (6%)	\$180,000 (3%)	\$180,000
\$20,000,000	\$1,500,000 (7.5%)	\$750,000 (3.75%)	\$750,000
\$25,000,000	\$2,125,000 (8.5%)	\$1,062,500 (4.25%)	\$1,062,500

11. To effect the proposal to abolish DSD, we propose amending the SDO to revert the AVD rates on non-residential property transactions to the Scale 2 rates for instruments of non-residential property executed on or after the Effective Date. An order has been made by CE under the Public Revenue Protection Ordinance (Cap. 120) to give full force and effect of law to the Bill before its enactment. This better aligns with the objective of providing liquidity to businesses during the economic downturn. Without the Order to give effect to the Bill on the Effective Date, DSD would still be charged in the meantime until the Bill is finally enacted and comes into force. In that case, the Administration will have to refund part of the DSD paid for non-residential property transactions completed during the intervening period, being the difference between the AVD paid at DSD rates and that payable at the Scale 2 rates. This will not only impose administrative burden on the Administration but may also temporarily lock up liquidity available to businesses.

12. We will continue to closely monitor the developments of the non-residential property market, and will not rule out the possibility of resorting to appropriate measures such as resurrecting DSD should market situations so warrant. Meanwhile, in the face of the tight housing supply and given that residential property prices remain beyond the reach of average households, the stamp duty rates concerning residential properties should be maintained.

OTHER OPTIONS

13. The proposed changes to AVD rates applicable to non-residential property cannot be implemented without legislative amendments to the SDO. Before the Bill becomes law, the proposal can only take effect promptly under the Order made by the CE. There are no other options.

THE BILL

14. The provisions of the Bill are as follows –
- (a) **Clause 1** sets out the short title and provides that the Bill, if enacted, is deemed to have come into operation on the Effective Date.
 - (b) **Clauses 5 to 8** amend sections 29AI, 29AIA, 29BA and 29BAB of the SDO respectively to provide that the respective instrument involving non-residential property is chargeable with stamp duty under Scale 2 of head 1(1) or Scale 2 of head 1(1A) in the First Schedule to the SDO (i.e. Scale 2 rates) instead of Part 2 of Scale 1 of such head (i.e. DSD rates).
 - (c) **Clause 9** adds a new section 74 to the SDO to provide for transitional matters. **Clause 10** repeals Part 2 of Scale 1 of head 1(1) and Part 2 of Scale 1 of head 1(1A) in the First Schedule to the SDO. **Clauses 3 and 4** make technical amendments.

THE ORDER

15. The Order, made by CE pursuant to section 2 of the Public Revenue Protection Ordinance (Cap. 120) after consultation with the Executive Council, gives full force and effect of law to the Bill so long as the Order remains in force. The Order comes into force at the beginning of the Effective Date.

LEGISLATIVE TIMETABLE

16. The legislative timetable is as follows –
- | | |
|--|------------------|
| Publication of the Order in the Gazette | 25 November 2020 |
| Commencement of the Order to give effect to the proposal | 26 November 2020 |
| Publication of the Bill in the Gazette | 27 November 2020 |

First Reading and commencement of Second Reading debate of the Bill, tabling of the Order at the LegCo for negative vetting 2 December 2020

Resumption of Second Reading debate, committee stage and Third reading of the Bill To be notified

17. The Order gives full effect to the Bill for a four-month period⁴ starting from the Effective Date. The Government aims to have the Bill passed by the LegCo before the Order ceases to have effect from 26 March 2021.

IMPLICATIONS OF THE PROPOSAL

18. The Bill and the Order are in conformity with the Basic Law, including the provisions concerning human rights. They will not affect the binding effect of the existing provisions of the SDO and the Public Revenue Protection Ordinance (Cap. 120). The economic, sustainability, financial and family implications of the proposal are at **Annex G**. There are no civil service, productivity, environmental or gender implications.

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PUBLIC CONSULTATION

19. We have formulated the proposal after taking into account views received from LegCo Members and other stakeholders. Owing to the market sensitivity of the proposal, public consultation on the proposal is neither appropriate nor practicable.

PUBLICITY

20. We issued a press release on the Bill and the Order on 25 November 2020.

⁴ Or such shorter period in the event of the Bill being rejected by LegCo, being withdrawn, or becoming law ahead of the expiry of such four-month period, as stipulated in section 5(2) of the Public Revenue Protection Ordinance (Cap. 120).

ENQUIRIES

21. Enquiries should be directed to Miss Helen Chung, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2370.

Financial Services and the Treasury Bureau
November 2020

A BILL

To

Amend the Stamp Duty Ordinance to decrease the stamp duty on certain instruments dealing with non-residential property; and to make related amendments.

Enacted by the Legislative Council.

1. Short title and commencement

- (1) This Ordinance may be cited as the Stamp Duty (Amendment) Ordinance 2020.
- (2) This Ordinance is deemed to have come into operation on 26 November 2020.

2. Stamp Duty Ordinance amended

The Stamp Duty Ordinance (Cap. 117) is amended as set out in sections 3 to 10.

3. Section 2 amended (interpretation)

At the end of section 2—

Add

“Note (with no legislative effect)—

For the meaning of an agreement for sale, an unwritten sale agreement (as defined by section 29A(1)) or a conveyance on sale being made on the same terms as a previous agreement—see section 29A(4).”

4. Section 29A amended (interpretation and application of Part IIIA)

Section 29A(4)—

Repeal

everything before “made on”

Substitute

“(4) For the purposes of this Ordinance, an agreement for sale, an unwritten sale agreement or a conveyance on sale is”.

5. Section 29AI amended (scales of rates applicable to conveyances on sale chargeable with ad valorem stamp duty)

Section 29AI(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

6. Section 29AIA amended (scales of rates applicable to instruments effecting exchange between residential property and non-residential property)

Section 29AIA(2)(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

7. Section 29BA amended (scales of rates applicable to agreements for sale chargeable with ad valorem stamp duty)

Section 29BA(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

8. **Section 29BAB amended (scales of rates applicable to agreements for exchange between residential property and non-residential property)**

Section 29BAB(2)(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

9. **Section 74 added**

After section 73—

Add

“74. Transitional provisions for Stamp Duty (Amendment) Ordinance 2020

- (1) In this section—

Amendment Ordinance (《修訂條例》) means the Stamp Duty (Amendment) Ordinance 2020 (of 2020);

pre-amended Ordinance (《未經修訂條例》) means this Ordinance as in force immediately before 26 November 2020.

- (2) The pre-amended Ordinance continues to apply, as if the Amendment Ordinance had not been enacted, to—

- (a) an instrument that was executed before 26 November 2020;
- (b) an agreement for sale that supersedes another agreement for sale made between the same parties and on the same terms before 26 November 2020; or
- (c) a conveyance on sale that is executed in conformity with an agreement for sale made before 26 November 2020.”.

10. First Schedule amended

- (1) First Schedule, head 1(1), Scale 1—

Repeal Part 2.

- (2) First Schedule, head 1(1A), Scale 1—

Repeal Part 2.

Explanatory Memorandum

The object of this Bill is to amend the Stamp Duty Ordinance (Cap. 117) (*Ordinance*) to decrease the stamp duty on certain instruments dealing with non-residential property.

2. Clause 1 sets out the short title and provides that the Bill, if enacted, is deemed to have come into operation on 26 November 2020.
3. Clauses 3 and 4 respectively make technical amendments to sections 2 and 29A of the Ordinance.
4. Clause 5 amends section 29A1 of the Ordinance to provide that a conveyance on sale of non-residential property is chargeable with stamp duty under Scale 2 of head 1(1) in the First Schedule to the Ordinance (*First Schedule*), instead of Part 2 of Scale 1 of that head.
5. Clause 6 amends section 29A1A of the Ordinance to provide that for an instrument effecting the exchange of a residential property for a non-residential property, if consideration for equality is paid or given by the person to whom the non-residential property is transferred, stamp duty is chargeable by reference to the consideration under Scale 2 of head 1(1) in the First Schedule, instead of Part 2 of Scale 1 of that head.
6. Clause 7 amends section 29BA of the Ordinance to provide that an agreement for sale of non-residential property is chargeable with stamp duty under Scale 2 of head 1(1A) in the First Schedule, instead of Part 2 of Scale 1 of that head.
7. Clause 8 amends section 29BAB of the Ordinance to provide that for an agreement providing for the exchange of a residential property for a non-residential property, if consideration for equality is paid or given (or agreed to be paid or given) by the person to whom the non-residential property is to be transferred, stamp duty is chargeable by reference to the consideration under Scale 2 of head 1(1A) in the First Schedule, instead of Part 2 of Scale 1 of that head.

8. Clause 9 adds a new section 74 to the Ordinance to provide for transitional matters.
9. Clause 10 repeals Part 2 of Scale 1 of head 1(1) and Part 2 of Scale 1 of head 1(1A) in the First Schedule.

Public Revenue Protection (Stamp Duty) Order 2020

(Made by the Chief Executive under section 2 of the Public Revenue Protection Ordinance (Cap. 120) after consultation with the Executive Council)

1. **Commencement**
This Order comes into force at the beginning of 26 November 2020.
2. **Operation of Scheduled Bill**
The Bill set out in the Schedule has the full force and effect of law so long as this Order remains in force.

Schedule

[s. 2]

A BILL

To

Amend the Stamp Duty Ordinance to decrease the stamp duty on certain instruments dealing with non-residential property; and to make related amendments.

Enacted by the Legislative Council.

1. **Short title and commencement**
 - (1) This Ordinance may be cited as the Stamp Duty (Amendment) Ordinance 2020.
 - (2) This Ordinance is deemed to have come into operation on 26 November 2020.
2. **Stamp Duty Ordinance amended**
The Stamp Duty Ordinance (Cap. 117) is amended as set out in sections 3 to 10.
3. **Section 2 amended (interpretation)**
At the end of section 2—
Add

“Note (with no legislative effect)—

For the meaning of an agreement for sale, an unwritten sale agreement (as defined by section 29A(1)) or a conveyance on sale being made on the same terms as a previous agreement—see section 29A(4).”

4. Section 29A amended (interpretation and application of Part IIIA)

Section 29A(4)—

Repeal

everything before “made on”

Substitute

“(4) For the purposes of this Ordinance, an agreement for sale, an unwritten sale agreement or a conveyance on sale is”.

5. Section 29AI amended (scales of rates applicable to conveyances on sale chargeable with ad valorem stamp duty)

Section 29AI(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

6. Section 29AIA amended (scales of rates applicable to instruments effecting exchange between residential property and non-residential property)

Section 29AIA(2)(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

7. Section 29BA amended (scales of rates applicable to agreements for sale chargeable with ad valorem stamp duty)

Section 29BA(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

8. Section 29BAB amended (scales of rates applicable to agreements for exchange between residential property and non-residential property)

Section 29BAB(2)(b)—

Repeal

“Part 2 of Scale 1”

Substitute

“Scale 2”.

9. Section 74 added

After section 73—

Add

“74. Transitional provisions for Stamp Duty (Amendment) Ordinance 2020

(1) In this section—

Amendment Ordinance (《修訂條例》) means the Stamp Duty (Amendment) Ordinance 2020 (of 2020);

pre-amended Ordinance (《未經修訂條例》) means this Ordinance as in force immediately before 26 November 2020.

- (2) The pre-amended Ordinance continues to apply, as if the Amendment Ordinance had not been enacted, to—
- (a) an instrument that was executed before 26 November 2020;
 - (b) an agreement for sale that supersedes another agreement for sale made between the same parties and on the same terms before 26 November 2020; or
 - (c) a conveyance on sale that is executed in conformity with an agreement for sale made before 26 November 2020.”.

10. First Schedule amended

- (1) First Schedule, head 1(1), Scale 1—
Repeal Part 2.
- (2) First Schedule, head 1(1A), Scale 1—
Repeal Part 2.
- _____

Explanatory Memorandum

The object of this Bill is to amend the Stamp Duty Ordinance (Cap. 117) (*Ordinance*) to decrease the stamp duty on certain instruments dealing with non-residential property.

- 2. Clause 1 sets out the short title and provides that the Bill, if enacted, is deemed to have come into operation on 26 November 2020.
- 3. Clauses 3 and 4 respectively make technical amendments to sections 2 and 29A of the Ordinance.
- 4. Clause 5 amends section 29A1 of the Ordinance to provide that a conveyance on sale of non-residential property is chargeable with stamp duty under Scale 2 of head 1(1) in the First Schedule to the Ordinance (*First Schedule*), instead of Part 2 of Scale 1 of that head.
- 5. Clause 6 amends section 29A1A of the Ordinance to provide that for an instrument effecting the exchange of a residential property for a non-residential property, if consideration for equality is paid or given by the person to whom the non-residential property is transferred, stamp duty is chargeable by reference to the consideration under Scale 2 of head 1(1) in the First Schedule, instead of Part 2 of Scale 1 of that head.
- 6. Clause 7 amends section 29BA of the Ordinance to provide that an agreement for sale of non-residential property is chargeable with stamp duty under Scale 2 of head 1(1A) in the First Schedule, instead of Part 2 of Scale 1 of that head.
- 7. Clause 8 amends section 29BAB of the Ordinance to provide that for an agreement providing for the exchange of a residential property for a non-residential property, if consideration for equality is paid or given (or agreed to be paid or given) by the person to whom the non-residential property is to be transferred, stamp duty is chargeable by reference to the consideration under Scale 2 of head 1(1A) in the First Schedule, instead of Part 2 of Scale 1 of that head.

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8. Clause 9 adds a new section 74 to the Ordinance to provide for transitional matters.
 9. Clause 10 repeals Part 2 of Scale 1 of head 1(1) and Part 2 of Scale 1 of head 1(1A) in the First Schedule.

Chief Executive

2020

Annex C

Demand-side Management Measures Introduced since 2010

Measure	Effective date	Details
Special Stamp Duty (“SSD”)	20 November 2010	Introduced SSD on any residential property acquired on or after 20 November 2010 and resold within 24 months at the following rates– (i) 15% if the property has been held for six months or less; (ii) 10% if the property has been held for more than six months but for 12 months or less; and (iii) 5% if the property has been held for more than 12 months but for 24 months or less.
	27 October 2012	Increased SSD rates and extended the holding period within which residential property transactions are subject to SSD for any residential property acquired on or after 27 October 2012 and resold within 36 months at the following rates – (i) 20% if the property has been held for six months or less; (ii) 15% if the property has been held for more than six months but for 12 months or less; and (iii) 10% if the property has been held for more than 12 months but for 36 months or less.
Buyer’s Stamp Duty (“BSD”)	27 October 2012	Introduced BSD at a flat rate of 15% on any residential property acquired on or after 27 October 2012, unless the buyer is a Hong Kong permanent resident (“HKPR”) who is acting on his or her own behalf.

Measure	Effective date	Details
Doubled Ad Valorem Stamp Duty (“DSD”)	23 February 2013	Doubled the ad valorem stamp duty (“AVD”) rates on transactions for residential and non-residential properties. DSD rates range between 1.5% and 8.5% depending on the amount of consideration or value of the property concerned. DSD is applicable to transactions of properties (whether residential or non-residential) undertaken on or after 23 February 2013, subject to various exemptions including acquisition of residential property by an HKPR who is acting on his or her own behalf, and is not a beneficial owner of any other residential property in Hong Kong at the time of acquisition.
New Residential Stamp Duty (“NRSD”)	5 November 2016	Increased the AVD rates on residential property transactions to a flat rate of 15%, in lieu of the DSD rates. NRSD is applicable to any residential property acquired on or after 5 November 2016. Non-residential property transactions remain subject to DSD rates.
	12 April 2017	Tightened the exemption arrangement under the NRSD regime, whereby acquisition of more than one residential property by an HKPR under a single instrument will no longer be exempted and will be subject to the NRSD rate of 15%.

Scale 2 Ad Valorem Stamp Duty Rates

Consideration or value of the property (whichever is the higher)	Rates at Scale 2
Up to \$2,000,000	\$100
\$2,000,001 to \$2,351,760	\$100+10% of the excess over \$2,000,000
\$2,351,761 to \$3,000,000	1.50%
\$3,000,001 to \$3,290,320	\$45,000+10% of the excess over \$3,000,000
\$3,290,321 to \$4,000,000	2.25%
\$4,000,001 to \$4,428,570	\$90,000+10% of the excess over \$4,000,000
\$4,428,571 to \$6,000,000	3.00%
\$6,000,001 to \$6,720,000	\$180,000+10% of the excess over \$6,000,000
\$6,720,001 to \$20,000,000	3.75%
\$20,000,001 to \$21,739,120	\$750,000+10% of the excess over \$20,000,000
\$21,739,121 and above	4.25%

**Part 2 of Scale 1 Ad Valorem Stamp Duty Rates
(i.e. Doubled Ad Valorem Stamp Duty Rates)**

Consideration or value of the property (whichever is the higher)	Rates at Scale 1 (Part 2)
Up to \$2,000,000	1.50%
\$2,000,001 to \$2,176,470	\$30,000+20% of the excess over \$2,000,000
\$2,176,471 to \$3,000,000	3.00%
\$3,000,001 to \$3,290,330	\$90,000+20% of the excess over \$3,000,000
\$3,290,331 to \$4,000,000	4.50%
\$4,000,001 to \$4,428,580	\$180,000+20% of the excess over \$4,000,000
\$4,428,581 to \$6,000,000	6.00%
\$6,000,001 to \$6,720,000	\$360,000+20% of the excess over \$6,000,000
\$6,720,001 to \$20,000,000	7.50%
\$20,000,001 to \$21,739,130	\$1,500,000+20% of the excess over \$20,000,000
\$21,739,131 and above	8.50%

**Price Indexes for Different Types of Property between
Mid-2010 and Mid-2020**

Month	Offices	Retail	Flatted Factories	Residential
June 2010	224.2	251.5	277.1	146.9
December 2010	258.4	287.8	326.4	163.0
June 2011	306.5	328.2	397.7	188.1
December 2011	305.2	345.1	406.4	181.1
June 2012	327.4	416.9	477.3	205.1
December 2012	380.9	485.2	592.8	227.6
June 2013	414.6	512.2	665.9	243.3
December 2013	415.4	505.2	650.9	245.1
June 2014	422.9	516.3	664.1	250.3
December 2014	429.6	544.4	684.4	278.3
June 2015	451.4	561.4	729.8	301.3
December 2015	451.1	540.5	703.6	285.0
June 2016	419.1	519.2	690.5	276.4
December 2016	446.2	539.3	728.4	307.4
June 2017	487.2	553.0	786.6	336.1
December 2017	515.6	577.0	824.1	352.7
June 2018	556.1	590.6	895.4	391.1
December 2018	569.5	591.5	905.1	359.4

Month	Offices	Retail	Flatted Factories	Residential
January 2019	540.7	578.0	887.9	361.0
February 2019	529.8	575.2	880.8	367.0
March 2019	547.5	565.1	898.5	378.7
April 2019	559.8	575.7	924.0	392.3
May 2019	561.2	582.2	929.8	396.9
June 2019	565.2	562.6	931.3	393.7
July 2019	564.6	564.8	909.4	393.5
August 2019	537.5	545.5	870.0	388.2
September 2019	557.2	521.9	890.8	381.4
October 2019	508.7	505.1	856.3	378.2
November 2019	525.9	508.6	834.8	385.3
December 2019	517.6	511.3	841.2	379.2
January 2020	476.8	519.3	840.2	379.7
February 2020	486.9	523.8	835.2	373.4
March 2020	467.6	531.6	847.6	378.4
April 2020	427.3	528.3	831.3	377.5
May 2020	450.5	532.2	835.6	386.1
June 2020	*476.8	*524.4.	*823.0	386.7
July 2020*	442.0	525.1	839.4	385.2
August 2020*	442.5	519.2	815.2	381.0
September 2020*	485.9	499.9	808.0	382.6

(* Provisional)

Implications of the Proposal

Economic Implications

Given that hectic trading activities and soaring prices are no longer evident, the proposed changes to AVD rates will improve the efficiency of the non-residential property market in allocating resources. Market players will be able to purchase and sell non-residential properties at lower transaction costs according to their business and investment needs and financial situations. This is particularly important under the current difficult economic situation, as more business operators may want to sell their assets for meeting their liquidity needs while others, which are less hard hit by the crisis or expect better prospects after the crisis, may see the softened market as good buying opportunities.

Sustainability Implications

2. The proposal aims to ensure the healthy and stable development of the non-residential property market, which is crucial to the sustainable development of Hong Kong as a whole.

Financial Implications

3. DSD on non-residential properties contributed \$14.0 billion, \$9.5 billion and \$5.1 billion to government revenue in 2017-18, 2018-19 and 2019-20 respectively. While lower AVD rates on non-residential property transactions will reduce government revenue collected from the concerned transactions individually, it may have the effect of spurring non-residential property transactions, thus increasing total government revenue from transactions of non-residential properties. The net impact on government revenue will depend on the extent to which these two counteracting forces will play out, and other factors affecting the demand for non-residential properties, such as the evolving pandemic situation, business and market sentiment, and pace of economic recovery. Having said that, none of the demand-side management measures implemented was intended to be a revenue-generating tool to meet fiscal or budgetary objectives.

Family Implications

4. The proposal will help improve cash flow of businesses, including that of small and medium enterprises, thereby maintaining the financial stability of the families of the business operators and employees concerned at this difficult time.