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Property Tax and Assessment News from Around the World

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Hong Kong: IRD releases tax obligations of property owners

On 15 June 2017, the Hong Kong Inland Revenue Department (IRD) issued a notice on the property tax obligations of property owners.

Property tax is charged on property owners by reference to the actual rent receivable (including lease premium) in the relevant year of assessment.

Owners in receipt of rental income must inform the tax department in writing if they are liable to tax and supply the particulars of the property not later than 4 months after the end of the basis period for the year of assessment (e.g. on or before 31 July 2017 for the year of assessment 2016/17), unless they have already received the appropriate tax returns.

A return issued by the IRD should be completed and furnished to the IRD within the stipulated time limit for official record updating purposes even if no rental was received in respect of the property concerned. Owners chargeable to property tax must keep sufficient rent records, such as lease agreements and duplicates of rental receipts for at least 7 years. They must inform the Department of any change of address in writing within one month.

Where a corporation has been exempted from property tax and there is a change in the ownership or use of the property, or in any other circumstances which may affect such exemption, the corporation must notify the Department in writing of the change within 30 days after the event. Heavy penalties may be incurred for failure to comply with the requirements of the Inland Revenue Ordinance.

China property tax languishes as vested interests block reform

BEIJING: As Chinese authorities struggle to contain runaway home prices, a long-awaited plan for a property tax has stalled, the latest sign of entrenched interests impeding efforts to transform the country’s growth model. The average price of a Shenzhen home last year was 41 times the average income, against 29 in London, 23 in Tokyo and 15 in New York, according to Macquarie Securities. Since late last year, 45 Chinese cities have introduced purchase limits and other measures in an attempt to cool rising property prices.

For years, economists have advocated for China to move away from administrative tools like purchase bans in favour of a property tax. Top Communist party leaders committed to imposing a property tax in a landmark blueprint for economic reform approved in November 2013. By imposing an annual levy on home ownership, a property tax would reduce the appeal of housing as a speculative investment. While the merits of property taxes in general are a matter of debate among economists, few doubt that is sorely needed in China, where 50m homes lie empty, according to the China Household Finance Survey conducted by researchers from Southwestern University of Finance and Economics in Chengdu.

Yet market observers say there is little prospect of the government implementing a tax within the next few years — at the annual session of China's rubber-stamp parliament in March it was announced that legislation for the levy was not on the agenda this year. "Among well-informed economists in the government, establishing a property tax has been consensus for a long, long time," says Gan Li, director of the CHFS and professor of economics at Texas A&M University. "The concern is politics. No one wants to be blamed for bursting the housing bubble."

China's home ownership rate is 87 per cent, according to the survey — creating a large and powerful constituency opposing a property tax. In the US, the rate is only 64 per cent, according to census data. A survey by FT Confidential Research, an independent research service owned by the Financial Times, found that 28 per cent of families in medium-sized and large cities own a home that is vacant. Chinese investors have long favoured housing over the volatile stock market and low-yielding bond market, and capital controls limit households' ability to buy foreign assets.

China's proposed property tax languishes

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Hong Kong home prices rise for 13th month to surpass 2015 record

Buyers are still turning up in droves for new property launches, despite the government's efforts to curb prices

It's ironic that when worldwide interest rates are low, it is almost impossible for middle-income people in Hong Kong to buy a flat.

Hong Kong's residential property prices, already the world's highest based on square footage, rose in April for the 13th straight month to a record, surpassing the market's previous peak of 2015, further underscoring the imperative on the city's government and monetary authority to deflate the bubble.

The monthly home price index, which represents movements in the second-hand property market, rose 2.1 per cent to 327.4 in April, compared with 320.6 in March, according to the Rating & Valuation Department's data. Year on year, home prices jumped 19.8 per cent in April

The Hong Kong Monetary Authority (HKMA) on May 19 ordered banks to cut the amount of allowable loans on residential property by 10 percentage points, taking aim at the owners of multiple homes in the second set of measures in a week to deflate prices.

The HKMA was concerned about the ability of Hong Kong's financial system to cope with any possible downturn in the property market. Following the HKMA's move, four of Hong Kong's largest banks raised their mortgage rates by 10 basis points, and cut the ratio of allowable loans.

Those measures are likely to show their effects, putting a ceiling on transactions and apartment prices that have thus far defied gravity, said Knight Frank's senior director Thomas Lam.

"Home price growth will slow in coming months as mortgage lending curbs could dampen buying desire," he said. "The government has sent a clear signal that further cooling measures may be rolled out if home prices continue to rise."

Some anecdotal evidence can already be seen, agents said. Transactions at Taikoo Shing in Quarry Bay, one of the city's most actively traded housing estates, fell by half to 13 in May, from 27 in April, said Ricacorp Properties' senior sales manager Terence Wong.

"The mortgage curbs, coupled with ample supply of new flats, have lured potential buyers away from the secondary market," he said.

In the second-hand market, average transactions have already fallen below 4,000 deals per month, compared with 8,000 deals in a typical month as recently as in 2011, said Midland Realty.

In response, property developers are pulling out all the stops to offer discounts and other incentives to attract customers.

At mReferral Mortgage Brokerage Services, loans equivalent to as much as 80 per cent of a property's value are on offer, albeit at more than double the prevailing interest rate.

That's attracted enough buyers that Cheung Kong Property Holdings was able to sell all 346 units of its Ocean Pride apartments in Tsuen Wan. Hundreds of people thronged its sales offices over two days, allowing the developer to finish selling 842 apartment units.