



# CHINA – October 2017

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**HONG KONG REVIEWS PROPERTY TAX MEASURES ..... 1**

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## **Hong Kong Reviews Property Tax Measures**

Hong Kong's Secretary for Transport and Housing, Frank Chan Fan, has told Hong Kong's parliament about the success of measures intended to cool the local housing market and support first-time buyers.

He was responding to questions concerning the efficacy of the measures and whether fraud connected to evasion of the new duties is being properly challenged. The Government raised in November last year the ad valorem stamp duty (AVD) chargeable on residential property transactions across the board to a flat rate of 15 percent. Hong Kong permanent residents did not face this increase, providing the property being purchased was their only property. Chan Fan noted also that the Government introduced several rounds of demand-side management measures, including the Special Stamp Duty (SSD), Buyer's Stamp Duty (BSD), doubled ad valorem Stamp Duty (DSD), and New Residential Stamp Duty (NRSD).

Further, to prevent local investors from avoiding payment of NRSD through acquiring multiple residential properties under a single instrument, the Government announced the tightening of the major exemption arrangement provided for Hong Kong permanent residents (HKPRs) under the NRSD regime with effect from April 12, 2017.

Asked how effective the measures have been since their implementation, he said NRSD, introduced in November 2016, remains eminently effective in reducing investment demand. "According to statistics of IRD, residential property transactions subject to DSD/NRSD accounted for about 11 percent of total transactions from December 2016 to September 2017, which was substantially lower than the 26 percent before the introduction of NRSD (i.e. from January to November 2016). During the same period, among residential property transactions where buyers are HKPRs, about 93 percent of the cases involved buyers who did not own any other residential property in Hong Kong at the time of acquisition, which was significantly higher than the 75 percent before the introduction of NRSD (i.e. from January to November 2016)," Chan Fan said.

As for transactions involving acquisition of multiple residential properties under a single instrument, Chan Fan said the ratio of these transactions to the total transactions has fallen from about 2.5 percent and 2.7 percent in March and April 2017, respectively, to 0.2 percent in September, stating that the measures against those inappropriately grouping transactions have been successful.

Although property prices remain high, the pace of increase in the past few months has slowed down, he added. "The monthly increase in September and October 2016 (i.e. before the introduction of NRSD) was about 3.1 percent and 2.7 percent, respectively, whereas the monthly increase in July and August 2017 was about 0.3 percent and 0.4 percent. The Government will remain vigilant, and continue to closely monitor developments in the property market and the evolving external environment."

He was also asked about those using other peoples' identifies to purchase flats where they already owned other property in their own name, to bypass buyer's stamp duty. He said that when applying for exemption from BSD or stamping at the lower ad valorem stamp duty (AVD) rates at Scale 2, residential property buyers have to submit to IRD a statutory declaration made by the virtue of the Oaths and Declarations Ordinance (Cap.11) to confirm that they have fulfilled the prescribed exemption conditions under the Stamp Duty Ordinance (Cap.117), including that they are acting on their own behalf when acquiring the residential property concerned.

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He confirmed that a buyer who wilfully makes a false statement in the statutory declaration commits the relevant criminal offence under the Crimes Ordinance (Cap.200) and shall be liable on conviction to imprisonment for two years and to a fine. Moreover, according to the Stamp Duty Ordinance, if IRD has found that the buyer's declaration is untrue, the buyer will be liable for paying the difference in stamp duty payable. Any person who practises fraudulent device with intent to defraud the Government of any stamp duty commits an offence, which shall be liable to a fine at level 6 (i.e. HKD100,000) and to imprisonment for one year, he added, concluding: "Acquiring properties under the names of other persons in order to alleviate the tax burden is illegal, and may give rise to future disputes on the title of the properties concerned. IRD has been closely monitoring the situation and has taken follow-up actions on individual cases."

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