



Financial Secretary announces new measures to cool overheated property market

On 26 October 2012, Hong Kong's Financial Secretary launched a further round of measures aimed at stabilising the residential property market. The rate of Special Stamp Duty (SSD) is to be increased and the restriction period extended. A Buyer's Stamp Duty (BSD) payable by buyers of Hong Kong residential property is also to be introduced. The BSD is not payable by Hong Kong Permanent Residents.

Background

The Financial Secretary, in announcing the new measures, noted that since SSD was introduced in November 2010, resale of residential properties within 12 months has virtually disappeared. However, the number of transactions for resale between 12-24 months has increased in the six month period to September 2012, indicating that increasing property prices has weakened the deterring effect of the SSD.

Moreover, the U.S. Federal Reserve has extended its pledge to maintain exceptionally low interest rates at least until mid-2015. The Hong Kong government is, therefore, concerned that this may extend the investment horizon of short-term speculative activities.

The new Measures

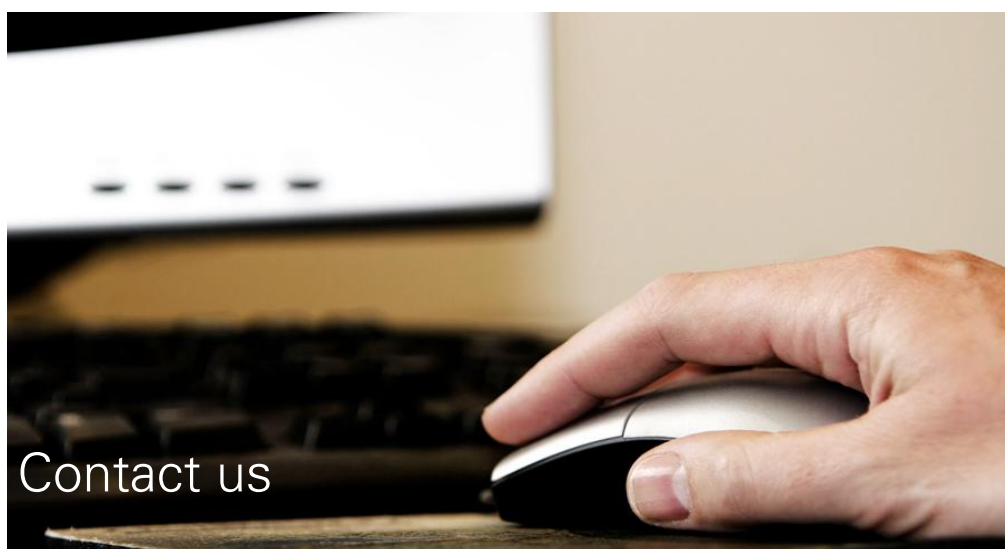
SSD is imposed over and above the ad valorem stamp duty on the disposal of residential properties with effect from 20 November 2010. Unless exempted from SSD, or SSD is not applicable, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of where it is incorporated), and resold within 24 months, is subject to SSD.

Under the measures announced on 26 October 2012, the government is to amend the Stamp Duty Ordinance to adjust the rates and to extend the holding period in respect of SSD.

Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. Transactions which took place between 20 November 2010 and 26 October 2012 will be subject to the original SSD regime. The SSD payable for resale within six months will increase to 20 percent; 15 percent if the property is held for more than six months, but less than 12 months; 10 percent if the property is held for more than 12 months, but less than 36 months.

The second measure is the introduction of a BSD payable by buyers of residential properties. The BSD is not applicable to Hong Kong Permanent Residents. Other buyers, including local and non-local companies, are required to pay BSD at 15 percent on top of the existing stamp duty. SSD will also be charged on resale within three years.

The government sees the introduction of BSD as an extraordinary measure introduced under exceptional circumstances and will consider withdrawing this measure when the market regains its balance.



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