



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

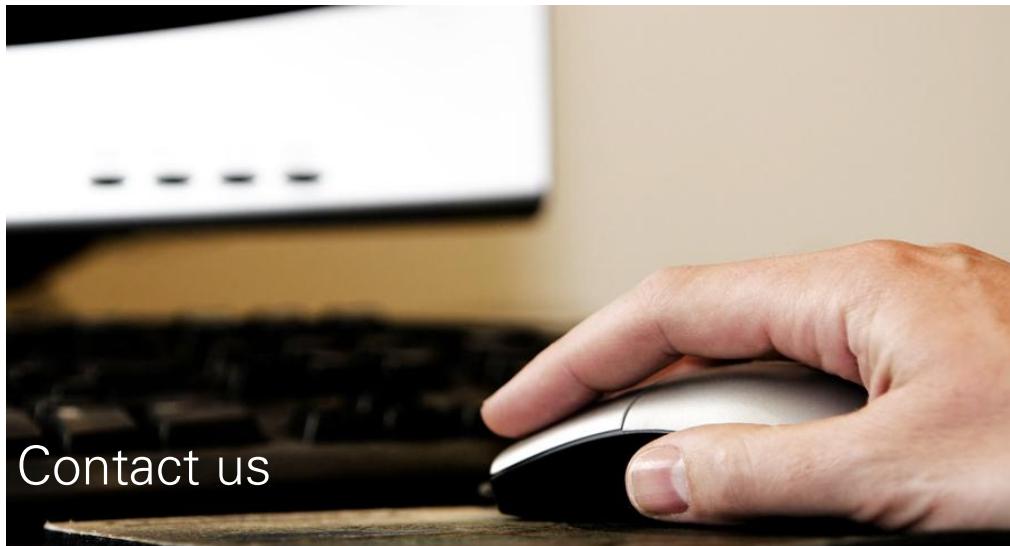
SSD is imposed over and above the ad valorem stamp duty on the disposal of residential properties with effect from 20 November 2010. Unless exempted from SSD, or SSD is not applicable, any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of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



For more information, please contact:

Corporate Tax, KPMG China

Khoon Ming Ho

Partner in Charge, Tax
China and Hong Kong SAR
Tel: +86 10 8508 7082
khoonming.ho@kpmg.com

Ayesha M. Lau

Partner in Charge, Tax – Hong
Kong SAR
Tel: +852 2826 7165
ayesha.lau@kpmg.com

Chris Abbiss

Partner
Tel: +852 2826 7226
chris.abbiss@kpmg.com

Darren Bowdern

Partner
Tel: +852 2826 7166
darren.bowdern@kpmg.com

Charles Kinsley

Principal
Tel: +852 2826 8070
charles.kinsley@kpmg.com

Alice Leung

Partner
Tel: +852 2143 8711
alice.leung@kpmg.com

Curtis Ng

Partner
Tel: +852 2143 8709
curtis.ng@kpmg.com

John Timpany

Partner
Tel: +852 2143 8790
john.timpany@kpmg.com

Jennifer Wong

Partner
Tel: +852 2978 8288
jennifer.wong@kpmg.com

Alex Lau

Director
Tel: +852 2143 8597
alex.lau@kpmg.com

Benjamin Pong

Director
Tel: +852 2143 8525
benjamin.pong@kpmg.com

Garry Laird

Senior Tax Advisor
Tel: +852 2143 8795
garry.laird@kpmg.com

kpmg.com/cn

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2012 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. © 2012 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.