

# HONG KONG TAX ALERT

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## Government announces further stamp duty measures to curb 'exuberant' property transactions

On 22 February 2013, the Hong Kong government ('The Government') announced further measures to curtail risks brought about by the exuberant property market.

The Government has announced two demand-side management measures, which will have effect from 23 February 2013. The ad valorem stamp duty on both residential and non-residential properties is to be doubled across the board from 4.25 percent to 8.50 percent. The stamp duty on transactions of HKD 2 million or less will rise from a nominal flat fee of HKD 100 to 1.5 percent of the transaction's consideration. The proposals are subject to Legislative Council approval.

However, an exemption from the new stamp duty rates will be given to Hong Kong permanent residents who are either first-time home buyers, do not own their own homes or who sell their only flat and buy a new one within six months.

The timing of when stamp duty is payable has also been brought forward. Stamp Duty will be charged on an agreement for the sale and purchase of a non-residential property, including commercial premises, offices, industrial premises and car parking spaces. This contrasts with the current practice of charging stamp duty when the conveyance on sale of the property is executed.

The moves will standardise the stamp duty regime for both residential and non-residential properties, increase transaction costs for the non-residential market and, as the Government believes, will help forestall any possible shift from the residential market to the non-residential market.

The Government's latest measures to curb property prices in Hong Kong follows the recent announcement of the Buyer's Stamp Duty and the changes to the application of Special Stamp Duty (SSD) and the rates of SSD (see [Hong Kong Tax Alert Issue 1 – January 2013](#)). However, it remains to be seen what impact these additional measures will have on property prices, and developments in this area will be watched with interest.



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