

2023 Policy Address - Stamp Duty and other Tax-related Policy Measures



On 25 October 2023, the Chief Executive of the Hong Kong SAR, Mr. John Lee, delivered his second Policy Address in the Hong Kong Legislative Council, outlining a range of initiatives aimed at reviving the economy, generating opportunities, and securing the long-term prosperity and stability of Hong Kong. Below is a summary of the key tax measures mentioned in the Policy Address.

1. **Residential Property Transactions**

- **Shortening the resale period during which the Special Stamp Duty ("SSD") can be charged from 3 years to 2 years**

This proposal will essentially shorten the period where the 10% SSD is applicable. The calculation of the SSD will be revised as follows:

The stated consideration or the market value of the property (whichever is the higher) x the Applicable Rate

The Applicable Rates of SSD will depend on the holding period of the property by the seller or transferor before disposal.

If the property was acquired on or after 26 October 2021 and was disposed of on or after 25 October 2023, -

- (i) 20% if the property has been held for six months or less;
- (ii) 15% if the property has been held for more than six months but for 12 months or less; and
- (iii) 10% if the property has been held for more than 12 months but for 24 months or less.

- **Reducing the ad valorem stamp duty (AVD) rate of Part 1 of Scale 1 from 15% to 7.5%**
- **Reducing the rate of Buyer's Stamp Duty (BSD) from 15% to 7.5%**
- **Introducing a stamp duty suspension mechanism for eligible incoming talents purchasing residential property in Hong Kong**

Eligible incoming talents can apply for a suspension of the liabilities in respect of BSD (7.5%) and the New Residential AVD (7.5%) for the residential property purchased, but they still need to pay AVD at Scale 2 rates. In essence, the overall stamp duty charged will be on par with that charged on first-time home buyers who are permanent residents. Upon becoming a Hong Kong permanent resident, they can apply for waiver in relation to the stamp duty suspended.

Subject to the enactment of the Stamp Duty (Amendment) (Residential Properties) Bill 2023 ("the Bill"), the proposed stamp duty relief measures mentioned above will be applicable to any instrument executed on or after 25 October 2023 for the sale and purchase or transfer of applicable residential property. Pending enactment, the Government made the Public Revenue Protection (Stamp Duty) (No. 2) Order 2023 under the Public Revenue Protection Ordinance (Cap. 120) to give full force and effect of law to the Bill for a maximum of four months starting from 25 October 2023.

2. **Stock Transfers Transactions**

- **Reducing the rate of Stamp Duty on transfer of Hong Kong stock from 0.13 per cent to 0.1 per cent**

The Stamp Duty (Amendment) (Stock Transfers) Bill 2023 ("The Stock Transfers Bill") was gazetted on 25 October 2023, which seeks to reduce the rate of the Stamp Duty payable to 0.1 per cent on contract notes for sale or purchase of Hong Kong stock, and correspondingly on certain transfers of such stock.

The Stock Transfers Bill will be introduced into the Legislative Council for first reading on 1 November 2023.

3. Other Tax-related Policy Measures for Individuals

- **Raising the deduction ceiling for home loan interest or domestic rents for eligible taxpayers with their first child**
- **Introducing deductions for expenses related to assisted reproductive services**

To promote fertility and create a children-friendly environment, the following tax measures under salaries tax and personal assessment have been proposed by the Chief Executive to take effect from the year of assessment 2024/25:

- Raising the deduction ceiling for home loan interest or domestic rents from the current HK\$100,000 to HK\$120,000 for taxpayers who reside with his / her first child born on or after 25 October 2023, until the child reaches the age of 18.
- Providing deduction for expenses on assisted reproductive services, subject to the ceiling of HK\$100,000 per year.

The above measures can only be implemented after completion of the relevant legislative process.

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<p>Henry Fung Tax Partner henryfung@pkf-hk.com</p>	<p>Jonathan Lau Tax Manager jonathanlau@pkf-hk.com</p>	<p>Tommy Wong Tax Manager tommywong@pkf-hk.com</p>	<p>David Li Tax Manager davidli@pkf-hk.com</p>	<p>Dickson Leung Tax Manager dicksonleung@pkf-hk.com</p>
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PKF Hong Kong

26/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

Tel: +852 2806 3822

Email: enquiry@pkf-hk.com

Website: www.pkf-hk.com

 [linkedin.com/company/pkf-hong-kong/](https://www.linkedin.com/company/pkf-hong-kong/)

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