



Tax Newsflash

Hong Kong Tax News: Stamp Duty Rate For Residential Property Increased Upon Passage of Legislation

The Stamp Duty (Amendment) Ordinance 2018, which increases the ad valorem stamp duty (AVD) rate for residential property transactions to a flat rate of 15% and extends AVD refund period for changing residential property case to twelve months, was gazetted on 19 January 2018. These measures apply retrospectively on or after 5 November 2016.

The increase in AVD rate will not affect the cases eligible for exemptions and exceptions already provided for under the existing law. For example, where the residential property is acquired by a Hong Kong permanent resident (HKPR) who does not own any other residential property in Hong Kong at the time of purchase, the relevant instrument will still be subject to AVD at Scale 2 i.e. HK\$100 to 4.25%.

On the other hand, the existing refund mechanism for changing residential property case retains. Where a HKPR who acquires a residential property while seeking to dispose of the original one, he or she will pay AVD at the new rate (i.e. 15%) in the first instance, but may seek a refund of the AVD paid in excess of the Scale 2 rate (assuming other conditions are met) provided that the original property can be disposed of within a certain period. Upon the passage of the Ordinance, the original six months period is extended to twelve months. In other words, a longer period is allowed for taxpayers to sell the original property in order to get stamp duty refund.

Please note that the above changes apply to residential property only. Non-residential property transactions are still subject to AVD at Scale 1 (i.e. 1.5% to 8.5%) under the existing law.

The Stamp Duty (Amendment) (No. 2) Bill 2017 which seeks to tighten the arrangement of acquiring more than one residential property under a single legal instrument has yet to pass. It is still awaiting for the resumption of 2nd Reading debate and 3rd Reading in the Legislative Council.

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