

Government announces extension of Pilot Scheme for Arbitration on Land Premium

The Government announced today (October 19) the extension of the Pilot Scheme for Arbitration on Land Premium for two years from October 24, 2018 to October 23, 2020.

The Pilot Scheme was introduced by the Government in October 2014 for a trial period of two years initially to facilitate early agreement on land premium payable for lease modification/land exchange applications, with the objective of expediting land supply for housing and other uses. The Pilot Scheme was subsequently extended for two years until October 23, 2018.

Given the limited number of completed arbitration cases and the general support from stakeholders to retain the avenue for arbitration, the Government has decided to extend the Pilot Scheme for another two years until October 2020 in order to allow time for both the Government and the development sector to gain more experience. Meanwhile, the Government has received feedback from stakeholders on certain implementation details of the Pilot Scheme, such as concerns over the absence of an upper limit for the arbitral award becoming a disincentive for potential applicants to come forward and calls for relaxing the thresholds for triggering arbitration. Taking into account feedback received, the Government will engage with the professionals and stakeholders concerned to explore room for refining the implementation details during the period of extension.

The Government will continue to select suitable lease modification and land exchange cases according to the general criteria published in the Information Note relating to the Pilot Scheme, and invite applications for determination of the amount of land premium through arbitration. Private land owners can also make requests for arbitration on suitable land lease modification/land exchange applications under processing.

Until mid-October 2018, the Lands Department (LandsD) issued a total of 32 invitations, of which one case has completed arbitration. In another two cases, while agreeing in principle to arbitration, the applicants decided, after consideration, to accept the land premium proposed by LandsD, hence obviating the need for arbitration. The remaining 29 invitations were declined by the applicants, who either chose to continue to negotiate the premium with the LandsD or withdrew their applications for lease modification/land exchange. In addition, the LandsD rejected an application for arbitration involving no increase in residential floor area.