

LCQ4: Application for refund of stamp duty in respect of redevelopment project

Following is a question by the Hon Louis Loong and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (October 23):

Question:

During the past decade or so when demand-side management measures for residential properties were in place, the Government levied the Buyer's Stamp Duty (BSD) on residential property transactions and applied a higher rate of ad valorem stamp duty (AVD) to collect AVD. Under sections 29DD and 29DE of the Stamp Duty Ordinance, an applicant may apply for a refund of the BSD paid and a partial refund of the AVD paid upon redeveloping a residential property, thereby reducing the effective stamp duty rate after the refund to no more than 4.25 per cent. In this connection, will the Government inform this Council:

(1) of the respective numbers of refund applications involving BSD and AVD and the amounts involved in the past three years, as well as the time taken by the authorities from receipt of applications to completion of refunds (set out in a table);

(2) among the applications mentioned in (1), of the respective numbers of those for which refunds have been completed and those still being processed; and

(3) as it is learnt that the Government is not required to pay interest on the refund amounts concerned, what measures the Government has put in place to expedite the processing of applications and the completion of refunds under the current high interest rate environment?

Reply:

President,

To maintain steady development of the private residential property market, the Government had implemented a series of demand-side management measures for residential properties before, which included imposing Buyer's Stamp Duty (BSD) and charging Ad Valorem Stamp Duty (AVD) at higher rates (i.e. the rates at Scale 1). BSD applied to acquisition of residential properties by a non-Hong Kong permanent resident (HKPR) or a company. The higher rates of AVD applied to all transactions of residential properties except for circumstances where the buyer was a HKPR and did not own any other residential property in Hong Kong at the time of acquiring the relevant

property. The Government has been closely monitoring changes in the residential property market and timely adjusted relevant measures. Since the end of February this year, all stamp duty measures relating to demand-side management of residential properties have been abolished.

When formulating demand-side management measures for residential properties, the Government established a duty refund mechanism in order not to hinder redevelopment projects. Any person acquiring a residential property for redevelopment purpose may apply for refund of the BSD paid and part of the AVD paid under sections 29DD and 29DE of the Stamp Duty Ordinance respectively. The refundable amount of AVD paid is the difference between the duties calculated at the higher and lower rates.

My reply to Hon Loong's question is as follows:

(1) In the past three financial years, the Inland Revenue Department (IRD) received 2 724 applications for refund of BSD in respect of redevelopments, involving about \$8.1 billion, and 2 688 applications for refund of part of the AVD in respect of redevelopments, involving about \$5.4 billion. The breakdown by each financial year is set out in Table (1):

Table (1) The number of applications and the amounts involved in applications for refund of part of the stamp duty in respect of redevelopment projects				
Financial Year in which the application was received	BSD		Part of AVD	
	No. of applications (Note 1)	Amount of refund applied for	No. of applications (Note 1)	Amount of refund applied for
		\$ million		\$ million
2021-22	723	3,100	688	2,100
2022-23	828	2,147	831	1,331
2023-24	1 173	2,860	1 169	1,967
Total	2 724	8,107	2 688	5,398

Note 1: As an applicant may apply for refund of BSD and part of AVD in respect of the same residential property transaction, there is overlap in the properties involved in the applications in Table (1).

In the past three financial years, the time taken by the IRD from receipt of applications to completion of processing them is set out in Table (2):

Table (2) Time taken to complete the refunds of BSD and part of the AVD (Note 2)	
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Financial Year in which the application was received	Below three months	Three months to below five months	Five months to below nine months	Nine months or above
2021-22	25	352	292	738
2022-23	94	127	642	709
2023-24	24	337	480	363
Total	143	816	1 414	1 810

Note 2: As at end of September 2024

The time taken set out in Table (2) includes the time for the IRD to wait for some applicants to submit all the required information and documents. Almost all the applicants of applications that took five months or above to process failed to submit all the required information and documents when submitting the applications, and needed to make further submission(s) afterwards. Some applicants would take a few months or even more than a year to submit all the required information and documents. Generally speaking, the IRD is able to complete the approval and refund procedures within three to four months after receiving all the required information and documents.

(2) In respect of the applications received from 2021-22 to 2023-24, as at end of September this year, the IRD has finished processing 2 097 applications for refund of BSD and 2 086 for refund of part of AVD. A total of 627 applications for refund of BSD and 602 for refund of part of AVD are still being processed, involving 11 redevelopment projects. As an applicant may apply for refund of BSD and part of AVD in respect of the same residential property transaction, there is overlap in the properties involved in the above approximately 1 200 applications.

(3) Redevelopment projects typically involve dozens, or even more than a hundred stamp duty refund applications, involving a significant amount of stamp duty. Therefore, the IRD needs to carefully examine a large number of documents, including the agreement for sale and purchase, information about the applicant and the associated body corporate(s), the consent or approval issued by the Building Authority in respect of the new development, etc. for each application, so as to avoid any abuse of the refund mechanism. As previously mentioned, most applicants whose applications took five months or longer to complete processing needed to submit supplementary information after making the applications. In order to reduce correspondence between the IRD and the applicants regarding the submission of required information and to shorten the time to wait for applicants to supplement required information, the IRD will update the stamp duty refund application form and guidelines by the end of this year. The updated form will provide a detailed list of all necessary documents and remind applicants that their applications will only be considered valid after all documents have been submitted. Following the updating of the stamp duty refund application form, the IRD will organise a briefing session for the Real Estate Developers Association

of Hong Kong and developers to help the industry understand the IRD's requirements. The IRD will also publish guidelines to explain the common issues encountered during the processing of stamp duty refund applications and how the IRD handles them. Furthermore, the IRD will review the current application processing procedures and deploy resources to expedite the processing of applications.

After implementing the aforementioned enhancement measures, the IRD anticipates that most of the stamp duty refund applications can be completed within two months after receiving all the documents.

Thank you, President.