

Speech

Opening remarks by SFST at Joint Meeting of Panel on Housing and Panel on Financial Affairs

Friday, November 2, 2012

Following is the English translation of opening remarks by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Joint Meeting of the Panel on Housing and Panel on Financial Affairs today (November 2):

The Secretary for Transport and Housing, Professor Anthony Cheung Bing-leung, has just elaborated on the exuberant state of the property market. To combat short-term speculative activities effectively, the Administration has enhanced Special Stamp Duty. Now I will provide you with an account of the reasons underlying the introduction of demand side management measures at this juncture.

First of all, facing a sluggish external economy, the economy of Hong Kong has also been dragged down by the European sovereign debt crisis. Our exports have been badly hit and our GDP shrank slightly in the second quarter of this year as compared with the previous quarter. The growth of retail sales slowed down significantly in July and August. However, flat prices overall have risen by almost 20 per cent during the first three quarters of this year. This clearly suggests that the property market and the local economy are heading in different directions. This is worrying.

Even more worrying is that with the announcement of the third round of quantitative easing measures by the US the interest rate will stay at an exceptionally low level. The expectation of the public that the funds flowing into Hong Kong will further push up asset prices for at least two or three years has made the property market even more exuberant. Since the market in general is not alert enough and ignores the fact that flat prices have already risen to a level beyond the purchasing power and out of tune with the local economy, flat prices may continue to spiral upward. In this regard, apart from introducing a Special Stamp Duty for a longer period and higher duty rates, we have also introduced for the first time a brand new Buyer's Stamp Duty.

This new measure is applicable to buyers of residential properties in Hong Kong who are non-Hong Kong permanent residents, including foreigners, local and non-local companies. They are required to pay the Buyer's Stamp Duty at 15 per cent on top of the existing stamp duty. Special Stamp Duty will also be charged on resale within three years. This measure will increase substantially the cost for non-Hong Kong permanent residents of purchasing local residential properties, hence reducing their desire to purchase.

We have already resumed land sales and the supply of land should address the shortage in the long run. Nevertheless, it takes time for residential properties to come on stream. To address the current exuberant state of the property market, we see the need to implement as early as possible new measures to manage the demand. Hong Kong has adopted a simple tax regime and new types of taxes will not be introduced lightly. However, the two measures introduced could tackle the problem of short-term speculative activities and alleviate the immediate demand for residential properties in the most effective and targeted manner, hence addressing the mismatch in demand and supply.

It is our long-standing policy to ensure the healthy and stable development of the property market. We shall continue to monitor the lasting impact of the external economy on Hong Kong and closely evaluate the effectiveness of the measures. We will take appropriate action if necessary.

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