

CONTROLLING OFFICER'S REPLY**FSTB(Tsy)133****(Question Serial No. 4107)**Head: (76) Inland Revenue DepartmentSubhead (No. & title): ()Programme: (1) Assessing FunctionsControlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

In reply to enquiries made by a Councillor (LC Paper No. CB(1)562/12-13(01)), the Inland Revenue Department (IRD) had indicated that it had been keeping watch on suspected speculation cases involving share transfer of "property holding companies" to ensure that profits derived from property speculations were duly taxed. In this connection, we would like to ask the Government to provide:

- 1) the number of cases involving share transfer of "property holding companies", suspected speculation cases, follow-up cases, completed review cases, cases subject to profits tax and the amount of tax involved (\$ million) as recorded by the IRD over the past 5 years in the table below:

Financial Year	Number of cases involving share transfer of "property holding companies"	Number of suspected speculation follow-up cases	Number of completed review cases	Cases subject to profits tax	
				Number of cases	Amount of tax assessed (\$ million)

- 2) the number of cases (to be set out by year and property type) where exemption from Buyer's Stamp Duty (BSD) was granted to the acquisition or transfer of a residential property between associated bodies corporate as recorded by the IRD over the past 5 years and the amount of BSD exempted.

Asked by: Hon CHAN Tanya (LegCo internal reference no.: 68)

Reply:

- 1) As not each and every transfer of shares in a company which owns a property would constitute speculation, for the purposes of identifying property speculation cases, the Inland Revenue Department (IRD) only collects statistics on transfers of shares in which property constituted the principal asset of the company. As such, the IRD cannot provide the total number of transfer of shares in a company which owns a property. In the past 5 financial years, the statistics on the number of suspected speculation follow-up cases and completed review cases involving share transfer of property holding companies as recorded by the IRD are shown in the table below:

Financial Year	Number of suspected speculation follow-up cases	Number of completed review cases	Cases subject to profits tax	
			Number of cases	Amount of tax assessed (\$ million)
2015-16	746	729	42	20.7
2016-17	871	853	36	15.7
2017-18	1 414	1 359	31	29.7
2018-19	1 324	908	6	3.7
2019-20 (as at 29 February 2020)	751	274	0	0

When stamping the transfer of shares in private companies, the Stamp Office of IRD will screen out cases in which properties constituted the principal assets of the company and refer these cases to the Profits Tax Unit for review. The Profits Tax Unit will examine each case and the relevant facts thoroughly, including the length of the holding period of the shares, the motive for acquiring the shares and the financial arrangements entered into, and determine whether the share transfer amounts to a trading activity and is subject to profits tax.

The above figures only show the IRD's effort in detecting property speculation cases for the purpose of levying profits tax. They do not represent a full picture of all property speculation cases handled by the IRD as some taxpayers may have reported their property speculation gains in their tax returns and paid the tax accordingly. The IRD does not maintain statistics on the tax assessments made ultimately or the amount of tax assessed from these cases.

- 2) The number of applications for exemption from buyer's stamp duty (BSD) for transfer of residential properties between associated bodies corporate and the amount of BSD involved for each of the financial years from 2015-16 to 2019-20 are as follows:

Financial year	Number of Applications	Amount of BSD involved (\$ million)
2015-16	223	1,335
2016-17	162	1,039
2017-18	223	1,243
2018-19	206	2,440
2019-20 (as at 29 February 2020)	160	2,144

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