

CONTROLLING OFFICER'S REPLY

FSTB(Tsy)025

(Question Serial No. 2973)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: (1) Assessing Functions

Controlling Officer: Commissioner of Inland Revenue (TAM Tai Pang)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

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 five 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 five years and the amount of BSD exempted.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 121)

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 of companies of which properties constituted the principal assets. In the past five financial years, the statistics on the number of suspected speculation follow-up cases involving transfer of shares in property holding companies and completed review cases recorded by the IRD are shown in the table below:

Financial Year	Number of follow-up cases	Number of completed review cases	Cases subject to profits tax	
			Number of cases	Amount of tax assessed (\$ million)
2016-17	871	859	39	21.04
2017-18	1 414	1 364	36	33.66
2018-19	1 324	1 061	35	19.21
2019-20	788	374	7	5.49
2020-21 (as at 28 February 2021)	643	239	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 pass 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.

- 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 2016-17 to 2020-21 are as follows:

Financial year	Number of Applications	Amount of BSD involved (\$ million)
2016-17	162	1,039
2017-18	223	1,243
2018-19	206	2,440
2019-20	160	2,144
2020-21 (as at 28 February 2021)	237	5,180

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