



## INLAND REVENUE DEPARTMENT, STAMP OFFICE

1/F, Inland Revenue Centre,  
5 Concorde Road, Kai Tak, Kowloon, Hong Kong

### STAMPING PROCEDURES AND EXPLANATORY NOTES

#### **Stamp Duty Exemption Instruments of Transfer relating to Indirect Allotment or Redemption of (1) Units under Unit Trust Schemes and (2) Shares under Open-ended Fund Companies**

##### **Introduction**

Under the Stamp Duty Ordinance (Cap. 117) (“SDO”), any person who effects any sale or purchase of Hong Kong stock is required to make and execute a contract note. For registered transfers, the person also needs to execute an instrument of transfer. Currently, a duty at the fixed rate of \$5 is charged on each instrument of Hong Kong stock transfer; and additionally, an ad valorem stamp duty at the rate of 0.13% of the consideration per contract note (or 0.26% for a round transaction) is charged where the transfer is pursuant to a sale and purchase.

2. For Hong Kong unit trust schemes (other than those traded on the Exchange), most transfers are not chargeable with the ad valorem duty because they are effected through issuance of new units and cancellation of existing units by the manager of the scheme instead of sale and purchase between investors. By virtue of section 19(1A) of the SDO, transfers relating to the issue of units by fund managers or redemption of units under unit trust schemes are exempt from the payment of ad valorem stamp duty. However, the exemption does not cover the fixed duty of \$5 payable on each instrument of transfer of these transfers. For overseas unit trusts fund which are not Hong Kong stock, stamp duty does not apply.

3. The Financial Secretary proposed in the 2003-04 Budget to grant exemption of the fixed stamp duty of \$5 to the subscriptions to and redemptions of units of unit trust funds. The Revenue (No. 3) Ordinance 2003 amended the SDO to introduce section 47B to implementing this proposal. This exemption is applicable to all relevant transactions effected on or after **14 November 2003**.

4. The Securities and Futures (Amendment) Ordinance 2016 (“the Amendment Ordinance”) comes into operation on 30 July 2018 to introduce a new open-ended fund company (“OFC”) structure in Hong Kong. Under section 37B of the SDO, which is introduced by the Amendment Ordinance, the allotments, transfers and redemptions of shares in OFCs will be treated as if they were units under unit trust schemes. Therefore, the exemption under section 47B is also applicable to the transfer of shares under OFCs.

## Exemption under Section 47B of the Stamp Duty Ordinance

5. Section 47B exempts instruments of transfer relating to indirect allotment or redemption of units under unit trust schemes from the payment of fixed stamp duty of \$5. The requirement to submit such instruments of transfer to the Collector for endorsement is correspondingly removed as they are no longer chargeable instruments. The exempted transactions are as follows -

- (a) where the transfer is effected by extinguishing such unit [section 47B(2)];
- (b) where the transfer of the unit is effected by the managers under the unit trust scheme and their power to effect such transfer arises from the transfer to them of that or some other unit within the immediately preceding 2 months [section 47B(3)]; and
- (c) where the transfer of the unit is effected by the managers under the unit trust scheme and their power to effect such transfer arises otherwise than from a previous transfer to them of that or some other unit [section 47B(1)].

6. Instruments of transfer of the aforesaid types are *not required* to be presented to the Stamp Office for stamping or endorsement. They can be acted upon, filed and registered by the manager or trustee of the unit trust scheme without stamping or endorsement.

## Other Sales or Purchases or Transfers of Units

7. It should be noted that the exemption only applies to indirect allotment and redemption as set out in paragraph 5 above. Any other types of sales or purchases or transfers of units are still subject to the current provisions of the SDO.

## Enquiries

8. For enquiries, please contact the Stamp Office by telephone or in writing as follows:-

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**STAMP OFFICE**

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