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HONG KONG BUDGET: PROGRESSIVE PROPERTY RATES COULD SEE OWNERS OF PRICIER FLATS PAYING MORE

Financial Secretary Paul Chan said the implementation of a progressive rating system could earn the government HK\$7.6 billion annually.

Hong Kong aims to introduce a progressive rating system for residential properties that would see owners of pricier flats paying more in property rates, the city's financial chief announced on Wednesday as the latest budget was revealed.

Rates are a form of tax paid by property owners in Hong Kong, charged at a percentage of the rateable value of the property, which is its estimated annual rental value. Financial Secretary Paul Chan said the implementation of a progressive rating system could earn the government HK\$7.6 billion annually.

For properties with a rateable value of HK\$550,000 or below, it was suggested the rates will be charged at the current level of 5 per cent. For units with a higher rateable value, the first HK\$550,000 would be charged at five per cent and the subsequent HK\$250,000 will be charged at 8 per cent. Units with a rateable value exceeding HK\$800,000 will be charged at 12 per cent.

“This can better reflect the “affordable users pay” principle,” Chan said.

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The government also proposed restricting property rates concessions for domestic properties to apply only to individual people on only one residential property, meaning companies that owned domestic properties would not be able to apply for rates concessions.

When asked whether the progressive rating would impact the middle class, Chan said that the government had evaluated “middle class properties” such as Kornhill Garden and Taikoo Shing, and he expected that such properties would not be effected.

CHINA'S XIAMEN CITY PAVES WAY FOR LONG-DISCUSSED PROPERTY TAX PILOT

The Chinese city of Xiamen is preparing for the launch of a pilot real estate tax as part of efforts to guard against major market fluctuations, in the latest sign China is moving closer to adopting the levy.

Long-discussed reforms such as property and inheritance taxes to tackle a wealth gap are expected to gain momentum after President Xi Jinping called for China to achieve so-called common prosperity.

In October, the top decision-making body of parliament said it would roll out a pilot real estate tax in some regions, but which regions would be involved and other details have not been disclosed. [read more](#)

The city's statistics bureau said measures would be introduced to boost common prosperity.

"We should prepare for implementation of real estate tax pilot in Xiamen so as to guard against major fluctuations in the city's real estate market," it said in a statement on its website.

Xiamen, on the southeast coast in Fujian province, is the first Chinese city to suggest preparatory work for the property tax, said Yan Yuejin, research director of Shanghai-based E-house China Research and Development Institute.

"The system and framework for the property tax must be explored and set up at an accelerated pace," said Yan.

"For ... the goal of common prosperity, this task is bound to actively advance."

The idea of a levy on home owners first surfaced in 2003 but has failed to take off due to concern it would damage property demand and undermine prices, triggering a fiscal crisis for local governments dependent on land sales for income.

Talk of a property tax is coming at a sensitive time, with the property market facing multiple headwinds in 2022 as home prices fall and property investment slumps.

Xiamen's property market is facing its own difficulties, including cautious land purchases by developers and continued low sales of commercial properties, according to the statement.

This week, Xiamen tightened regulatory supervision of funds managed by developers, requiring them to put all deposits collected from home buyers in escrow accounts, concerned funds might be diverted to meet other needs, in a capital-starved sector. [read more](#)

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