Hong Kong stock exchange ‘disappointed’ by 30% stamp-duty increase

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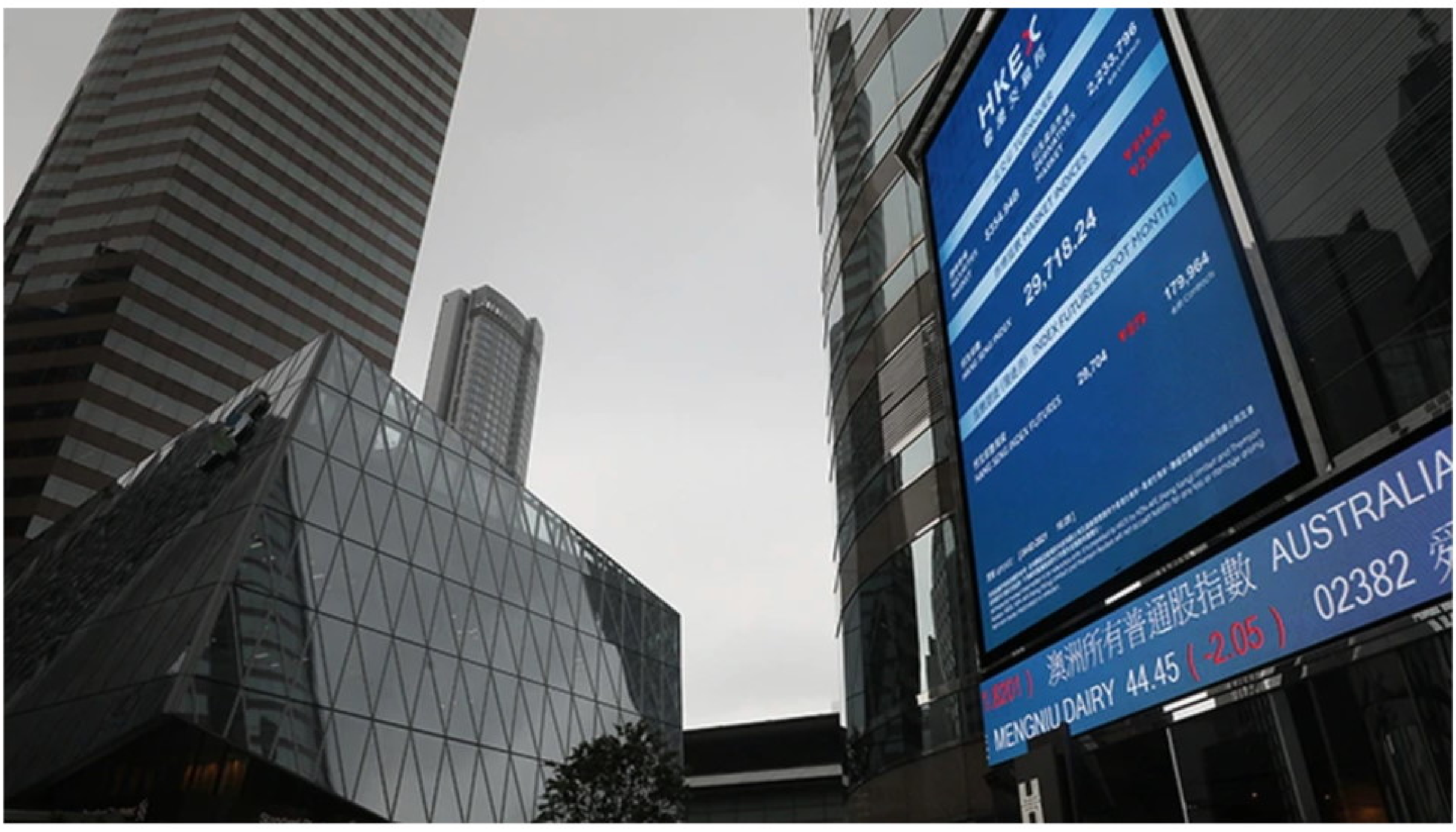

Hong Kong’s stock exchange said it was disappointed by the government’s decision to raise stamp duty from 0.1% to 0.13% of the transaction value, a move that has also spooked investors and caused shares to fall on Wednesday.

Financial Secretary Paul Chan announced the tax hike in his latest budget speech — the first time that Hong Kong has increased its stamp duty since 1993.

The HKEX, the city’s stock exchange, was “disappointed” by the policy. “But we understand that the stamp duty is an important source of government revenue,” a spokesperson told Apple Daily.

Shares in the Hong Kong stock exchange plunged 8.7% following the announcement while the Hang Seng Index fell by 914 points to 29718.

A government source told Apple Daily that the tax hike will take effect on Aug. 1 and is expected to bring an additional HK$12 billion (US$1.5 billion) to government offers annually. The move is not expected to impact the market, and the daily trading volume is expected to stay at around HK$130 billion, the source said.

Christopher Cheung, a lawmaker representing the financial services sector, said the tax hike was “regrettable and disappointing,” adding that it was unfair that the government selectively targeted his industry.

“Our industry representatives have expressed our difficulties to the government, but it seems they have fallen on deaf ears,” Cheung said. “[I hope] the government will lower the stamp duty after the coronavirus pandemic is over and the economy rebounds.”

Hong Kong’s stamp duty is high compared to other major markets, and the tax hike will discourage investors, he added.

Stamp duty is a steady revenue stream for the government, but the tax hike is not a stable long-term measure, said Raymond Cheng, president of the Hong Kong Institute of Certified Public Accountants.

In his budget speech, the financial secretary rejected the idea of introducing new taxes and said it was “not the appropriate time to revise the rates of profits tax and salaries tax,” as businesses and individuals are under considerable financial pressure due to the pandemic.