

SEMINAR-END EXERCISE (ANSWER)

1. Exercise - Test yourself

	Yes	No
(a). SSD is payable if the transaction involves the sale and purchase or transfer of a commercial property.		✓
(b). For SSD purposes, the date of “acquisition” and the date of “disposal” of a property is the date when a chargeable agreement for sale is entered into.	✓	
(c). Where the purchaser is a Hong Kong permanent resident acquiring the residential property on his / her own behalf, BSD is payable if a provisional agreement for sale and purchase was entered into on or after 27 October 2012		✓
(d). Both BSD and SSD are charged at the rate of 15%		✓

Exercise:

2. Mr. Chan acquired a residential property on 22 March 2011 and disposed of it on 30 November 2013. Any SSD liability when Mr. Chan disposed of the property?

Ans: The subject property was acquired between 20 November 2010 and 26 October 2012, and disposed of after 24 months from the date of acquisition

Date of disposal	Rate for properties acquired between 20 November 2010 and 26 October 2012	Rate for properties acquired on or after 27 October 2012
Within a period of 6 months	15%	20%
After expiry of a period of 6 months but within a period of 12 months	10%	15%
After expiry of a period of 12 months but within a period of 24 months	5%	10%
After expiry of a period of 24 months but within a period of 36 months	--	10%

No SSD is payable.

3

Exercise:

3. Mr. Ho acquired a residential property on 10 September 2011 and disposed of it for \$6.5M on 10 March 2012. How to calculate the holding period of the property? What is the rate of SSD? What is the amount of SSD payable?

Ans: The subject property was acquired between 20 November 2010 and 26 October 2012 and has held the property for more than 6 months but not more than 12 months

Date of disposal	Rate for properties acquired between 20 November 2010 and 26 October 2012	Rate for properties acquired on or after 27 October 2012
Within a period of 6 months	15%	20%
After expiry of a period of 6 months but within a period of 12 months	10%	15%
After expiry of a period of 12 months but within a period of 24 months	5%	10%
After expiry of a period of 24 months but within a period of 36 months	--	10%

$$\text{SSD} = \$6,500,000 \times 10\% = \$650,000$$

4

Exercise:

4. Mr Wong acquired a residential property on 1 November 2012 and disposal of it for \$3M on 1 January 2013. How to calculate the holding period of the property? What is the rate of SSD? What is the amount of SSD payable?

Ans: The subject property was acquired on or after 27 October 2012 and disposed of within 6 months from the date of acquisition.

Date of disposal	Rate for properties acquired between 20 November 2010 and 26 October 2012	Rate for properties acquired on or after 27 October 2012
Within a period of 6 months	15%	20%
After expiry of a period of 6 months but within a period of 12 months	10%	15%
After expiry of a period of 12 months but within a period of 24 months	5%	10%
After expiry of a period of 24 months but within a period of 36 months	--	10%

$$\text{SSD} = \$3,000,000 \times 20\% = \$600,000$$

5

Exercise:

5. Ms. Cheung acquired a residential property on 15 October 2012 and disposal of it for \$4M on 15 December 2014. How to calculate the holding period of the property? What is the rate of SSD? What is the amount of SSD payable?

Ans: The subject property was acquired between 20 November 2010 and 26 October 2012 and disposed of for more than 24 months

Date of disposal	Rate for properties acquired between 20 November 2010 and 26 October 2012	Rate for properties acquired on or after 27 October 2012
Within a period of 6 months	15%	20%
After expiry of a period of 6 months but within a period of 12 months	10%	15%
After expiry of a period of 12 months but within a period of 24 months	5%	10%
After expiry of a period of 24 months but within a period of 36 months	--	10%

No SSD is payable.

6

Exercise:

6. Mr. Chan, a non Hong Kong Permanent Resident (HKPR), signed a provisional agreement for sale to acquire a residential property on 1 November 2012 at the purchase price of \$3M. The formal agreement for sale was signed on 15 November 2012. Will Mr. Chan be liable to pay BSD?

- Ans:** ✓ The property acquired is a residential property;
✓ The property was acquired on or after 27 October 2012;
✓ The purchaser or transferee is a non HKPR

 BSD is payable by Mr. Chan

$$\text{BSD} = \$3,000,000 \times 15\% = \$450,000$$

7

Exercise:

7. Mr. Lee, a Hong Kong permanent resident (HKPR), and his spouse Ms. Cheung jointly purchased a residential property on 1 November 2012 at the purchase price of \$3M. Ms. Cheung is not a HKPR. Whether the transaction is chargeable with BSD?

Ans: Acquisition of residential properties by close relatives (i.e. spouse, parents, children, brothers and sisters) jointly if one of them is a HKPR is not chargeable with BSD.

Mr. Lee and his spouse are **not required to pay BSD for the transaction.**

8

Exercise:

8. Is a company whose shareholders and directors are all HKPRs liable to BSD ?

Ans: A limited company, regardless the residency status of its shareholders and directors, will be liable to BSD if it acquires a residential property on or after 27 October 2012.

9

Exercise:

9. Mr. Wong and Mr. Ho jointly purchased a residential property on 1 November 2012 at the purchase price of \$4M. Mr. Wong is a HKPR whereas Mr. Ho is not. They are not close relatives (i.e. spouse, parents, children, brothers and sisters) . What is the amount of BSD payable?

Ans: If a residential property is jointly acquired by a HKPR and a non HKPR, who is not a close relative of the HKPR, as joint tenants or tenants-in-common, the BSD rate will apply on the stated consideration or full value of the property, whichever is the higher, regardless of the share of the non HKPR in the acquisition of the property.

In the above situation, the amount of BSD payable is:

$$\text{\$4,000,000} \times 15\% = \text{\$600,000}$$

10

Exercise:

10. Mr. Lee, entered into a provisional agreement for sale and purchase on 1 November 2012 to acquire a residential property at the purchase price of \$5M. On 30 November 2012, Ms. Cheung's name was added in the formal agreement for sale and purchase as one of the joint tenants. Ms. Cheung is neither a HKPR nor the close relative of Mr. Lee. Will Mr. Lee and Ms. Cheung be liable to pay BSD? What is the amount of BSD payable?

Ans: In the above situation, Ms. Cheung has acquired part of the property from Mr. Lee.

As Ms. Cheung is not the close relative of Mr. Lee, there will not be exemption from BSD. They are liable to pay BSD on the full amount of the consideration or the value of the property, whichever is the higher.

The amount of BSD payable is:

$$\mathbf{\$5,000,000 \times 15\% = \$750,000}$$