

# Broadening the Tax Base Ensuring our Future Prosperity

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# Property



Consultation Document Leaflet

July 2006

Financial Services and the Treasury Bureau  
The Government of the Hong Kong Special Administrative Region

This leaflet is specifically provided for reference by the property sector and is designed to supplement the information outlined in the Consultation Document.

## General

### **1 How would the proposed Goods and Services Tax (GST) apply to the property sector?**

It is proposed that the sales and rentals of non-residential property would be subject to GST. Residential property sales and rentals would be treated as exempt under the GST.

### **2 What impact would the GST have on the property sector?**

Under the proposed framework, sales and rentals of residential property would be exempt. For non-residential property, while sales and rentals would be subject to GST, the tax so incurred could be reclaimed by registered businesses. It is expected that GST's impact on property sector would be insignificant.

### **3 What would be the treatment of fees charged for accommodation provided by hotels and boarding houses? Would the treatment be different if the letting was on a long-term basis?**

Long-term accommodation in hotels, serviced apartments and boarding houses is in effect residential accommodation.

We propose following the Hotel Accommodation Tax treatment that if the tenure of stay was equal to or more than 28 days, it would be treated as residential accommodation and GST would not be charged.

## **For businesses**

### **4 How would businesses engaged in property development be affected?**

Developers of non-residential property would be able to claim the GST incurred on their inputs, for example materials used in the construction of the property.

For residential property, developers could not reclaim any GST related to their inputs.

## **5** Would a car parking space be classified as residential property?

If the parking space was sold or leased together with a residential property, it would be treated as part of the residential property and be exempt from GST.

Conversely, a parking space sold or leased on its own would not be considered as part of a residential property and would be subject to GST.

### **For individuals**

## **6** Would management fees be subject to GST?

If the management company was registered for GST, management fees would be subject to GST. If the management company was not GST-registered, for instance because its annual turnover was below the registration threshold, then its fees would not be subject to GST.

## **7** Would a property agent's commission be subject to GST?

If the property agent was GST-registered, the commission would be subject to GST.

## **Additional Information Available**

An electronic copy of this leaflet, the Consultation Document, as well as other relevant reports and leaflets are available at the website **[www.taxreform.gov.hk](http://www.taxreform.gov.hk)**.

Further information will be posted on to this website when appropriate.

## **Additional Leaflets**

- Tax Reform and Households
- Small Business
- Wholesale and Retail Sector
- Import/Export Trade and Logistics Sector
- Financial Services Sector
- Tourism and Hospitality Sector