



Research Findings Seminar

“The Effect of Transaction Taxes: Evidence from the Additional Stamp Duties in Hong Kong” (in English)

Presenter: Ms HU Mengna (MPhil Student)
Date: 10 April 2017 (Monday)
Time: 9:30 – 10:30 am
Venue: WYL314, Dorothy Y. L. Wong Building
Chief Supervisor: Prof. Xiangdong WEI (Professor)
Co-supervisors: Prof. Lok-sang Ho (Dean, Faculty of Business,
Chu Hai College of Higher Education)
Dr. Gary Wong (Senior Lecturer)

Abstract

This paper exploits the additional stamp duties imposed by the Hong Kong government aimed at addressing the overheated property market to estimate the effects of transaction taxes on trading activity and house prices in the residential real estate market. We proceed the analysis by employing two different datasets and two distinct methodologies. A standard panel regression model is used to assess the impacts of the transaction taxes at estate level, and a non-linear time series model (smooth transition autoregressive model) is utilized to identify possible structural breaks caused by the policy intervention. Using the disaggregate dataset of 125 housing estates, we find the reduction in trading activity in the mass market affected by the policy is around 24.3% and the reduction is considerably attributed to the drop in the small-sized house market segments. The overall house price in the mass market is increased by 1.1% following the tax policy over the selected sample period. Our empirical result also suggests that the policy intervention generates heterogeneous impacts to the price appreciation rates of various submarkets classified by home salable size. The prices in the small-sized market segments (Class A and B) are significantly driven up since the policy intervention by an amount of 1.0% and 0.7% respectively, while the effects on the prices in other higher-end market segments turn out statistically insignificant. Using the aggregate dataset, the findings from the non-linear time series models are consistent with those from the linear panel model. We detect policy-caused structural break in the transaction volumes whereas the regime-switching behavior in the house prices in the mass market is not observed following the policy imposition, implying that the policy fails to reduce the price growth rate. Besides, the empirical comparison between Hong Kong and Singapore in terms of the tax policy effectiveness indicates that the market structure matters.

ALL ARE WELCOME

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