

LEHMAN, LEE & XU

雷曼律师事务所



PRESS RELEASE

“CHINA CUTS TAXES AND LOWERS MORTGAGE DOWN PAYMENTS ON REAL PROPERTY TRANSACTIONS”

Beijing, China – Friday 24 October, 2008 –

Yesterday, the central government lowered transaction taxes, reducing down payments and lowering mortgage rates on transactions involving real property. The Ministry of Finance and the central bank yesterday announced that the property purchase tax would be lowered to 1 percent for people buying their first home if it is smaller than 90 sq m. Previously, the rate was 3 percent when buying a house smaller than 140 sq m paying 1.5 percent. The new rate will be effective as of Nov 1. Down payments were also lowered for those purchasing their own home for the first time. The down payment ratio will be lowered to 20 percent, and banks will be allowed to charge as low as 70 percent of benchmark lending rates for such mortgages. Both measures are effective as of next Monday (Oct 27). The current down payment ratio is 30 percent, or even higher, for those buying large luxury houses or in areas where property prices were deemed to be rising too fast. The ministry and the central bank said the moves are aimed at increasing consumption to shore up the national economy amid the global and domestic economic slowdown.

Scott Garner of Lehman, Lee & Xu commented that “the housing market in several major cities is in a downturn in which housing prices have ballooned over the past several years and are now stalled. The situation we are now facing is one in which homes are overvalued and out of reach for most buyers. Official figures show that housing prices have doubled since 2004. The government and most analysts are expecting a correction in the housing market, which could be as much as 20%. Obviously, this is a situation that the government would like to avoid. However, while a market correction would be detrimental to current home owners, it would bring homes within reach of potential buyers, which is certainly not the case now.”

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm is recognized as a leading expert in corporate law and an active member of the Shanghai community.

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