G20 nears consensus on yuan role in SDR

The Standard, Hong Kong
Friday April 01, 2011

Finance ministers made modest progress yesterday to reform the global monetary system that French President Nicolas Sarkozy said it so unstable, it could tip the world economy back into crisis.

Ministers and central bankers from the Group of 20 leading economies edged towards a consensus on the need to include the yuan in the basket of currencies that makes up the Special Drawing Right, the International Monetary Fund's in-house money.

Adding the yuan to the SDR would be a recognition of China's ever-growing economic clout. It would also be a concrete step to making the global monetary order more representative and, mnisters hope, more solid.

The US dollar, euro, yen and sterling make up the SDR, a synthetic quasi- currency and IMF accounting tool.

But mainland officials bristled at the idea of strict conditions.

Hong Kong, Spain Sign DTA

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, April 05, 2011

The 20th comprehensive agreement for the avoidance of double taxation (DTA) concluded by Hong Kong with its trading partners was signed on April 1 in Hong Kong by the Chief Secretary for Administration, Henry Tang, and the Spanish Second Vice-President, Elena Salgado.

Under the agreement, Hong Kong airlines operating flights to Spain will be taxed at Hong Kong's corporation tax rate (which is lower than that of Spain). Profits from international shipping transport earned by Hong Kong residents that arise in Spain, which are currently subject to tax there, will not be taxed in Spain under the agreement.

It was confirmed that Hong Kong is actively seeking to establish a network of DTAs with its major trading and investment partners. Where DTA discussions with some jurisdictions cannot be started for the time being, Hong Kong will seek to conclude limited double taxation avoidance arrangements for airline and shipping income with relevant partners. 27 avoidance of double taxation agreements on airline income, six agreements on shipping income and two agreements on airline and shipping income have, so far, been agreed.

Hong Kong Issues REIT Guidance

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, April 12, 2011

Hong Kong's Securities and Futures Commission (SFC) has published an investor education article explaining key features and risks related to latest real estate investment trust (REIT) products, particularly to those denominated and trading in renminbi (RMB).

In Hong Kong, a REIT, a collective investment scheme in a portfolio of income-generating real estate, may borrow up to 45% of its gross asset value and has to distribute at least 90% of its after tax net income in the form of dividends. Investors are urged to study offering documents and consult, where appropriate, professional advisers before making any investment decision in relation to REITs.

Currently, for example, while foreign interests in property located in mainland China are generally held via a joint venture with a finite term, the value of the REIT's investment in such real estate will decrease over time and there will be no residual value at the end of the term. Therefore, any suggestion that any single interest in real estate held to the end of the term would still provide value, because of the expectation that the real estate would appreciate in value over time, may be unsupportable.

In addition, the dividend income of a foreign corporate investor received from an entity established in mainland China is subject to 10% withholding tax on the Mainland. Depending on the availability of any tax treaty between the foreign corporate investor's jurisdiction and mainland China, such withholding tax may be subject to a preferential treatment where the taxation rate may be reduced.

The units of an RMB REIT are denominated, traded and settled on the Stock Exchange of Hong Kong in RMB. In general, distributions from an RMB REIT will be made in RMB rather than HKD, and non RMB-based investors will be maintaining a currency conversion risk.

It was also stressed that an investment in an RMB REIT should not be used to bet on the appreciation of the RMB. In addition, as the RMB is not freely convertible and is subject to foreign exchange controls and restrictions, the liquidity and trading price of the units of an RMB REIT may be adversely affected given the limited availability of RMB outside of China.

Hong Kong Pushes E-Filing Of Profits Tax Returns,

By Mary Swire, Tax-News.com, Hong Kong
Friday, April 15, 2011

Profits tax returns began to be issued on April 1 and Hong Kong's Internal Revenue Department has taken the opportunity of issuing a guide to their e-filing.

Corporations and partnerships may be able to file their profits tax returns for 2009/10 and 2010/11 electronically under eTAX. The guide states the conditions that those businesses must satisfy in order to use that internet filing service. If a corporation or partnership does not satisfy any one of the conditions, it cannot use eTAX.

For example, a corporation's gross income should not exceed HKD2m (USD257,000); it should not be claiming a foreign tax credit; it should not have obtained an advance ruling on any of its tax matter in relation to that year of assessment; and it should not have paid or accrued to a non-resident person any sum for the use of intellectual property.

Only an eTAX account holder in the following capacity can sign and submit the profits tax return that meets the criteria for internet filing - the director, secretary or manager of the corporation; the senior partner of the partnership; or the sole proprietor of the business (if it was changed from a partnership to a sole proprietorship during the basis period for the year of assessment).

Foreign investment in China Surges

by RTHK English News, Hong Kong
Tuesday, April 19, 2011

Foreign directo investment in mainland China surged by one-third last month to US$12.5-billion. Analysts say this highlights growing overseas confidence in the world's second largest economy. For the first three months of the year, foreign direct investment rose 29.4 percent year-on-year to US$30-billion.

The analysts say robust economic growth on the mainland and expectations for a stronger currency have attracted a growing number of overseas investors, who are hoping for a better return on their money.

Hong Kong, Russia Look for Increased Cooperation

By Mary Swire, Tax-News.com, Hong Kong
Wednesday, April 20, 2011

During the visit of the Russian President Dmitry Medvedev to Hong Kong, the latter's Chief Executive Donald Tsang said that there is "enormous potential for stronger links" between the two economies.

Tsang pointed out that there has already been the first listing of a Russian company on the Hong Kong stock exchange. In fact, two companies with Russian background have so far listed in Hong Kong, UC Rusal and IRC, and it is expected that further Russian companies will join them shortly.

He also confirmed that, as banks operating in Hong Kong can offer a full range of renminbi (RMB) services, Russian businesses can use Hong Kong "as a stable and efficient platform to settle their Mainland trade using RMB. They can also issue RMB-denominated bonds in Hong Kong. VTB Bank achieved a successful RMB bond issue last year – the first by a Russian company."

He also stated that it is "Another way for Russian firms to expand their reach in the Mainland is through our unique free trade arrangement.". He asked Russian companies to explore how they could benefit from the Mainland-Hong Kong Closer Economic Partnership Arrangement, whereby Russian companies incorporated in Hong Kong could enjoy enhanced access to Mainland markets. "Goods that qualify as 'made in Hong Kong' and meet some straightforward rules of origin, enjoy tariff-free treatment under CEPA," he explained.

He also added that, with the ever-closer ties between the two economies by way of investment and trade, Hong Kong would like to add a double taxation agreement with Russia to the expanding list of such agreements it has with countries around the world.

Times good for top mainland banks

by Natallie Cai, The Standard, Hong Kong
Friday, April 29, 2011

The mainland's six largest banks have all reported robust first-quarter net profit, boosted by interest rate hikes.

Industrial and Commercial Bank of China (1398), the world's largest lender by market value posted a 29.46 percent jump in net profit to 53.79 billion yuan (HK$64.26 billion) in the January-to-March period-beating market forecasts.

Meanwhile, Bank of China (3988) saw a 27.8 percent rise in net profit for the first quarter to 33.44 billion yuan.

Net interest income of ICBC totaled 85.38 billion yuan, up 24.82 percent, and that of BOC climbed 20.29 percent to 53.54 billion yuan.