Top banks posed to hike credit card fees from July

by Victor Cheung, The Standard, Hong Kong

Monday, April 02, 2012

Leading Banks will raise interest rates and fees for credit cards from July.

This comes just a month after the rollout of the third stage of reforms to improve disclosure and other practices undertaken by the Hong Kong Monetary Authority in conjunction with the Hong Kong Association of Banks.

This stage of reforms involve nine measures and three of these will be implemented this year. The remainder will come into force next year. Smaller banks are also expected to revise rates and fees.

Hong Kong and Shanghai Banking Corp said on Friday that interest rates on outstanding credit card balances and cash advances, effective from July, will be an annualized 34.46 percent and 35.61 percent, respectively, up more than 2.5 percentage points on each front.

Hang Seng Bank (0011) has raised rates and fees effective this month followed by Bank of China (Hong Kong) (2388) and China Construction Bank Asia in May.

DBS said it has no plans to raise interest rates and fees.

Hong Kong Issues 2011-12 Tax Returns

by Mary Swire, Tax-News.com, Hong Kong

Wednesday, April 04, 2012

On April 2, Hong Kong’s Inland Revenue Department (IRD) issued about 170,000 profits tax returns, 120,000 property tax returns and 220,000 employer's returns for the year of assessment 2011/12, and about 2.16m tax returns for individuals will be issued on May 2.

In this year's Budget, the Financial Secretary proposed a one-off reduction of 75% of profits tax, salaries tax and tax under personal assessment for 2011/12, subject to a ceiling of HKD12,000 (USD1,545). Upon enactment of the relevant legislation, the IRD will make the tax reduction in this year's tax bills.

An IRD spokesman states that Individuals with rental income, if eligible, can enjoy the reduction by electing personal assessment. They can make the election when completing their 2011/12 tax returns. The Department will check in each case whether the election will reduce the amount of tax payable, and assess each taxpayer in the way most advantageous to him.

China Expands RMB Overseas Investment Scheme

by Mary Swire, Tax-News.com, Hong Kong
Friday, April 06, 2012

After close consultations between Hong Kong's Securities and Futures Commission (SFC), the People's Bank of China and China's State Administration of Foreign Exchange, the China Securities Regulatory Commission (CSRC) has announced an expansion of the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme.

RQFII status is granted to qualified Chinese fund managers and securities companies to allow their Hong Kong subsidiaries to channel RMB raised in Hong Kong to invest directly in the China bond and equity markets (including the inter-bank bond market and the exchange-traded bond market).

Launched in December last year, the pilot scheme was then lauded as another major milestone in the process of transforming RMB into an internationally accepted and widely used currency, and also a confirmation of the strategic significance of Hong Kong as a testing ground for financial reforms in China.

According to its guidelines, under the pilot project, which provided for an initially-low RMB20bn (USD3.18bn) investment cap, an RQFII fund should be comprised of at least 80% in RMB debt instruments issued in mainland China and an optional not-more-than 20% in equity investments in that market. Subscriptions and redemptions of fund units are settled in RMB.

During the course of the pilot, the CSRC has, so far, approved a total of 21 institutions and has confirmed that it has already played an active role in expanding the openness of the Chinese capital market, promoted the internationalization of the RMB, and consolidated and enhanced Hong Kong as an international financial centre.

China's inflation rate edges higher

by RTHK News, Hong Kong
Tuesday, April 10, 2012

China's inflation rate edged up in March, driven by rising food costs, official data showed Monday.

The consumer price index rose to 3.6 percent in march from 3.2 percent in February, slightly higher than analysts' expectations, as bad weather pushed up food prices and authorities raised the price of fuel.

Inflation hit a high of 6.5 percent last July, but has gradually slowed since then. In February it hit its lowest rate since 2010, and analysts expect it to remain under four percent this year, allowing the government to further loosen credit conditions to boost businesses hit by the global economic slowdown.

Hong Kong, Spain DTA Enters Into Force

by Mary Swire, Tax-News.com, Hong Kong
Monday, April 16, 2012

The agreement for the avoidance of double taxation (DTA), signed between Hong Kong and Spain on April 1 last year, came into force on April 13, after the completion of ratification procedures on both sides.

The DTA with Spain sets out clearly the allocation of taxing rights between the two jurisdictions and the relief on tax rates on different types of passive income, and should help investors better assess their potential tax liabilities from cross-border economic activities. It is expected that the agreement will boost closer economic and trade ties between the two places.

The Hong Kong government also hopes that the DTA will provide added incentives for companies in Spain to do business or invest in Hong Kong.

In the absence of a DTA, income earned by Spanish residents in Hong Kong is currently subject to both Hong Kong and Spanish income tax. Profits of Spanish companies doing business through a branch in Hong Kong are fully taxed in both places. Under the agreement, tax paid in Hong Kong will be allowed as a credit against Spanish tax payable.

In addition, Hong Kong airlines operating flights to Spain will now 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.

The DTA also incorporates the latest Organization for Economic Co-operation and Development standard on exchange of tax information, and will be in effect in Hong Kong for any year of assessment beginning on or after April 1, 2013.

Hong Kong To Halve Import, Export Charges

by Mary Swire, Tax-News.com, Hong Kong
Friday, April 20, 2012

To boost Hong Kong's external trade by lowering transaction costs and thereby benefiting the import-export sector, the Commerce and Economic Development Bureau has proposed halving import and export declaration charges (TDEC).

At present, any person who imports, exports or re-exports any article other than an exempted article is required to lodge with Hong Kong's Commissioner of Customs and Excise an import or export declaration within 14 days and pay the TDEC.

Those charges currently amount, for imported food items, to HKD0.5 (USD0.065) per declaration irrespective of value; and, for other imported goods and all exports (whether of Hong Kong origin or not), HKD0.5 in respect of the first HKD46,000 of the value of the goods, and HKD0.25 in respect of each additional HKD1,000 or part thereof.

The Financial Secretary announced, in his Budget Speech on February 1 this year, a package of support measures for the business sector. One of the measures is to reduce TDEC across the board by half to ease the business costs for the import and export trade.

The Import & Export (Registration) (Amendment) Regulation 2012 will be tabled at the Legislative Council on May 9, for implementation on June 1, and, to counteract part of the effect of the worsening external economic environment on Hong Kong's external merchandise trade, should help companies lodging trade declarations save an average of HKD9,000 a year.

"The proposed reduction of TDEC would have positive effects on Hong Kong's external trade as it would lower the transaction costs, and thus directly benefit the import and export sector generally," a Treasury spokesman said, adding that the proposed reduction should also underline the efforts of the government to enhance Hong Kong's competitiveness as an international trading centre.

China Poised To Crank Up Capital Account Opening

by Nick Edwards, The Standard, Hong Kong
Monday, April 23, 2012

China is poised to boost quotas on outbound investment schemes to US$100 billion (HK$780 billion) and cut barriers to moving foreign currency in and out of the country in a series of swift but small steps to crank open its tightly controlled capital account.

Sources in close, direct contact with the People's Bank of China and the China Securities Regulatory Commission say reforms are ready to be rushed out over the next 12 months to boost two-way capital flows, drive diversification of business finance and accelerate corporate currency hedging.

The move underlined its desire for reforms designed to ease speculative pressures in the economy and rebalance capital flows, while taking the country one step closer to its goal of a basically convertible yuan by 2015.

All the changes which are unfolding serve to relax government controls on China's capital flows and increase the appeal of using the yuan for international transactions, delivering twin advantages of reducing domestic inflation and speculative investment flows.

The moves also help to mollify the multitude of foreign critics of Beijing's currency regime. The list of potential reforms includes approval for private equity and venture capital firms, boosting capital raising in domestic bond and equity markets, accelerating offshore issuance of yuan-denominated securities and increasing the yearly US$50,000 quota on FX purchases by mainland residents.

That is in addition to more complex measures such as those expected to allow a greater role for market forces in the setting of domestic interest rates.

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Hong Kong To Trade Renminbi Futures

by Mary Swire, Tax-News.com, Hong Kong
Tuesday, April 24, 2012

Hong Kong Exchanges and Clearing Limited (HKEx) has plans to introduce renminbi (RMB) currency futures in the third quarter of this year, subject to regulatory approval and market readiness.

The planned USD/CNH (RMB traded in Hong Kong) futures contract is designed to provide a way for investors to hedge RMB exposure. The contract requires delivery of USD by the seller and payment of its final settlement value in RMB by the buyer at maturity.

HKEx has scheduled a market readiness test for the end of June and invited applications from potential market makers.

HKEx Chief Executive Charles Li pointed out that this initiative is part of our strategy to expand beyond equities and equity-related derivatives, offer a wide range of RMB-traded products and take advantage of the opportunities we see in fixed income, currencies and commodities. He added that it also reflects our desire to support Hong Kong's further development as an offshore RMB centre.

Deep Correction Sparks Optimism

by the Standard, Hong Kong
Wednesday, April 25, 2012

Local and mainland stocks were surprisingly stable yesterday despite overnight Europe and US weakness.

The reason may have been the low turnover level of between HK$40 billion and HK$50 billion. Or was it because HangSeng Index futures expire this Friday, which usually distorts markets.

Meanwhile, many shares have undergone deep correction. Some of them may have fallen too much.

Overall car sales in the first quarter slipped 1.25 percent year on year. Buy BMW and Audi China saw sales jump 37 and 41 percent year on year.