HK, Mainland sign tax protocol
By news.gov.hk
Wednesday, April 01, 2015

Secretary for Financial Services & the Treasury Prof KC Chan signed the fourth protocol to an agreement for the avoidance of double taxation and the prevention of income tax evasion with the Mainland today.

He signed it with State Administration of Taxation Deputy Commissioner Zhang Zhiyong in Hong Kong.

Prof Chan said the protocol "clarifies the conditions under which an investment fund would be qualified for Hong Kong resident status, thus giving certainty to investment funds' application of the tax avoidance arrangements".

He said it will be conducive to the asset management businesses in Hong Kong, and will in turn help strengthen the city's status as an international financial centre.

The gains derived by a Hong Kong resident from the sales and purchase of shares in a Mainland listed company will be taxable only in Hong Kong. This is also applicable to the gains derived by a Hong Kong resident from the sale and purchase of stocks under the Shanghai-Hong Kong Stock Connect.

The agreement also states the arrangement of such a tax liability will be applicable to those investment funds complying with the requirements as set out in the provision.

The protocol also amends the tax liability of aircraft and ship leasing business receiving royalties. The Mainland withholding tax on royalties paid to aircraft and ship leasing business, currently at 7%, will be capped at 5%.

This protocol will come into force after the completion of ratification procedures and notification by both sides.
China manufacturing picks up in March
By rthk.hk
Wednesday, April 01, 2015

China's manufacturing activity expanded in March for the first time since December, the government said on Wednesday, a bright spot as the world's second-largest economy fights a broad slowdown in growth.

The official Purchasing Managers' Index (PMI) released by the National Bureau of Statistics (NBS) came in at 50.1 last month, up from 49.9 in February and the first result showing expansion since a similar 50.1 in December.

The index, which tracks activity in factories and workshops, is considered a key indicator of the health of China's economy, a major driver of global growth. A figure above 50 signals growth, while anything below indicates shrinkage.

The official PMI had shown contraction in January for the first time in more than two years, raising alarm bells for China's growth outlook.

China's overall economy expanded 7.4 percent in 2014, marking a 24-year low. The slowdown has prompted authorities to loosen monetary policy.

Guangdong CEPA details announced
By news.gov.hk
Monday, April 13, 2015

The Government today announced details of the liberalisation of trade in services arrangement with Guangdong, which has been extended to cover China Compulsory Certification testing services for products processed or manufactured in Guangdong Province.

The Government said the arrangement is broadly in line with the expectation from Hong Kong's testing and certification sector and sets a precedent for further opening up in future.

It also looks forward to seeing Hong Kong's testing and certification industry benefit from the agreement and seize further business opportunities.
Shanghai and HK like `twin engines'
By thestandard.com.hk
Monday, April 20, 2015

Hong Kong should think of ways to capitalize on the opening of mainland markets rather than regard Shanghai as a competitor, said the secretary for financial services and the treasury.

Finishing up a tour of Shanghai, Ceajer Chan Ka-keung wrote in his blog yesterday that the two cities are like the twin engines of an aircraft that push forward the internationalization of the yuan.

Hong Kong cannot work well as an offshore yuan center without Shanghai, and the yuan market can only be well-developed if offshore markets complement onshore ones.

"It is necessary to rectify the concept that Shanghai is a rival of the SAR," Chan said, adding that the cooperation will become more intimate and diversified.

Hong Kong had 63 billion yuan (HK$78.8 billion) in the market in 2010 when yuan internationalization began. It now has 1.15 trillion yuan.

China to launch new free-trade zones
By rthk.hk
Wednesday, April 22, 2015

The mainland will launch three new free-trade zones in Guangdong, Tianjin and Fujian. But it did not specify when.

The State Council says each trade zone will cover around 120 square kilometres.

The country's first trade zone set up in Shanghai in September 2013 will also be quadrupled in size.

All four zones are subject to the same restrictions on foreign investment in 122 business areas.

They range from genetically modified seeds and rare earth mining to Internet news services and television broadcasters.
Yuan convertibility to take great leap with daily capital moves
By thestandard.com.hk  
Thursday, April 23, 2015

China is set to enhance the convertibility of its yuan by allowing capital to be taken out on a daily basis from the largest investment scheme open to foreign investors, insiders said.

This could strengthen the standing of the yuan and support Beijing’s push to have it included in the International Monetary Fund’s basket of reserve currencies.

Currently, foreign asset managers and banks investing in Chinese stocks and bonds through the US$150 billion (HK$1.17 trillion) qualified foreign institutional investor program can only move capital in and out of China on a weekly basis and are therefore restricted in their ability to manage and value funds.

But the changes, now being reviewed by the State Council, would make the yuan convertible within the limits of the scheme and allow the cross-border flow of billions of dollars’ worth of investments at a day’s notice.

The reform could also increase the chances of Chinese stocks being represented in global benchmarks such as the MSCI Emerging Market Index.

The daily movement of cash in and out of the mainland is currently allowed under the smaller renminbi QFII scheme, which mainly targets a pool of yuan liquidity in offshore centers such as Hong Kong.

One of two sources briefed by Chinese regulators said the plan was to “align the RQFII and QFII schemes by allowing daily liquidity,” adding the change is expected “imminently.”

Other reforms currently being considered, including lifting an informal US$1 billion cap on individual firms’ QFII quotas, could take longer, a source said.
AEOI consultation starts
By news.gov.hk
Friday, April 24, 2015

The Government today launched a two-month public consultation on a proposal to apply, with adaptations for Hong Kong, the prevailing international standards on the automatic exchange of financial account information in tax matters (AEOI).

Under the Organisation for Economic Co-operation & Development standard promulgated last July, financial institutions such as banks, insurance companies and brokers are required to identify and keep information on their non-Hong Kong tax resident account holders in accordance with the due diligence procedures prescribed and report the information to the Inland Revenue Department. The department will pass the information to AEOI partners on an annual basis.

The Government has drawn up proposals to apply AEOI requirements to Hong Kong through legislation.

Secretary for Financial Services & the Treasury Prof KC Chan said he plans to table an amendment bill at the Legislative Council early next year to start the first information exchanges by the end of 2018.

The Financial Services & the Treasury Bureau has been engaging stakeholders in the financial industry in recent months to gauge their initial views on how AEOI should be implemented.

R&D investment scheme launched
By news.gov.hk
Tuesday, April 28, 2015

The Innovation & Technology Commission today launched the Enterprise Support Scheme to encourage more private sector investment in research and development activities.

The new scheme will replace the Small Entrepreneur Research Assistance Programme and will provide funding to companies of all sizes.

Funding of up to $10 million for each approved project will be provided on a dollar-for-dollar matching basis, and the applicant company will own the project's intellectual property. There will also be no requirement for recoupment of the Government's contribution.

Applications are open all year round.