Asian FDI Reached Records Last Year

By Mary Swire, Tax-News.com, Hong Kong
Monday, August 01, 2011

The United Nations Conference on Trade and Development, in its World Investment Report 2011, points out that, while global foreign direct investment (FDI) has not yet bounced back to pre-crisis levels, some regions, and particularly Asia, show a better recovery than others.

In fact, UNCTAD shows that Asia (excluding West Asia) set new records for FDI inflows and outflows in 2010. Last year, FDI inflows to South, East, and South-East Asia rose 24% to USD300bn, nearly one-quarter of the global total. However, the performance of the three sub-regions and their major economies varied significantly.

FDI to the member countries of the Association of Southeast Asian Nations (ASEAN) more than doubled, reaching USD79bn in 2010. The report says that countries' proactive policy efforts contributed to the good performance of the group, and seem likely to continue to do so. Some ASEAN countries (for example, Indonesia and Vietnam) have gained ground as low-cost production locations, especially for low-end manufacturing, while the region´s least developed countries (Laos and Cambodia) received increasing inflows, particularly from neighbouring countries.

The report predicts that both inflows to and outflows from developing Asia are expected to continue to grow. Countries in the region have made considerable progress in their regional economic integration efforts, and it is considered that this will translate into a more favourable investment climate for intra-regional FDI.

On the other hand, FDI inflows to developed countries in 2010 declined marginally to USD602bn, although the pattern was uneven. Europe stood out as the sub-region where flows fell most sharply. Inflows to Europe were USD313bn, a fall of 19% from 2009. A gloomier economic outlook prompted by government austerity measures and a looming sovereign debt crisis are said to have been among the factors hampering the recovery of FDI.

China Issues RMB Bond In Hong Kong

By Mary Swire, LawAndTax.com, Hong Kong
Friday, August 12, 2011

The Chinese Ministry of Finance has confirmed that a tender of RMB15bn (USD2.34bn) in sovereign bonds will be held on August 17 through Hong Kong's Central Moneymarkets Unit.

A total of RMB6bn in three-year bonds, RMB5bn in five-year bonds, RMB3bn in seven-year bonds and RMB1bn in 10-year bonds will be made available to institutional investors by way of competitive tender. The bonds, to be issued at par value, will therefore mature in 2014, 2016, 2018 and 2021 respectively.

Each series of bonds will bear an interest rate determined through the highest accepted interest rate for the relevant series, payable semi-annually in arrears on February 18 and August 18. Each tender must be for an amount of RMB500,000, or integral multiples thereof.

The bonds will constitute direct, unsubordinated and unsecured obligations of the Chinese government, and will not be subject to individual or enterprise income tax or stamp duty in China, nor to profits tax or stamp duty in Hong Kong.

Hong Kong's Financial Secretary John Tsang had previously welcomed the Chinese government intention to issue the bonds in Hong Kong, its third. He mentioned that "this round of issuance of bonds demonstrates clearly the Central Government's support for Hong Kong's development as an offshore RMB business centre, as announced in the 12th Five-Year Plan".

Taiwan, Hong Kong Sign Banking Supervision MOU

by Mary Swire, LawAndTax.com, Hong Kong
Friday, August 12, 2011

The Hong Kong Monetary Authority (HKMA) and Taiwan's Financial Supervisory Commission (FSC) have signed a bilateral Memorandum of Understanding (MoU) to cover cooperation in banking supervision.

Given the increasing economic and financial links between Hong Kong and Taiwan, the deal will facilitate supervisory cooperation in relation to cross-border banking matters. The agreement includes essential arrangements for sharing information, periodic meetings and on-going contacts, examinations, confidentiality, and use of information.

It was said that, as Taiwan's domestic banks have set up 18 branches and two representative offices in Hong Kong, and Hong Kong's domestic banks have established three branches and two representative offices in Taiwan, bilateral ties in the financial industry are already close.

Since the global financial crisis, it was pointed out that countries have endeavoured to rebuild confidence in the financial services industry, and enhance international supervisory cooperation. In order to build up formal cooperative relationships, the FSC is now working on bilateral cooperation agreements with many different financial authorities, and the M0U is the latest in a series of pacts signed between the HKMA and other banking supervisory bodies.

Hong Kong, Japan DTA Comes Into Effect

by Mary Swire, LawAndTax.com, Hong Kong
Wednesday, August 17, 2011

Hong Kong's Inland Revenue Department has announced that the double taxation agreement (DTA) between Hong Kong and Japan, which was signed on November 9 last year, came into effect on August 14, 2011.

According to the terms of the DTA, it entered into force 30 days after written notification by both parties of the completion of their respective required approval procedures. It will have effect in Hong Kong for any year of assessment beginning on or after April 1, 2012.

The DTA sets out clearly the allocation of taxing rights between the two jurisdictions and the relief on tax rates on different types of passive income. It is said that it will help investors better assess their potential tax liabilities from cross-border economic activities, foster closer economic and trade links between the two places, and provide added incentives for companies in Japan to do business or invest in Hong Kong, and vice versa.

In the absence of a DTA, the profits of Hong Kong companies doing business through a permanent establishment, such as a sales outlet in Japan, may be taxed in both places if the income is Hong Kong-sourced. Under the agreement, double taxation will be avoided in that any Japanese tax paid by the companies will be allowed as a credit against the tax payable in Hong Kong in respect of the income, subject to the provisions of the tax laws of Hong Kong.

Furthermore, before the operation of the agreement, Hong Kong residents receiving dividends from Japan not attributable to a permanent establishment in Japan are subject to a Japanese withholding tax, which is currently set at 20%. Under the agreement, such withholding tax is capped at 5% for a company holding (directly or indirectly) for a period of six months at least 10% of the voting shares of the company paying the dividends, and 10% for other cases.

Hong Kong residents receiving royalties from Japan are subject to a current withholding tax at 20% in Japan. Under the DTA, the withholding tax on royalties will be capped at 5%. The Japanese interest withholding tax on Hong Kong residents will be reduced from the current rate of 20% to 10%.

The agreement also incorporates the latest Organization for Economic Cooperation and Development standards on exchange of information for tax purposes.

China Emphasizes Support To Hong Kong's Development

by Mary Swire, LawAndTax.com, Hong Kong
Friday, August 19, 2011

During his recent visit to Hong Kong, the Vice-Premier of China's State Council, Li Keqiang, presaged new policies that China plans to introduce to provide additional support for the development and stability of Hong Kong, and promote further cooperation between the SAR and the Mainland.

Accompanied by the Hong Kong's Chief Executive, Donald Tsang, Li attended the Forum on the National 12th Five-Year Plan and Economic, Trade and Financial Co-operation and Development between the Mainland and Hong Kong, on August 17.

At the Forum, Li delivered a speech in which he stressed that China's 12th Five-Year Plan, for the first time, contains a separate chapter on the long-term prosperity and stability of Hong Kong and Macao. The part related to Hong Kong, he said, spells out in clear terms the policies of the Central Government to support Hong Kong's development and promote co-operation between the Mainland and Hong Kong.

Li confirmed that, under the requirements of the 12th Five-Year Plan, the Central Government has adopted a number of new policies and measures designed to support Hong Kong's development and deepen economic and financial co-operation between the Mainland and Hong Kong.

The Central Government's policies, he said, would be aimed at "greatly increasing the Mainland's openness to Hong Kong in the trade in services; consolidating and upgrading Hong Kong's standing as an international financial centre; supporting Hong Kong in developing itself into an offshore RMB centre; supporting Hong Kong in its participation in international and regional economic co-operation; helping enterprises in both the Mainland and Hong Kong to "go global" together; and giving full play to Hong Kong's important role in Guangdong-Hong Kong-Macao co-operation."

He concluded by emphasizing that Hong Kong's destiny and prosperity link closely with those of the motherland. And he reiterated as the Central Government will exert its utmost to do everything that contributes to the prosperity and stability of Hong Kong and to the common development of Hong Kong and the Mainland."

Li then launched the third issue of the People's Republic of China RMB15bn (USD2.35bn) sovereign bonds in Hong Kong. It was said that the bond issue clearly demonstrated China's support for Hong Kong's development as an offshore RMB business centre.

HK inflation hits 7.9% in July

by RTHK English News, Hong Kong
Tuesday, August 23, 2011

Hong Kong's consumer prices rose 7.9 percent in July from a year earlier, compared with 5.6 percent in June. It's the biggest gain since 1995. However, the government says the latest figure was distorted by a waiver of public housing rents in July last year.

Excluding the one-off government relief measures, the year-on-year rate of increase in the Composite CPI in July was 5.8 percent – 0.3 percent higher than that in June, mainly due to rises in private housing rents, pork prices and charges for package tours.

HK Retail Sales Continue To Surge

by RTHK English News, Hong Kong
Monday, August 29, 2011

Retail sales in Hong Kong have expanded at a rate of over 20 percent for a fifth consecutive month. Sales rose just over 29 percent in July from a year ago, thanks to buoyant local consumption demand and tourist spending. Sales of consumer durables went up the most, by 85 percent, followed by electrical goods. But consumption of food, alcoholic drinks, tobacco and cars fell.