Hong Kong To Implement AML Guidelines

By Mary Swire, LawAndTax.com, Hong Kong
Wednesday, February 01, 2012

Following the release of a set of consultation conclusions, Hong Kong's Securities and Futures Commission (SFC) has announced the gazetting of a new set of guidelines on anti-money laundering (AML) and counter-terrorist financing (CFT), which will take effect on April 1, 2012.

The new guidelines, which will replace the existing Prevention on Money Laundering and Terrorist Financing Guidance Note published by the SFC, provide guidance to the financial industry relating to, amongst other things, the operation of the relevant provisions of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO).

The enacted AMLO was gazetted on July 8, 2011, after two rounds of consultation conducted by Hong Kong's Financial Services and Treasury Bureau. Its purpose is to enhance the AML/CTF regime in Hong Kong's financial sector, so as to meet the latest international standards, especially in respect of customer due diligence (CDD) and record keeping.

Their key objective is to assist licensed corporations in designing and implementing appropriate and effective AML policies, procedures and controls, so as to comply with the new regulatory requirements. It is recognised that supplementary or sector-specific guidance may be necessary or appropriate for the different sectors, but the generic guidelines are considered as adequate and appropriate to the securities sector.

Detailed guidance is further given in relation to CDD to be conducted according to different types of customers (for example, individuals, corporations and partnerships); on beneficial owners, persons purporting to act on behalf of customers and pre-existing customers; the timing of identification and verification of identity; and keeping customer information up-to-date.

Hong Kong Reduces Taxes to Support Growth

by Mary Swire, Tax-News.com, Hong Kong
Thursday, February 02, 2012

Hong Kong's Financial Secretary, John C Tsang, has unveiled a 2012/13 Budget which proposes a wide range of tax concessions aimed at supporting businesses and individuals, who face a possible global economic slowdown.

The Financial Secretary said Hong Kong's economy grew by 5% in 2011, but forecast gross domestic product (GDP) growth to slow to between 1% and 3% this year, mainly due to the sluggish European and US economies.

He therefore introduced measures worth nearly HKD80bn (USD10.3bn) in the Budget "to better prepare our people for the difficult time ahead. This is a strong package of measures and would help stimulate the economy by 1.5% in 2012."

Tsang gave out the revised estimate for government revenue in 2011-12 as HKD433.1bn billion, HKD63.4bn higher than the original estimate. With the impressive economic performance last year, revenue from profits tax and salaries tax increased by nearly HKD30bn compared to the original estimate. For government expenditure, the revised estimate is HKD366.4bn in the last fiscal year, so that an overall surplus of HKD66.7bn is expected, equivalent to 3.5% of GDP.

Government expenditure is estimated to reach HKD393.7bn for 2012–13, an increase of 7% compared with the revised estimate for 2011–12 and some 21.4% of GDP, while total government revenue will be HKD390.3bn (with earnings and profits tax, estimated at HKD161.6bn, remaining Hong Kong's major source of revenue).

Hong Kong will, consequently, expect a small fiscal deficit in the coming fiscal year, but revenue reserves are still estimated to reach HKD658.7bn by end-March 2013, representing approximately 34% of GDP, or equivalent to 20 months of government expenditure.

Tsang also rolled out a series of initiatives to support small and medium sized enterprises (SMEs). He proposed to enhance substantially the existing SME Financing Guarantee Scheme by introducing a number of concessionary measures, including an increase to the maximum loan guarantee ratio to 80%, for which the Government will provide a guarantee commitment of HKD100bn. Accounting for the anticipated default rate, the estimated government expenditure for this initiative will be about HKD11bn.

To help reduce operating costs, enhance competitiveness and preserve jobs, the Financial Secretary also proposed to waive business registration fees for 2012-13 and abolish capital duty levied on local companies to encourage investors to set up companies in Hong Kong.

Liechtenstein, Hong Kong Cement Economic Ties

by Ulnka Lomas, Tax.News.com, Brussels
Friday, February 03, 2012

Secretary of Commerce and Economic Development of the Special Administrative Region of Hong Kong (HKSAR), Gregory So Kam-leung, has recently held talks with Liechtenstein's Foreign Affairs Minister Aurelia Frick, during a working visit to Vaduz, with the talks focussing on the excellent economic relations between the Principality and the Region.

According to the Liechtenstein government, the visit was in connection with the successful conclusion in June 2011 of negotiations on a free trade agreement (FTA) between the member states of the European Free Trade Association (EFTA), namely Iceland, Liechtenstein, Norway, and Switzerland, and Hong Kong, and was designed to deepen mutual economic and cultural relations.

The FTA signed on June 21 last year was orientated for the first time towards a so-called negative services list approach, whereby reservations regarding the provision of services must specifically be mentioned, otherwise a service will be considered free from trade restrictions. The government notes that the FTA is also the first EFTA agreement to contain a chapter on trade and the environment and to be accompanied by a parallel agreement on labour standards.

The government emphasizes that together with the bilateral double taxation agreement (DTA) concluded with Hong Kong in 2010, the FTA will serve to further strengthen trade between the regions.

Liechtenstein's industry recorded foreign sales in Hong Kong of around CHF110m (USD120m) (EUR91m) in 2010.

Hong Kong's DTA network Expands

by Mary Swire, Tax-News.com, Hong Kong
Tuesday, February 07, 2012

Hong Kong's double taxation agreement (DTA) with the Czech Republic, signed on June 6, 2011, came into force on January 24 this year, while that with Spain, signed on April 1 last year, will come into effect on April 16, now that ratification procedures have been completed on all sides.

Each of the DTAs, which will apply in Hong Kong for any year of assessment beginning on or after April 1, 2013, clearly sets out the allocation of taxing rights between the jurisdictions and the relief on tax rates on different types of passive income. It is hoped that they will help investors better assess their potential tax liabilities from cross-border economic activities, and will boost closer economic and trade ties.

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

In addition, under the DTAs, the withholding tax payable by Hong Kong residents receiving dividends from the Czech Republic and Spain, not attributable to a permanent establishment in the Czech Republic or Spain, will be capped at 5% and 10% respectively.

Hong Kong residents will also be exempted from Czech withholding tax on interest, while the cap on Spanish withholding tax on interest will be 5%; and the Czech and Spanish withholding tax on royalties will be capped at 10% and 5% respectively.

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

In addition, both DTAs have also incorporated the latest Organization for Economic Co-operation and Development standard on exchange of tax information.

Government Expects Future Labour Shortage

RTHK English News, Hong Kong
Thursday, February 09, 2012

The government is expecting a Labour shortage to develop in the next six years. Some 14,000 jobs will need to be filled by the year 2018.

The vacancies are likely to be occupied by foreign and mainland students and new immigrants. It's the first time that the government as forecast a labour shortage.

Most of the job growth will be in financial services, construction, and the information industries, with growth rates ranging from 1.9 to 2.5 percent.

China set to fine-tune economic policy

by Mary Swire, Tax-News.com, Hong Kong
Monday, February 13, 2012

Premier Wen Jaibao says China will start to fine-tune its economic policy in the first quarter-the government's most explicit indication yet of a monetary easing. However, the official Shanghai Securities News also quotes Mr. Wen as telling a government-sponsored meeting to solicit experts' opinion on policy that the government will stick to policy to cool the property market.

Mr. Wen is quoted as telling business executives that economic conditions last month and the first quarter deserved attention. China's exports and imports fell for the first time in two years in January, and lending grew less than estimated.

The IMF warned last week that economic growth on the mainland could be cut in half if Europe's debt crisis worsens, which it said would warrant significant fiscal stimulus from Beijing.

China to Continue Europe Investment

RTHK English News, Hong Kong
Wednesday, February 15, 2012

China's central bank governor, Zhou Xiaochuan, says the country will continue to invest in eurozone government debt and boost its euro holdings. But he said he hoped Europe could offer more attractive investment options.

Speaking at an exhibition on the euro in Beijing, Mr Zhou continued the country's rhetorical support for Europe. He pledged that the central bank would increase its holdings of euro-denominated assets.

Mr Zhou said China had not cut its reserve exposure to the euro zone. China is estimated to have about a quarter of its US$3.2 trillion foreign exchange reserves in euro-denominated assets. He reiterated previous comments by Premier Wen Jiabao that China was ready to play a bigger role in solving Europe's debt problems.

Despite recent pledges of support, senior Chinese officials have stopped short of offering any specific new proposal for investing in Europe. Mr Zhou admitted that China and other emerging nations like Brazil, Russia and India were waiting for the right time to help Europe. He suggested that Europe needed to work harder to encourage Beijing to part with its capital.

He said he hoped Europe could offer new investment products that are more helpful for Sino-European co-operation. His views were heard by the visiting European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso who both attended the same event.

HSBC to Ease Job-cut Plans

by Victor Cheung, the Standard, Hong Kong
Tuesday, February 28, 2012

HSBC Holdings (0005) may fire fewer than the 30,000 people it projected last year, according to chief executive Stuart Gulliver.

He said the figure revealed last August was preliminary, and the group has already slashed 11,000 jobs.

Reorganization in Hong Kong could be completed by the second quarter, and the number of affected staff could be less than 2,000 as previously announced.

Cost-efficiency of the bank's SAR branch edged upto 44.5 percent last year from 44 percent in 2010 – the best among geographic divisions.

Gulliver said HSBC has already made US$900 million (HK$7 billion) of sustainable savings through its restructuring initiatives.

Meanwhile, Gulliver received 5.9 million (HK$72.6 million) in bonuses and share incentives last year as the bank's underlying profit fell 6 percent.

The bonus was 3.16 million-less than half the 5.2 million he received a year ago. He was also entitled to a 3.75 million share award-to be deferred for one to give years and subject to clawback.

Gulliver's overall pay last year was 7.16 million – 14 percent less than 2010's 8.35 million.