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Hong Kong's Enhanced Deposit Protection In Operation

By Mary Swire, LawAndTax-News.com, Hong Kong
Friday, December 31, 2010

Hong Kong's enhanced deposit protection scheme, (DPS) providing a higher protection limit of HKD500,000 (USD64,300), from a previous limit of HKD100,000, comes into operation on January 1, 2011.

In addition to the increase in the protection limit per depositor per bank, the scheme will also expand its coverage to include deposits pledged as security for banking services. However, as restricted-licence banks and deposit-taking companies are not members of the scheme, the scheme does not cover deposits placed with those institutions.

The Hong Kong Monetary Authority's Chief Executive, Norman Chan, said that the city's banking system remains healthy and robust, with capitalization well above international standards.

Hong Kong's First Trade Agreement in Force

By Mary Swire, Tax-News.com, Hong Kong
Monday, January 03, 2011

Hong Kong's closer economic partnership agreement (CEPA) with New Zealand, which was signed in March 2010, enters into force on January 1, 2011.

The CEPA is Hong Kong's first free trade agreement with another country, and the second following that with the Mainland of China. Under the CEPA, liberalization measures on both trade in goods and services will be introduced, and the two sides will also work on strengthening bilateral trade and economic ties by facilitating investment and movement of business persons.

Under the CEPA, New Zealand will phase out over six years its import tariffs on all goods originating from Hong Kong. Over 90% of New Zealand's tariff lines will become duty free within two years after the agreement has entered into force.

On trade in services, Hong Kong service providers and the services they provide will enjoy secured preferential opportunities in the New Zealand market in a variety of service sectors. These include logistics and related services, audiovisual services, various business services, computer and related services, maritime transport services, management consulting services and services incidental to manufacturing.

In terms of market access, there will not be any restrictions in the form of limitations on foreign capital, number of service providers or operations, value of service transactions, number of persons employed, types of legal entity or joint venture requirements in a variety of service sectors in the New Zealand market. Hong Kong service providers and the services they provide in a wide range of sectors will be treated no less favourably than their New Zealand counterparts in similar circumstances.

Hong Kong, Austria DTA Comes Into Effect

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, January 04, 2011

Both parties having completed their ratification procedures, the double taxation agreement (DTA) between Hong Kong and Austria, which was originally signed on May 25 last year, came into effect on January 1, 2011.

The DTA will clarify the taxing rights between the two jurisdictions, eliminate instances of double taxation on the same source of income, and lower withholding tax rates on passive income from dividends, interest and royalties.

Interest income withholding tax is set at zero in the country of the payer, while dividend income is set at a maximum of 10%. Withholding tax on royalty income is similarly limited to a maximum of 3%.

HK Sees Record New Company Registrations

By Mary Swire, Tax-News.com, Hong Kong
Monday, January 17, 2011

A record high of almost 140,000 local companies registered with Hong Kong's Companies Registry last year, an increase of 27.5% over the registrations seen in 2009.

By the end of last year, the total number of live local companies registered under the Companies Ordinance was 863,762, up more than 91,500 from that in 2009. The total number of non-Hong Kong companies that had established a place of business there stood at 8,165 at the end of the year.

The Registrar of Companies, Ada Chung, said the registry will soon launch the electronic incorporation of companies and a one-stop service for electronic company incorporation and business registration.

"Upon implementation of the new services, an application for company incorporation and business registration can be completed in one step, and the time required will be significantly reduced from four working days to less than one day," she said.

China Pilots New RMB Overseas Investment Scheme

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, January 18, 2011

The People's Bank of China has announced the introduction of a pilot scheme for Chinese enterprises to settle overseas direct investments in renminbi (RMB).

In a move which appears to encourage the further controlled expansion of the use of the currency globally in cross-border trade and investment, but subject to the approval of the relevant Chinese authorities, Mainland companies will be able to use RMB to make direct investments overseas.

While firms can now send profits from their RMB offshore investments back to China in the same currency, the HKMA also pointed out that Hong Kong branches and correspondent banks of Mainland banks can obtain RMB funds from the Mainland and extend RMB lending to the enterprises conducting the investments.

Upon implementation of the pilot scheme, it added that Mainland enterprises can conduct such investments through Hong Kong's offshore RMB centre and, at the same time, make use of the multi-currency and multi-functional financial platform in Hong Kong for the related financing and fund management activities.

The Chief Executive of the HKMA, Norman Chan, said: "The launch of the pilot scheme for the settlement of overseas direct investments in RMB will further enhance the circulation of RMB funds for trade and investment activities. This will be conducive to the development of Hong Kong's offshore RMB market, particularly in supporting real economic activities conducted in RMB and thereby playing an active role in the greater use of RMB outside the Mainland."

Hong Kong Continues As World's Freest Economy

by Mary Swire, LawAndTax-News.com, Hong Kong
Tuesday, January 18, 2011

The Heritage Foundation's '2011 Index of Economic Freedom', covering 183 countries, has ranked Hong Kong as the world's freest economy for the 17th consecutive year since the index was first published in 1995.

Singapore and Australia remain second and third, matching last year's index. Of the other Greater-China economies, it was pointed out that the Mainland ranked only 135th, up five places, while Taiwan ranked 25th, up two places.

Hong Kong scored a rating of 89.7 in the index, well above the world average of 59.7. Of the 10 economic freedom factors assessed, Hong Kong ranked first in financial and trade freedom, second in investment freedom and property rights, and third in business and monetary freedom.

The Heritage Foundation recognized Hong Kong's sound fiscal management, which helped the city weather the global economic downturn. It further complimented Hong Kong for its effective legal and regulatory frameworks and openness to global commerce, while the city's overall macroeconomic stability was said to minimize uncertainty.

It said Hong Kong has maintained its status as Asia's second-largest destination for foreign direct investment, trailing only Mainland China. It also noted Hong Kong's economic interaction with the Mainland has become more intense and sophisticated, chiefly through strengthened financial linkages.

Welcoming the Heritage Foundation's high regard for Hong Kong, the government said that it is determined to uphold economic freedom in the city, which it considers to be the cornerstone of sustained economic stability, growth and prosperity. It added that it sees its role as that of a market facilitator to provide a business-friendly environment, with an appropriate regulatory regime to ensure the integrity and smooth functioning of a free market. Its strategy is to remove impediments to industries tapping into new markets, and will adhere to the 'big market, small government' principle.

Hong Kong Gazettes New Companies Bill

by Mary Swire, LawAndTax-News.com, Hong Kong
Wednesday, January 19, 2011

Hong Kong's new Companies Bill has now been gazetted, and will be introduced into the Legislative Council for its first reading on January 26, 2011.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said: "The Companies Bill is an important piece of legislation for fostering Hong Kong's status as a major international business and financial centre. The gazetting of the bill marks a major milestone in our work to modernize company law."

"The Companies Bill aims to achieve four main objectives, namely, enhancing corporate governance, ensuring better regulation, facilitating business and modernizing the law," he added. "Rewriting the Companies Ordinance (CO) allows us to leverage the developments regarding company law in other comparable jurisdictions and enhance our competitiveness. We look forward to enactment of the Bill in the 2011-12 legislative session."

The rewrite of the CO started in mid-2006, and three public consultations were conducted to gauge views on a number of complex subjects. In the course of the rewrite exercise, the Financial Services and the Treasury Bureau benefited from the advice of the Standing Committee on Company Law Reform as well as four advisory groups and a joint government/Hong Kong Institute of Certified Public Accountants working group, which was set up to advise on specific areas of the rewrite.

Some of the measures introduced by the Bill to enhance corporate governance include: improving the accountability of directors so as to enhance transparency and accountability, and clarifying the directors' duty of care, skill and diligence; emphasizing shareholder engagement in the decision-making process; improving the disclosure of company information; and strengthening auditors' rights.

In addition, better regulation will be ensured by means of the accuracy of information on the public register, an improvement to the registration of charges scheme, and a strengthening of the enforcement regime through the Registrar. There will be easier reporting for small- and medium-sized enterprises (SMEs), while SMEs will also be able to prepare simplified financial and directors' reports.

HK's Inflation highest in two years

by RTHK English News, Hong Kong
Friday, January 21, 2011

The cost of living in Hong Kong has risen to its highest level in about two years.

The Consumer Price index in December rose 3.1 percent from same period a year ago, driven by higher private housing rentals and food prices. For the whole of last year, inflation stood at 2.4 percent.

The government expects prices to rise further in the coming months. This is partly due to increases in import prices amid rising global food and commodity prices.

China's economy grew 10.3% in 2010

by RTHK English News, Hong Kong
Friday, January 21, 2011

China's economy grew 10.3 percent for the whole of 2010-the fastest pace in three years.

The expansion in the final quarter of last year accelerated to a higher-than-expected 9.8 percent.

This is despite a series of measures the government took late last year to cool the economy. But the commissioner of the National bureau of Statistics, Ma Jiantang, said the growth trend was stabilizing.

Mr. Ma also said the cost of living on the mainland rose 3.3 percent last year –exceeding the government's target of 3 percent.

Inflation for December slowed to 4.6 percent from a 28-month high of 5.1 percent the previous month. Mr. Ma said the government can't be "relaxed" about rising consumer prices as inflationary pressure would remain this year.

Exchange Fund earns HK$79b, diversifies

by RTHK English News, Hong Kong
Wednesday, January 26, 2011

The government's Exchange Fund made HK$79 billion from investments during 2010. That represents a rate of return of 3.6 percent. The Fund will contribute nearly HK$34 billion to government coffers. The Fund is managed by the Hong Kong Monetary Authority (HKMA). Its Chief Executive, Norman Chan, said the gains made by the Fund were better-than-expected.

Mr. Chan also said the Fund will diversify its investment into overseas real estate. He also said the HKMA has received approval from mainland China to invest 15 billion yuan in China's bond market. But Mr. Chan Stressed that despite the diversifications, the prospects for the market in 2011 remained volatile.

Second-home buyers hit

by the Standard, Hong Kong
Thursday, January 27, 2011

China has introduced more measures to cool its red-hot property market.

The State Council raised the minimum downpayment to buy a second home to 60 percent, from the current 50 percent, after a meeting chaired by Premier Wen Jiabao, state media reported.

Mortgage rates for second homes have to be at least 10 percent more than the benchmark rate, according to a policy first announced in April.

The State Council also requires local authorities to set price targets for this year by the end of the first quarter.

Other measures include purchase limitations, with each family allowed to own only on flat.

This policy is expected to be introduced in 30 cities.