HK Chief Regrets Inability To Cut Corporate Tax

By Mary Swire, LawAndTax.com, Hong Kong
Friday, January 06, 2012

Hong Kong's Chief Executive Donald Tsang has expressed his regret that, due to the current risks arising out of the global economic situation, he will be unable to fulfill his pledge, made in 2007, to reduce the rate of profits tax to 15% before his term of office ends in June this year.

The rate has remained at 16.5% since it was reduced in 2008/09 from 17.5%. In a radio interview, Tsang has confirmed that it will be impossible to reach the 15% level in the short-term, given the continuing threat of a worldwide recession.

Pressure has been building on the government's policy to keep the profits tax rate steady after Singapore reduced its corporate income tax rate to 17% in 2010/11, only 0.5% higher than Hong Kong's rate. There has yet to be any indication from Singapore whether there are any plans to announce a further rate reduction in the budget for this year, due in February.

It has been pointed out, however, that, while profits tax is the largest source of government revenue, it is also highly sensitive to economic fluctuations, and the government has to assess its overall financial position to ensure that there is sufficient revenue in the long-run to cope with increasing public expenditure.

Hong Kong, Shanghai Enhance Financial Co-operation

by Mary Swire, Tax-News.com, Hong Kong
Monday, January 09, 2012

Following the signing in 2010 of the Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation (MOU), officials held their second working meeting on January 6, 2012, in Shanghai, to enhance financial co-operation between the two places.

Led by Hong Kong's Permanent Secretary for Financial Services and the Treasury, Au King-chi, and the Vice-Director of the Shanghai Municipal Government Financial Services Office, Fan Yongjin, representatives of the two cities discussed financial issues of mutual concern, including ways to foster links in financial services and products, enhance training and exchange of financial talents, as well as strengthen co-operation between financial institutions in Hong Kong and Shanghai.

Au briefly introduced to the Shanghai representatives the development focus of the financial services industry in Hong Kong, including promoting international capital formation functions, fostering offshore renminbi (RMB) business, serving as the preferred platform for mainland China's financial enterprises and institutions to go overseas, and strengthening the asset management business.

At the meeting, the Hong Kong and Shanghai signed various co-operation agreements covering, for example, business and investment; finance, air transport, maritime and logistics; tourism, exhibition and conferences; and innovative technology.

It was agreed that Hong Kong and Shanghai should strengthen ties, by pushing ahead for measures under the Closer Economic Partnership Arrangement and helping Shanghai enterprises enter the overseas market via Hong Kong's international platform. Hong Kong pledged to support the establishment of the joint venture company of the stock Exchanges of Hong Kong, Shanghai and Shenzhen.

Hong Kong Company Registrations Hit New Record

by Mary Swire, Tax-News.com, Hong Kong
Tuesday, January 10, 2012

The number of local companies newly registered with the Hong Kong Companies Registry in 2011 hit a record high of 148,329, an increase of 6.31% from 2010, according to figures released on January 8.

According to the new Companies Registry data, the total number of live local companies registered stood at 956,392 at the end of 2011, up 92,630 from the end of 2010.

The number of companies incorporated in July reached a record of 24,957. Registrar of Companies Ada Chung said the figure doubled the average monthly incorporations of around 11,000 for 2010 and may be attributable to the local economic environment and expiration of the waiver of business registration fees for new companies in August.

The registration fee for a one-year certificate is normally HKD2,450 (USD315), made up of a HKD2,000 fee and a HKD450 levy, but a special concession was introduced in 2008 waiving the fee for business registration certificates with a commencement date in 2008-09. This waiver was reintroduced from August 1, 2009 for a further two-year period.

There were 798 non-Hong Kong companies that established a place of business in Hong Kong and were newly registered under Part XI of the Companies Ordinance, up 8.28% from the corresponding period in 2010. The total number of non-Hong Kong companies registered stood at 8,554 at the end of last year.

HK again named freest economy

RTHK English News, Hong Kong
Friday, January 13, 2012

Hong Kong has been named the world's freest economy for the 18th consecutive year. The Heritage Foundation in the US and the Wall Street Journal said the city had been able to maintain a stable economic framework.

But an editor of the Journal, Hugo Restall, expressed concern that mainland intervention in the territory's policies could affect business confidence. He referred to comments by the director of Beijing's Hong Kong and Macau Affairs Office, Wang Guangya, the local bureaucrats don't know how to lead.

Hong Kong Issues Advices On RMB Investment Products

by Mary Swire, Tax-News.com, Hong Kong
Tuesday, January 17, 2012

Hong Kong's Securities and Futures Commission (SFC) has published a list of frequently asked questions on its website to help investors understand the key features and risks specific to a new class of investment products which directly invest in mainland China's bond and equity markets.

Renminbi Qualified Foreign Institutional Investor (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).

Announced last month, the pilot scheme to allow qualified Hong Kong fund managers and investment companies to invest offshore RMB funds in China's securities markets has been 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.

Joint HK-UK RMB Forum Launched

by Mary Swire, Tax-News.com, Hong Kong
Wednesday, January 18, 2012

The Hong Kong Monetary Authority (HKMA) and the United Kingdom Treasury have announced the launch of a joint private-sector forum to enhance cooperation between Hong Kong and London on the development of offshore renminbi (RMB) business.

The forum has been set up following a discussion between Hong Kong's Chief Executive, Donald Tsang, and the UK Chancellor of the Exchequer, George Osborne, in September 2011 to foster cooperation on development of offshore RMB business. It will focus on exploring synergies by enhancing linkages between Hong Kong and London, specifically regarding clearing and settlement systems, market liquidity and the development of new RMB denominated financial products.

Sponsored by the two governments and comprising representatives from both Hong Kong and London of banks, including HSBC, Standard Chartered, Bank of China, Deutsche Bank and Barclays, the forum may invite representatives of other institutions as appropriate and will meet twice a year, with the first meeting to be held in Hong Kong in May this year.

The Chief Executive said that: "With the support of the Central Government, Hong Kong has developed into a global hub for offshore RMB business. Banks and financial institutions in London are most welcome to make good use of Hong Kong's offshore RMB platform. I am delighted that the private sector is taking this important step to foster cooperation between the two financial centres."

The forum is part of the HKMA's efforts to promote the use of Hong Kong's RMB financial platform by corporates and financial institutions in other financial centres, including London, in developing their offshore RMB business.

The Chief Executive of the HKMA, Norman Chan, added that: "By establishing appropriate linkages with Hong Kong's offshore RMB platform, banks in different parts of the world will be able to provide a comprehensive range of RMB banking and financial services to meet the rapidly increasing demand of their customers. Hong Kong and London are well placed to develop offshore RMB business and closer cooperation between the two financial centres will bring about mutual benefits and a win-win situation."

The UK Treasury considers that deepening cooperation with Hong Kong is an important part of realising London's ambitions as the leading western RMB hub, because of Hong Kong's unique role as a gateway into Mainland China's 'onshore' RMB market. The UK already handles almost 30% of all RMB foreign exchange trading.

Hong Kong Plugs Its Private Equity Advantages

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

In a speech at the Asia Private Equity Forum 2012 in Hong Kong, the Financial Secretary, John C. Tsang, confirmed that private equity is an important component of Hong Kong's asset management business, as Asia has become a magnet for venture capital investment, largely on the back of developments in mainland China.

Total capital under management in private equity in Asia, he said, has been rising steadily in recent years to reach some USD360bn in 2011, or a 22% annual increase. Last year, Hong Kong ranked second for capital under management in the region, accounting for 19% of the total, and, together, Hong Kong and mainland China manage over half of total private equity in Asia.

Many of the top Asian venture capital firms have a presence in Hong Kong. “Hong Kong is home to around 375 private equity firms,” he added. “Over 250 of these companies have their regional headquarters in our city.”

He stressed that Hong Kong is an ideal launching pad for private equity funds seeking opportunities in mainland China. As China's global financial centre, Hong Kong enjoys the best of both worlds; being deeply connected to China’s financial architecture, while, at the same time, Hong Kong's international characteristics enable it to manage financial activities all around the world.

“The great advantage for private equity funds,” he continued, “is that they can access the Mainland markets by locating potential projects and investments in Hong Kong. Hong Kong has unparalleled experience and understanding of offshore RMB business, as well as a growing pool of RMB liquidity.”

Hong Kong has retained its world number one status for IPO funds raised in 2011, with more than 100 newly listed companies raising some USD36bn in Hong Kong.

Another feature he illustrated was the growing number of foreign firms listing in Hong Kong. Over the past couple of years, companies from Russia, France, Italy, Brazil, the US and Switzerland, as well as from across Asia, have listed in Hong Kong, and he confirmed that the government will continue to facilitate overseas companies listing in the city, without compromising investor protection.

He also pointed out the tax advantages for private equity in Hong Kong, including the lack of a capital gains tax on the sale of shares in private companies, while dividend income is also not subject to withholding tax and offshore funds are exempted from tax on profits derived from specified transactions in Hong Kong.

He confirmed that the abolition of estate duty in 2006 has been an incentive for local and overseas investors to hold assets in Hong Kong, while the government has also extended the stamp duty concession and enhancement measures for the Qualifying Debt Instrument Scheme, where profits tax concessions are provided to interest income and trading gains derived from certain types of debt instruments that meet the relevant criteria.

HK Shares Start Year of Dragon Strong

RTHK English News, Hong Kong
Friday, January 27, 2012

Hong Kong shares rose on the first day of trading in the Year of the Dragon as dealers welcomed the US Fed's decision to keep interest rates low for at least the next two years. The Hang Seng Index added 328 points – or 1.6 percent – to close at 20,439 on turnover of HK$60.84 billion.

Citigroup said "equity markets seem to have decided that most of the likely bad news for 2012 has been discounted", adding that it remains bullish for the year ahead.

The US central bank said it expects interest rates to stay at 'exceptionally low levels' at least until late 2014, instead of mid-2013 as previously forecast.