Hong Kong Investors To Pay Chinese Dividend Tax

By Mary Swire, Tax-News.com, Hong Kong
Wednesday, July 06, 2011

Hong Kong's Financial Services and the Treasury Bureau (FSTB) has confirmed that dividends paid to Hong Kong investors by companies in mainland China will be subjected to a 10% withholding tax.

It was disclosed that Hong Kong's government has received a reply from China's State Administration of Taxation (SAT) that clarified the arrangements concerning the tax payable to the Mainland for dividends paid by Mainland companies to individual investors in Hong Kong.

A spokesman for the Financial Services and the Treasury Bureau said: "SAT's reply notes that when non-foreign investment companies of the Mainland which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10% with reference to the arrangement for the avoidance of double taxation signed between Mainland China and Hong Kong. They do not have to make any applications for entitlement to the above-mentioned tax rate."

It was added that: "For shareholders who are residents of other countries, and whose home countries have reached an agreement with China on an applicable withholding tax rate higher or lower than 10%, they have to follow the bilateral tax agreement in paying tax in connection with dividends paid by Mainland companies listed in Hong Kong."

The spokesman said that the Stock Exchange of Hong Kong will issue a letter to listed companies to inform them of the above-mentioned tax arrangements concerning dividends paid by Mainland companies.

Hong Kong Launches Inflation-Linked Retail Bond

By Mary Swire, Tax-News.com, Hong Kong
Friday, July 08, 2011

Hong Kong's government has announced the launch of the inflation-linked retail bond, or iBond, for subscription by Hong Kong residents beginning in July this year.

Speaking at a press conference on the launch, the Secretary for Financial Services and the Treasury, Professor K C Chan, said: "The issuance of the iBond mainly aims to promote the further development of the retail bond market in Hong Kong by enhancing retail investors' awareness and interest in bond investment.

"The maximum issuance size of the iBond will be HKD10bn (USD1.3bn)," he added. "The iBond will have a tenor of three years and bond holders will be paid interest once every six months at a rate linked to inflation in Hong Kong, subject to a minimum rate of 1%."

The iBond's subscription period will start on July 11, 2011 and end on July 19, 2011. It will be issued on July 28, 2011 and listed on the Stock Exchange of Hong Kong the following day.

Hong Kong, Citibank Reach Agreement On Lehman Notes

by Mary Swire, LawAndTax.com, Hong Kong
Monday, July 11, 2011

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority have announced that an agreement has been reached with Citibank (Hong Kong) Limited (Citibank HK) in relation to its distribution in Hong Kong of market-linked notes (MLNs) and equity-linked notes issued by Lehman Brothers (collectively referred to as 'LB Notes') between March 2007 and June 2008.

The LB Notes were issued by Lehman Brothers Treasury Co. B.V. and guaranteed by Lehman Brothers Holdings Inc. They were distributed by Citibank HK, between March 2007 and June 2008, on a private placement basis. The potential return of MLNs was linked to the performance of the underlying equities, which might be a basket of stocks traded in Hong Kong, or some market indices.

Without admitting any liability, Citibank HK has agreed to make a repurchase offer to eligible customers holding outstanding LB Notes distributed by Citibank HK at a price equal to 80% of the total value of each eligible customer's investment. The total value of the repurchase offer is estimated to be about HKD1.06bn (USD136.2m), covering about 92% of Citibank HK customers holding outstanding LB Notes.

The offer price will exclude the amount of coupon already paid to eligible customers, but include an additional amount representing the interest that would have been earned if the amount invested in LB Notes had been invested with Citibank HK on a fixed term deposit.

China Economy Stronger Than Expected

by the RTHK Hong Kong
Wednesday, July 13, 2011

China's economy slowed less sharply than expected in the second quarter, easing fears of an abrupt slowdown and giving Beijing room to tighten controls to fight surging inflation.

Gross domestic product rose 9.5 percent from a year earlier, exceeding economists' forecasts for 9.4 percent growth. But that was still the slowest pace since the third quarter of 2009, when the world economy was pulling out of its worst recession in 80 years.

Some cooling was expected—and even welcome—because China has raised interest rates and clamped down on bank lending terms to try to ease inflation, which hit a three-year high in June.

The stronger-than-expected GDP figures suggest Beijing may have more room to tighten without choking off growth.

"These are very good numbers," said Liu Li-Gang, an economist with ANZ in Hong Kong." This is perhaps the reason the (central bank) raised interest rates last week. They are showing they are not afraid of a significant slowdown in the economy."

More Foreign Investment in China

by the RTHK Hong Kong
Friday, July 15, 2011

Foreign direct investment in China has expanded at the slowest pace since last August. In June, foreign investment in factories and other assets climbed 2.8 percent to US$ 12.8 billion from the same period last year.

May's increase was 13.4 percent. For the first half of the year, inbound investment rose 18 percent to just under US$61 billion. The figures do not include investments in stocks and other financial assets.

Hong Kong Companies Now Total Over 900,000

By Mary Swire, Tax-News.com, Hong Kong
Wednesday, July 20, 2011
According to figures released by the Company Registry, the number of companies registered in Hong Kong at the end of June this year reached above 900,000.

The total number of active local companies registered was 912,242 as at June 30, 2011, up 48,480 from the end of 2010, while the total of almost 78,000 new local companies that were registered during the first half of this year, showed an increase of over 8.5% from the new companies registered in the second half of 2010, and a rise of more than 15% compared to those registered in the first half of last year.

"The number of new companies incorporated continued to rise in the first six months of this year, with a monthly record averaging around 13,000," the Registrar of Companies, Ada Chung, said.

In addition, in the first half of 2011, 402 non-Hong Kong companies established a place of business in Hong Kong, and the total number of non-Hong Kong companies registered stood at 8,342 by end-June.

Hong Kong Continues To Grow Its Fund Management Business

By Mary Swire, Tax-News.com, Hong Kong
Friday, July 22, 2011

The Securities and Futures Commission (SFC), in its annual survey of fund management activities, confirmed that such business in Hong Kong reached over HKD10 trillion (USD1.3 trillion) last year, up 18.6% compared to 2009.

The increase outperformed the previous annual record of USD9.6bn achieved in 2007, and suggested a return of investor confidence in global financial markets and continuing inflows of investment capital into the Asia Pacific region. It also found that Hong Kong continued to be a preferred location for international investments.

Overseas investors contributed HKD6.6 trillion (or 66%) of Hong Kong's total fund management business, excluding real estate investment trusts (REITs). The number of intermediaries engaging in asset management business also grew in 2010 by about 10% from 2009.

Licensed asset management and fund advisory houses continued to contribute the largest proportion of total asset management business in Hong Kong. Their aggregate business amounted to HKD7.3bn in 2010, recording a year-on-year increase of 13.3% from 2009.

The report also highlighted the three key aspects that the SFC has been focusing on to enhance the status of Hong Kong as a leading asset management centre - strengthening the regulatory framework for public offers of investment products; contributing to the process of renminbi internationalisation and fostering closer ties with the Mainland market; and developing exchange-traded-fund (ETF) market and implementing new measures to enhance transparency of synthetic ETFs.

Record Direct Investment in HK

by the RTHK Hong Kong
Wednesday, July 27, 2011

Hong Kong has moved up to third place in the world rankings for foreign direct investment, according to a report by the United Nations' Conference on Trade and Development.

Hong Kong was ranked fourth in 2009. Inflows into the territory hit a record high of nearly US$69-billion last year - up about 31-percent from the previous year. Much of this comes from the mainland. The Director-General of Invest Hong Kong, Simon Galpin, expects even higher investment this year.