Hong Kong Begins Regulation of Credit Rating Agencies

By Mary Swire, Tax-News.com, Hong Kong
Friday, June 03, 2011

The new regulatory regime governing credit rating agencies (CRAs) operating in Hong Kong became effective on June 1, 2011.

Under the new regime, CRAs and their rating analysts who provide credit rating services in Hong Kong, are required to be licensed and are subject to supervision by the Securities and Futures Commission (SFC). In addition, the licensees are required to comply with the provisions of the Code of Conduct for Persons Providing Credit Rating Services and with other legal and regulatory requirements that are generally applicable to all SFC licensees.

On April 21, 2011, the SFC released a circular in which it invited CRAs and their rating analysts to submit their licence applications ahead of the new regulatory regime coming into force. On June 1, the SFC issued licences to five CRAs and 156 of their rating analysts providing credit rating services in Hong Kong.

The five newly licensed CRAs are, alphabetically, A.M. Best Asia-Pacific Limited, CTRISKS Rating Limited, Fitch (Hong Kong) Limited, Moody's Investors Service Hong Kong Limited, and Standard & Poor's Hong Kong Limited.

China Trade Surplus Widens to US$13.05bn

by the RTHK, Hong Kong
Friday, June 10, 2011

China's Trade surplus expended to US$13.05 billion in May from the previous month as the value of exports hit a new record high. The figure is bigger than the US$11.4 billion recorded in April, but sharply lower than one prediction of US$18.6 billion.

Exports growth slowed last month, rising 19.4 percent year –on –year to US$157.16 billion- but still a record high for a single month. Imports gathered pace, soaring 28.4 percent from a year earlier to US$144.11 billion.

In April, exports rose 29.9 percent to US$155.7 billion, while imports increased 21.8 percent to US$144.3 billion. The stronger than expected increase in imports could help ease concerns tht the mainland economy is slowing down.

Beijing has been using a variety of measures to cool the economy, which grew 9.7 percent in the first quarter, amid fears that high inflation and soaring house prices could trigger social unrest.

Hong Kong legco Approves Tax Cuts

by Mary Swire, LawAndTax.com, Hong Kong
Tuesday, June 14, 2011

Hong Kong's Legislative Council has passed the Inland Revenue (Amendment) (No. 3) Bill 2011, which will implement the government's concessionary revenue measures announced as part of its 2011-12 Budget.

The proposed bill will increase, by 20%, the child allowances, dependent parent/grandparent allowances and the deduction ceiling for elderly residential care expenses for salaries tax and tax under personal assessment in 2011-12. A net total of about 710,000 taxpayers will benefit from the above proposals.

The bill will also reduce salaries tax and tax under personal assessment for 2010-11 by 75%, subject to a ceiling of HKD6,000 (USD771) per taxpayer. About 1.5m taxpayers will benefit from the proposed one-off reduction.

It was said that the increased allowances and deduction and the one-off reduction in salaries tax and tax were proposed by the Financial Secretary given the better than expected fiscal position and to share wealth with taxpayers. The estimated total revenue cost to the government of all of the measures will be around HKD6.5bn.

Hong Kong Hikes Car Tax

By Mary Swire, Tax-News.com, Hong Kong
Friday, June 17, 2011

The Legislative Council has passed, with immediate effect, Hong Kong's new, increased rates for the first-registration tax on cars.

Under the new measures, first-registration tax rates will be 40% of the taxable value of cars for the first HKD150,000 (USD19,200), increased from 35%; 75% on the next HKD150,000, up from 65%; 100% on the next HKD200,000, increased from 85%; and 115% on the remainder, a rise of 15%.

On the other hand, tax concessions for environmentally-friendly petrol cars will also rise from the current level of 30%, subject to a cap of HKD50,000 per car, to 45%, subject to a cap of HKD75,000 per car.

The new tax rates are contained within the Motor Vehicles (First Registration Tax) (Amendment) Act 2011, gazetted on June 17.

Prada's Hong Kong IPO Affected By Italian Tax Concerns

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, June 21, 2011

The initial public offering (IPO) in Hong Kong by the Italian luxury fashion goods company, Prada, has raised less than anticipated, in part due to Italian tax concerns.

The IPO was originally expected to bring in USD2.6bn in total, but, in the end, raised only USD2.14bn. It was reported that the 10% segment of the issue that had been reserved for retail investors was not fully subscribed, although demand from institutional investors meant that the IPO was still over-subscribed.

While the worsening market conditions at the time convinced Prada to reduce the issue share price, concerns about Italian capital gains and dividend withholding taxes were also cited as among the reasons for the IPO's lacklustre performance.

In the IPO's prospectus, Prada had pointed out that, as there is no double taxation treaty (DTA) between Italy and Hong Kong, a Hong Kong-resident shareholder in Prada should, if selling shares at a profit, be required to pay a 12.5% capital gains tax, while dividends should also be paid by Prada to Hong Kong residents net of a 27% withholding tax.

While it is reported that the Italian and Hong Kong governments are in DTA negotiations, there is no guarantee that such an agreement will be finally agreed, or then ratified, in the short-term.

EFTA Unveils Progress on FTAs

By Mary Swire, Tax-News.com, Hong Kong
Thursday, June 23, 2011

Following a recent gathering of European Free Trade Association (EFTA) ministers in Schaan, the Liechtenstein administration announced details of the signing of a free trade agreement (FTA) with Hong Kong.

In its release, the Principality's administration noted that the ministerial meeting of EFTA member states (comprising Iceland, Liechtenstein, Norway and Switzerland), and presided over by Liechtenstein's Foreign Minister Aurelia Frick, focussed on the current situation as well as on future prospects for the group's free trade policy.

Foreign Minister Frick emphasized that the conclusion of free trade agreements serves to improve the framework conditions for economic and trade relations.

During the course of the meeting, the free trade agreement with Hong Kong was signed, bringing the total number of EFTA's free trade agreements, concluded with 32 countries and territories outside of the European Union, to 23. Hong Kong, the Liechtenstein administration explained, is one of the world's most important trading partners. The new bilateral FTA between Hong Kong and EFTA states serves to strengthen EFTA's commitments in Asia, the administration added.

EFTA is also aiming to conclude free trade negotiations this year with India, another major trading partner in Asia, the administration continued, noting that negotiations with Indonesia are also progressing well and that EFTA would also like to extend trade and investment relations with Malaysia, building on an existing statement of cooperation and to begin dialogue with Vietnam. Negotiations with Thailand will be resumed as soon as the political situation permits, the administration revealed.

According to the Liechtenstein administration, EFTA states are also pleased with initial progress so far as regards current negotiations with Russia, Belarus, and Kazakhstan, and expect a free trade agreement with Bosnia-Herzegovina and with Montenegro to be signed during the course of EFTA's forthcoming ministerial meeting in the autumn. EFTA is also eager for commercial reasons to discuss expanding contractual relations with Argentina, Brazil, Paraguay and Uruguay, as well as with the Central American states of Costa Rica, El Salvador, Guatemala, Honduras and Panama.

Hong Kong Corners Offshore RMB Market

by Mary Swire, LawAndTax.com, Hong Kong

Monday, June 27, 2011

Following a question in the Legislative Council, the Secretary for Financial Services and the Treasury, Professor K C Chan, emphasized how the government has been promoting the development of offshore renminbi (RMB) business in Hong Kong.

He noted how, along with the introduction of more measures and the deepening of existing measures to expand the use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has grown rapidly in the past year with support from the central government and related Chinese (Mainland) authorities.

RMB trade settlement conducted through banks in Hong Kong in the first four months of 2011 amounted to RMB445bn (USD68.7bn), as compared to some RMB369bn in 2010. In addition, in the first quarter of 2011, 86% of the Mainland's RMB trade settlement was conducted through banks in Hong Kong, showing that Hong Kong is the prime platform for RMB trade settlement.

Driven by RMB trade settlement, RMB deposits in Hong Kong have also increased significantly and RMB financing activities became more active. In 2010, RMB deposits increased from RMB60bn in January to RMB310bn in December, and further to RMB510bn as of end April this year.

Concurrently, Hong Kong has become the largest offshore RMB bond market. The total amount of RMB bond issuance in Hong Kong increased from RMB16bn in 2009 to nearly RMB36bn in 2010. In the first five months of 2011, the amount of RMB bond issuance has exceeded RMB28bn.

As of end April 2011, there were a total of 173 banks participating in Hong Kong's RMB clearing platform. Among these participating banks, 151 were branches and subsidiaries of foreign banks and overseas presences of Chinese banks. They represent, he said, a global payment network capable of handling RMB transactions, and providing RMB clearing services between the Mainland and different parts of the world, as well as among various offshore markets.

As Hong Kong is one of the major windows and platforms for the Mainland's external trade and investment, with close links with the Mainland in the flows of people, goods, capital and information, it has a first-mover advantage. However, the government will continue to enhance and optimise the existing RMB financial platform, so as to facilitate the launching of more RMB financial products in the Hong Kong market, and will also conduct more promotion to advance Hong Kong's role and status as an offshore RMB business centre serving global needs.

Trade Czar Eases Fears Over Surplus

by Natallie Cai, The Standard, Hong Kong
Wednesday, June 29, 2011

The Minister of Commerce expects the trade surplus for the year to be only a slight one.

Minister Chen Deming, who is accompanying Prime Minister Wen Jiabao on a visit, states in Berlin yesterday that the trade surplus will continue to come down, but a trade deficit is impossible this year.

China booked a trade surplus of US$13.05 billion (HK$101.80 billion) in May – a 32.7 percent decline from a year ago- as compared to the surplus of US$11.43 billion in April.

However, the country recorded its first quarterly trade deficit of US$1.02 billion in seven years in January to March of this year.

Chen mentioned China will continue to reform its yuan exchange rate, allowing it to be market-orientd.