Hong Kong Gazattes IPR Tax Deduction Extension

By Mary Swire, LawAndTax-News.com, Hong Kong
Monday, February 28, 2011

A legislative bill, seeking to give effect to the proposed profits tax deduction for capital expenditure incurred on the purchase of copyrights, registered designs and registered trademarks, which was first announced in Hong Kong's 2010-11 budget, has now been gazetted.

With regard to intellectual property, under Hong Kong's existing tax arrangements, capital expenditure by enterprises to purchase patent rights and industrial know-how is deductible under profits tax. In February last year, to promote the wider application of intellectual property by enterprises and the development of creative industries, the Financial Secretary, John C. Tsang, stated the intention to extend the deduction.

The bill therefore seeks to amend the Inland Revenue Ordinance to provide such a tax deduction (spreading over five succeeding years on a straight-line basis starting from the year of purchase) for capital expenditure incurred on copyrights, registered designs and registered trademarks.

It would also remove the "use in Hong Kong" condition currently applicable to the tax deduction for capital expenditure incurred on the purchase of patent rights and industrial know-how. Those enhancement measures will also be applicable to the proposed tax deduction for copyrights, registered designs and registered trademarks.

HK Is The Gateway To China, US Investors Told

By Mary Swire, Tax-News.com, Hong Kong
Monday, March 07, 2011

In a speech to a conference in New York, Hong Kong's Under Secretary for Financial Services and the Treasury, Julia Leung, explained the significance of Hong Kong being China's global financial centre.

While Hong Kong has, for some time, served as a gateway for businesses, including American businesses, into and out of Mainland China, Leung considered that it now serves as "a springboard in another dimension". Hong Kong is the single biggest source of foreign direct investment for the whole of China, accounting for more than half of such inflows.

In addition, by the end of January 2011, the Stock Exchange of Hong Kong had hosted 595 Mainland enterprise listings, which together raised a total of USD384bn. These, she said, included the highly successful mega listings of all four state-owned commercial banks. Chinese enterprises now account for about 60% of Hong Kong's market capitalization. It has propelled Hong Kong to the top of the world IPO league, and pushed the evolution of Hong Kong into a capital-raising platform for the world.

She also mentioned Hong Kong is part of China, yet distinct and separate from the financial markets of China under 'One Country, Two Systems. This allows RMB convertibility to be tested in Hong Kong while providing a natural firewall to protect financial security on the Mainland markets.

China Announces Further Currency Easing Measures

By Mary Swire, Tax-News.com, Hong Kong
Friday, March 11, 2011

The State Administration of Foreign Exchange (SAFE), in a short statement, has confirmed that it will look for a developing use of China's currency, the yuan, in capital account transactions this year.

Hong Kong has previously confirmed its involvement in the development of the yuan's capital market utilization being contemplated by SAFE. Cross-border yuan trade settlement handled in Hong Kong reached CHY370bn last year, and Hong Kong has also seen progress in other yuan-denominated areas, including deposits, bond issuance and the introduction of financial products.

Hong Kong maintains close contact with SAFE to further develop Hong Kong's yuan bond market. As at end-January this year, there were a total of 31 yuan bond issues with an issuance size of about CHY74.4bn. The range of issuers has expanded from Mainland financial institutions to multinational non-financial institutions.

Mainland "world's top manufacturer"

by RTHK English News, Hong Kong
Tuesday, March 15, 2011

China topped the United States as the world's largest manufacturer for the first time last year, according to a study by economic research firm HIS Global Insight.

China Accounted for 19.8 percent of global manufacturing in 2010, compared with 19.4 percent for the US – US$1.995 trillion worth, compared with US$1.952 trillion, according to IHS. But by measures of productivity, China remained far behind the United States, with US manufacturing workers generating more than eight times the value per person than China's. "In other words, the US manufacturing sector is producing roughly the same amount of output in 2010 with 11.5 million workers as opposed to its Chinese counterpart with around 100 million workers," HIS said.

Japan remained a distant third last year, generating US$1.027 trillion by manufacturing, followed by Germany, with US$618 billion.

But the most telling indicators were the pace of growth: over 2008-2010, China's manufacturing sector grew at a pace of 20.2 percent per year, while the United States grew at 1.8 percent and Japan at 4.25 percent.

China Confirms Continuing Support To Hong Kong,

By Mary Swire, Tax-News.com, Hong Kong
Friday, March 18, 2011

After the annual meeting of the National People's Congress in Beijing, China's Premier, Wen Jiabao, said that the Mainland government would continue to support Hong Kong in its position as an international financial centre.

He confirmed that the advantages enjoyed by Hong Kong in developing its international financial business, and the Mainland government's support to its long-term stability, would not change. In particular, he noted that China's 12th Five-Year Plan contains specific reference to the development of Hong Kong for offshore renminbi (RMB) settlements and international asset management.

However, while the Five-Year Plan includes a separate chapter on Hong Kong (together with Macau), it does not replace, but complements, Hong Kong's own development programmes. He stressed that the principle of 'one country, two systems' would be adhered to, as would Hong Kong's high level of autonomy.

Wen also pointed out that China has previously used Hong Kong to pilot developments in its financial industry, including cross-border RMB trade settlements; and that there is continuing close cooperation between Hong Kong and the Mainland in the free movement of goods and personnel.

Hong Kong Showcased As Offshore RMB Centre

By Mary Swire, LawAndTax-News.com, Hong Kong
Tuesday, March 22, 2011

The Hong Kong Monetary Authority (HKMA) held, in Sydney, the first in a series of overseas roadshows that it is conducting to showcase Hong Kong as the offshore renminbi (RMB) centre.

The roadshows will aim to promote overseas interest in the one-stop financial platform provided by Hong Kong for offshore RMB businesses, ranging from RMB trade settlement services, bank financing, bond issuance to wealth management.

HKMA's chief executive, Norman Chan, at the RMB Australasia Summit, in front of over 300 participants from leading financial institutions and corporates in Australia and New Zealand, pointed out that, "with China becoming the second largest trading nation and economy, specifically with external trade surpassing USD3 trillion in 2010 and direct investment activities also growing significantly over the past decade, the use of RMB in cross-border transactions is likely to expand very rapidly in the future."

He added that, while direct investment flows between China and Australia also increased by more than 9 times to USD3.3bn over the last decade, "the wider use of RMB will greatly enhance all these bilateral trade and investment flows as it helps reduce currency conversion costs and exchange rate risks."

"With the strong support of the central government for Hong Kong to develop into an offshore RMB business centre, a policy which has been enshrined in the National 12th Five-Year Plan," Chan concluded that "Hong Kong is ideally placed to serve financial institutions and corporates from Australia and other economies which are expected to have continually expanding trade and investment links with Mainland China in the years ahead."

London Tops Financial Centres Leagues

by Robin Pilgrum, LawAndTax-News.com, London
Thursday, March 24, 2011

The latest Global Financial Centres Index (GFCI), produced by the Z/Yen Group, showed that London again came out on top, followed closely by New York and Hong Kong, although confidence amongst financial services professionals seemed to have fallen in the past six months, as is shown by lower overall ratings.

In fact, the main headline arising out of the new GFCI was said to be the fact that there again remained no significant difference between London, New York and Hong Kong in the ratings, with respondents continuing to believe that these centres work together for mutual benefit across time zones.

Asia continued to exhibit enhanced competitiveness with eight centres in the top twenty (against six North American centres and five European ones).

It was also pointed out that, when questioned about which financial centres were likely to become more significant in the next few years, the top five centres mentioned were all Asian – Shanghai, Singapore, Seoul, Hong Kong and Beijing.

Offshore centres (with the exception of the British Virgin Islands) fell further than the average, continuing a trend since the financial crisis began. Jersey and Guernsey remained the leading offshore centres, while Dublin's International Financial Services Centre continued its decline in the GFCI.

Hong Kong Looks At Gradual RMB Internationalization

By Mary Swire, Tax-News.com, Hong Kong
Friday, March 25, 2011

During a speech on the development of the renminbi market in Hong Kong at the China Economic Development Forum, the Secretary for Financial Services and the Treasury, Professor K C Chan, said that RMB internationalization represented the 'most exciting topic' in the development of Hong Kong's financial markets.

"Hong Kong is the most natural and the most competitive offshore RMB market in our country," he concluded. "We have been a testing ground for new products and new ideas for China and now we are a testing ground for financial market reform for the country. There is much cooperation between the regulators on the Mainland and Hong Kong, and we can ring-fence the market with the capital flows being regulated to safeguard the financial security of the nation."

Chan added that he expects there will be further development and more offering of investment products, including RMB-denominated bonds, in Hong Kong, which will contribute to "a much more interesting and diversified investment product market in Hong Kong. These will contribute to the growth of the offshore RMB market."

To date, there have been 38 RMB bond issues, with a total issuance of over RMB80bn. The offshore RMB bond market has taken off with the issue of so called "dim sum bonds" issued by a large range of issuers and available to institutional investors. The issuers range from Chinese corporations to bond corporations of foreign agencies.

Chan said that a base case forecast puts the issuance of offshore RMB bonds at RMB60bn in 2011, as against RMB42bn last year, which would bring the total outstanding "dim sum bonds" to over RMB100bn.

China considers expanding yuan trade

by RTHK English News, Hong Kong
Sunday, March 27, 2011

China's Central bank, the People's Bank of China is considering expanding the number of currencies that can trade against the yuan.

In its annual report on international financial markets posted on its website, the bank also said competitive currency devaluation and trade protectionism should be avoided this year.

The report also expressed concern about rising commodity prices and inflation risks.