Hong Kong Lauds Effectiveness Of Special Stamp Duty

By Mary Swire, LawAndTax.com, Hong Kong
Friday, March 02, 2012

Hong Kong's Secretary for Transport and Housing, Eva Cheng, has said that the special stamp duty (SSD), which was introduced in November 2010, has been effective in curbing short-term property speculative activities.

The duty is charged when a residential property is sold within 24 months of its purchase. The rate of SSD is based on different holding periods - 15% for properties held for six months or less; 10% for more than six months but less than one year; and 5% for more than one year but less than two years.

Since the SSD came into effect and up to end-January 2012, 98 transactions have been charged with special stamp duty, involving a total of HKD29.6m (USD3.8m). In 10 cases, the properties sold for less than their purchase price. In addition, a total of 200 cases were exempted from duty, including, for example, the sale or transfer between close relatives and of residential property through inheritance from a deceased person's estate.

Hong Kong Reviews Plans For Financial Services

by Mary Swire, Tax-News.com, Hong Kong
Friday, March 09, 2012

Secretary for Financial Services and the Treasury, Professor K C Chan, has tabled a plan at the Legislative Council (LegCo) Finance Committee, whereby the government will continue to work closely with regulators and the industry to foster the sustained development of the financial services industry in Hong Kong.

Overall, Chan confirmed that his department will focus on leveraging Hong Kong's competitive advantages to reinforce its status as an international financial centre. The key areas of work include further enhancing financial co-operation between Hong Kong and the Mainland (China), promoting market development and improving market quality.

In support of China's National 12th Five-Year Plan, and through the Mainland and Hong Kong Closer Economic Partnership Arrangement and other regional co-operation platforms (including the ones between Hong Kong and Guangdong and Hong Kong and Shanghai, as well as Qianhai), collaboration will be fostered between financial institutions in Hong Kong and the Mainland, as well as in the exchange of financial products, capital and talents between the places.

In addition to the promulgation of the administrative rules on cross-border renminbi (RMB) foreign direct investment and the RMB Qualified Foreign Institutional Investor scheme, Hong Kong will continue to attract more overseas corporations and financial institutions to use Hong Kong's RMB clearing platform; and enhance Hong Kong's RMB capital formation platform by, for example, encouraging more Hong Kong, foreign and Mainland institutions and enterprises to issue RMB-denominated bonds in Hong Kong.

To reinforce further its position as an offshore RMB business centre, Hong Kong will also promote the development of more innovative RMB-denominated products, and expand and deepen the connectivity between Hong Kong's offshore RMB market and the onshore markets in the Mainland, to promote the cross-border use and circulation of RMB funds.

The government will continue to work with the Stock Exchange of Hong Kong to promote Hong Kong's strengths as the premier capital issuing centre to overseas countries, including emerging markets. Hong Kong Exchanges and Clearing Limited is reviewing and planning to conduct a consultation on the conditions for overseas companies to seek primary or secondary listings in Hong Kong, with the aim of further facilitating the listing of overseas companies in Hong Kong without compromising investor protection.

To strengthen further the competitiveness of the asset management industry, the government will, for example, enter into more comprehensive agreements for the avoidance of double taxation, continue to develop an Islamic financial platform, modernize the Trustee Ordinance and step up overseas promotion.

Finally, with regard to the regulatory regime, Chan highlighted the revamp of the Companies Ordinance (which should be passed within the current term of LegCo), and a modernization of the corporate insolvency law to facilitate a more efficient administration of the winding-up of companies, enhance the protection of creditors, and provide for a new statutory corporate rescue procedure.

In other areas, Hong Kong's trust law will also be amended with a consultation being started this month, and the government is also working with the Securities and Futures Commission and the Hong Kong Monetary Authority to develop a regulatory regime for the over-the-counter (OTC) derivatives market. In addition, an independent Insurance Authority will be established to enhance protection for policyholders.

Hong Kong, Malaysia Set Cross-Border Investment Platform

by Mary Swire, Tax-News.com, Hong Kong
Thursday, March 15, 2012

It has been announced that a pilot platform on cross-border investment and debt-securities settlement will be launched on March 30 by the Hong Kong Monetary Authority (HKMA), Bank Negara Malaysia (BNM) and Euroclear Bank.

The platform will enhance cross-border debt-securities settlement efficiency, and strengthen the capacity for debt-securities issuance activities in the Asian region.

The launch of the pilot platform will strengthen the cross-border issuance of, and foreign investment in, local bonds in Hong Kong and Malaysia. Investors in Hong Kong and Malaysia will be able to buy and hold foreign debt securities and settle cross-border transactions on a delivery-versus-payment (DvP) basis, while local and international bond issuers will be able to issue a wide range of debt securities.

It will also include a comprehensive debt securities database of Asian debt securities maintained by Euroclear Bank.

It was said that the introduction of the pilot platform signifies an important step for Asian bond markets, supported by an international central securities depository to strengthen post-trade infrastructure. This would facilitate the harmonization of market practices and standardization of the issuance and settlement of debt securities, to deepen Asian bond market liquidity, attract investment and increase operational efficiency.

Hong Kong Gazettes Order to Eliminate Capital Duty

by Mary Swire, Tax-News.com, Hong Kong
Tuesday, March 20, 2012

As presaged in the 2012-13 Budget on February 1 this year, the Companies Ordinance (Amendment of Eighth Schedule) Order 2012, to abolish Hong Kong's capital duty levied on local companies, has now been gazetted.

Currently, a capital duty of 0.1% is payable on the nominal value at registration of, or any increase to, the authorized share capital of a Hong Kong company, and on any share premium. It is capped at HKD30,000 (USD3,865) in each case.

The amendments will be applicable to companies which lodge the documents about incorporation, increases in nominal share capital or the issuing of shares at a premium with the Companies Registry from June 1.

The Secretary for Financial Services & the Treasury Prof. KC Chan said the initiative should encourage investors to set up companies in Hong Kong to raise capital and expand their business, thereby enhancing Hong Kong's competitiveness as a corporate domicile.

The order will be tabled at the Legislative Council on March 21, and, when enacted, it is estimated the proposal will cost HKD90m a year in government revenue.

Higher China Growth Forecast

RTHK English News, Hong Kong
Friday, March 23, 2012

The Policy research arm of the State Council says it expects China's economic growth this year to exceed the government's target of 7.5 percent. The Development Research Centre said it might hit 8.5 percent, but inflation would probably match the forecast 4 percent.

The centre said housing prices remained under increasing pressure, and the government needed to continue exercising control over the market.

Hong Kong Launches Consultation On Trust Law Reform Bill

by Mary Swire, Tax-News.com, Hong Kong
Monday, March 26, 2012

Hong Kong's government has launched a two-month public consultation on its draft legislation on trust law reform, which followed the positive responses it had received from stakeholders in an earlier consultation held in 2009.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said: "The reform seeks to modernize Hong Kong's trust law to better cater for the needs of modern-day trusts and enhance the interests of parties to a trust. It is a major initiative to strengthen the competitiveness of our trust services industry and further consolidate our status as an international asset management centre."

The consultation document sets out draft provisions to amend the Trustee Ordinance and the Perpetuities and Accumulations Ordinance, which seek to clarify trustees' duties and power to provide clearer guidelines on the role of trustees. It is intended that reforming Hong Kong's trust law will bring its regulatory regime in line with other comparable common law jurisdictions such as the United Kingdom and Singapore.

Specifically, the draft provisions seek to: impose a statutory duty of care on trustees; provide trustees with a general power to appoint agents, nominees and custodians; give trustees wider powers to insure trust property against risks of loss; and allow professional trustees to receive remuneration for services rendered to trusts.

In addition, statutory provisions will be introduced to enhance the protection of beneficiaries' interests. These include provisions to regulate exemption clauses that seek to relieve professional trustees from liabilities for breach of trust, while beneficiaries will also be given the right to remove trustees through a simple, time-saving and court-free process.

The trust law will also be modernized. A provision will be introduced to clarify that a trust will not be invalidated only by reason of a settlor reserving to himself some limited power, and the outdated rules that set time limits on the duration of trusts and the accumulations of income would be abolished.

China Allowing higher cash inflows

RTHK English News, Hong Kong
Wednesday, March 28, 2012

The Wall Street Journal says China has allowed foreign banks to bring more money into the country, in an effort to stop a capital outflow while the country's economy is slowing.

Quoting people familiar with the matter, the Journal said foreign banks have been allowed to borrow more money outside of China-often from their own headquarters- and bring the money into China.

But the newspaper said the increase varies from bank to bank, and ranges from high double-digit increases to more than double that of the current quota. The move might encourage foreign investors to put more money in China.

This comes after the country's foreign investment fell for the fourth consecutive month in February. Expectations are also growing that March will see another month of decline, as investors have been selling the yuan in the past two weeks.

Hong Kong Begins Islamic Bond Tax Consultation,

by Mary Swire, Tax-News.com, Hong Kong
Friday, March 30, 2012

The Financial Services and the Treasury Bureau has launched a two-month consultation on the proposed amendments to the Inland Revenue Ordinance and Stamp Duty Ordinance to promote the development of an Islamic bond, or "sukuk", market in Hong Kong.

Under the legislative proposals, the government proposes "to adopt a prescriptive and religion-neutral approach, in line with that adopted by other major financial markets such as the United Kingdom, as prescriptive legislative provisions without specific reference to Shariah principles would provide more certainty in implementation to market players in Hong Kong".

It is proposed to cover the most common types of sukuk in the global market - Ijarah, Musharakah, Mudarabah and Murabahah – and to adopt a tripartite structure, comprising an originator, a bond-issuer and bond-holders, as the basis for the framework of the proposed legislative amendments.

Specifically, a new term would be introduced known as an alternative bond scheme containing two arrangements - a bond arrangement and an investment arrangement. The former refers to the arrangement between the bond-issuer and the bond-holders, while the latter refers to the arrangement between the bond-issuer and the originator.

Under each of the aforesaid arrangements, a set of essential features and qualifying conditions would need to be satisfied in order for the parties involved to enjoy the special tax treatment and stamp duty treatment/relief applicable to that arrangement.

In the government's opinion, the legislative exercise would be conducive to the development of a sukuk market in Hong Kong. "This will in turn help diversify (Hong Kong's) financial platform and consolidate (its) role as an international financial centre."

ICBC Beats Expectations

by Grace Cao, the Standard, Hong Kong
Friday, March 30, 2012

Industrial and Commercial Bank of china (1398) beat market expectations, reporting earnings of 208.4 billion yuan (HK$256.6 billion) last year, up by 25.6 percent.

Earnings per share jumped to 60 fen from 12 fen in 2010.

Growth was strong in the fourth quarter as earnings rose 17 percent.

For the full year, total operation income amounted to 470.6 billion yuan, representing an increase of 23.6 percent from a year ago.

ICBC's net interest income increased by 19.4 percent to 362.8 billion while the margin expanded 17 basis points to 2.61 percent.

ICBC lent 811.7 billion in new loans, up by 13.1 percent from 2010.