Hong Kong Gazettes Budget Measures

by Mary Swire, Tax-News.com, Hong Kong
Monday, April 30, 2012

The Inland Revenue (Amendment) Bill 2012, which aims to implement the concessionary revenue measures proposed in the 2012-13 Budget, has been gazetted in Hong Kong.

The tax concessions are targeted at supporting businesses and individuals, who currently have to face global economic uncertainties. They include an across-the-board increase in personal allowances under salaries tax, and a one-off reduction of salaries tax, tax under personal assessment and profits tax for the 2011/12 year of assessment by 75%, subject to a ceiling of HKD12,000 (USD1,550).

There will also be an increase in the deduction ceilings for elderly residential care expenses as well as for mandatory contributions to recognised retirement schemes, and an extension of the entitlement years for home loan interest deduction.

About 1.5m taxpayers will benefit from the proposed one-off reduction of salaries tax and tax under personal assessment. The proposed one-off reduction in profits tax will benefit all taxpayers who are liable to profits tax, who number almost 120,000.

The Bill will be introduced into the Legislative Council on May 9.

IRD Issues 2m Individual Tax Returns In Hong Kong

by Mary Swire, Tax-News.com, Hong Kong
Thursday, May 03, 2012

As Hong Kong's Inland Revenue Department (IRD) begins sending out 2.16m tax returns, the Commissioner of Inland Revenue, Chu Yam-yuen, reminded individual taxpayers to file their tax returns by June 2, while sole proprietors of unincorporated businesses have until August 2.

He disclosed that "the IRD will grant an automatic extension of one month to e-filers. As July 2 is a public holiday, eTax users filing their tax returns online can have the deadline extended to July 3. For a sole proprietor of an unincorporated business, the filing deadline will be extended to September 3 as September 2 falls on a Sunday."

He also pointed out that the government has, in this year's Budget, proposed a number of tax measures, including increasing tax allowances, deduction ceilings for elderly residential care expenses and contributions to mandatory provident fund schemes, as well as proposing a 75% deduction for profits tax, salaries tax and tax under personal assessment for the year of assessment 2011-12, subject to a ceiling of HKD12,000 (USD1,545) per case.

China Easing Securities Restrictions

by RTHK News, Hong Kong
Monday, May 07, 2012

China agreed Friday to let foreigners own bigger stakes in its securities firms and promised to limit export subsides after high-level talks with the United States.

The Central government also said it was implementing an earlier commitment to expand access to its auto insurance market and would allow greater foreign investment in Chinese stocks and bonds.

It promised to pursue reforms of its controversial exchange rate controls but gave no timeline.

The Strategic and Economic Dialogue came as a weak global economy and pressure to generate jobs is fuelling US demands for Beijing to lower market barriers and scrap currency controls.

Offshore Merger And Acquisition Activity Rises

by Jason Gorringe, Tax-News.com, London
Wednesday, May 09, 2012

A new report from Appleby shows that transaction values for mergers and acquisitions (M&A) in major offshore financial centers rose by 25% in the first quarter of 2012.

The first ever Offshore-i report from Appleby, the world's largest provider of offshore legal, fiduciary and administration services, looks at M&A activity for the first quarter of 2012, providing sectoral analysis and expert insight on deal types and geographic trends.

The key findings of the report show that offshore deal values in Q1 2012 increased by 25% from the previous quarter's USD23.2bn to USD30.9bn. However, the volume of deals taking place offshore was down 24% on the last quarter of 2011 and was 26% lower than the same period of last year, revealing that corporate transaction activity continues to be depressed.

The number of transactions in the offshore sector in Q1 2012 amounted to 412. However, while deal volumes were lower than the same period a year ago, the report shows that there is still a reasonable amount of activity going on across the offshore world.

The most popular destinations for investors doing deals involving offshore targets are Hong Kong and the Cayman Islands, while the banking, insurance and financial sector continues to dominate offshore activity, well ahead of the next area of interest, wholesaling.

China 'allowing foreign pension funds'

by RTHK News, Hong Kong
Tuesday, May 15, 2012

The Wall Street Journal says pension funds from Hong Kong, Taiwan and Singapore may be in the first batch for firms allowed to invest on the mainland.

It said China is considering setting up a new scheme for foreign pension funds to invest in its financial markets. Currently, foreign investors have limited access to the mainland market. But the Journal said, quoting people familiar with the matter, that talks on the new scheme were still at an early stage.

Greater participation by foreign investors may help shore up confidence in mainland markets. The Shanghai Composite Index has fallen about 16 percent over the past year.

Hong Kong Revises Bank Market Entry Criteria

by Mary Swire, LawAndTax-News.com, Hong Kong
Thursday, May 17, 2012

Amendments to the Banking Ordinance, which seek to update market entry criteria for Hong Kong's banking sector, will be submitted to the Legislative Council on May 23 and, subject to its negative vetting, will take effect on July 12, 2012.

The Financial Services & the Treasury Bureau said: "These amendments seek to remove from the Banking Ordinance certain licensing criteria for banks, which have become unnecessarily restrictive and put Hong Kong at a disadvantage when compared with other international financial centres. These licensing criteria to be repealed may restrict well-managed and reputable domestic and overseas institutions from establishing a presence in Hong Kong."

The amendments will, for example, remove the requirement for a bank licence applicant to have total customer deposits of not less than HKD3bn (USD386m) and total assets of not less than HKD4bn, and remove some impediments which restrict foreign banks from entering the Hong Kong market through the establishment of a locally incorporated subsidiary.

A spokesman for the Hong Kong Monetary Authority (HKMA) added that "some international financial institutions do not take deposits as part of their normal business. The proposed revisions will allow a broader range of qualified domestic and international institutions to participate in our financial markets, without compromising the stability of Hong Kong's banking system."

The proposed amendments arose from a review last year by the HKMA, which concluded that some licensing conditions under the Banking Ordinance applying to Hong Kong are not found in other major financial markets such as the United Kingdom, the United States, Germany, Switzerland, Australia and Singapore. These conditions are also not part of the international standards for banking supervision and regulations.

CEPA Boosts Hong Kong's Industries

by Mary Swire, Tax-News.com, Hong Kong
Thursday, May 24, 2012

The China/Hong Kong Closer Economic Partnership Arrangement (CEPA) services liberalization measures have boosted the development of Hong Kong's traditional industries, Financial Secretary John Tsang says.

Addressing a business forum on May 23, Tsang said Hong Kong's industries will benefit from 47 liberalized service sectors under CEPA, involving 301 liberalization measures.

He said that mainland China has provided many business opportunities for Hong Kong's manufacturing and service sectors. By the end of April, more than 81,000 applications for Certificate of Hong Kong Origin under CEPA had been approved, with the total export value of the goods amounting to more than HKD40bn (USD5.1bn).

Tsang said that by the end of March, tariff savings amounted to RMB2.8bn (USD440m).

The forum was held by the Hong Kong government, the Ministry of Commerce and the Guangdong government at the Central Government Offices, Tamar, to familiarize Hong Kong's industry and business sectors with service liberalization measures under CEPA.

The Hong Kong and Chinese government signed the eighth Supplement under CEPA last December. Supplement VIII provides for a total of 32 services liberalization and trade and investment facilitation measures, including 23 liberalization measures in 16 service sectors, while it also strengthens co-operation in areas such as finance, tourism, innovation and technology.

The new Supplement allows Hong Kong's traders to include the value of raw materials and component parts originated from the Mainland when calculating 'value-added content', such that they will be able to utilize the zero tariff preferential treatment offered to Hong Kong goods under the CEPA.

In addition, the new Supplement allows Mainland banks to make use of Hong Kong's international financial platform to develop their international businesses, and supports Hong Kong insurance companies entering the market through the setting up establishments or taking capital participations, to participate and share in the development of the Mainland insurance market.

The CEPA covers more than 1,600 products and 40 services sectors. It adopts a building block approach, and the two sides have been working closely to introduce further liberalization measures continually.

iBonds on sale from next week

by RTHK News, Hong Kong
Tuesday, May 29, 2012

Hong Kong residents can apply to buy inflation-linked retail bonds, or iBonds, from Tuesday next week. It's the second batch of such bonds to be issued by the government, with the aim of providing people with a form of inflation-linked investment.

The Secretary for Financial Services, K C Chan, says the bond issue is also intended to develop Hong Kong's retail bond market.

Direct Trade of Yuan and Yen Authorized

by Bloomberg, the Standard, Hong Kong
Wednesday, May 30, 2012

The People's Bank of China has authorized direct trading between the yuan and the Japanese yen.

The move, effective on June 1, will increase financial cooperation between the two nations and support economic ties, according to a statement posted on the PBoC website.

Japanese Finance Minister Jun Azumi stated that it will help cut costs.

The announcement should be seen as the beginning of a series of moves, which will likely be expanded to other currencies, said Dariusz Kowalczyk, a strategist at Credit Agricole CIB in Hong Kong. He added that it will reduce the importance of the dollar in global markets and give the yen a greater role.

In Both the Tokyo and Shanghai markets, the exchange rates of the yen and the yuan will be presented on a steady basis and full- fledged direct trading of the currencies will start, Azumi said.