Hong Kong's Fund Managers Told Of New Opportunities

By Mary Swire, LawAndTax.com, Hong Kong
Tuesday, November 01, 2011

A speech by Hong Kong's Financial Secretary, John C Tsang, at the Annual Conference of the Hong Kong Investment Funds Association, looked at how Hong Kong's asset management industry can steer a path towards new opportunities during the period of China's 12th Five-Year Plan.

Firstly, he confirmed that Hong Kong's combined fund management business now exceeds HKD10 trillion (USD1.3 trillion); that currently two-thirds of funds are sourced from non-Hong Kong investors; and that Hong Kong continues to be a preferred location for overseas fund managers in Asia, due to its main advantage of proximity to the Mainland and well-defined status as a global financial centre in the Asian time zone.

As the Mainland continues its reforms and opening up policies, he added that Hong Kong is the ideal testing ground for renminbi (RMB) products. At the end of August this year, total outstanding RMB deposits in Hong Kong amounted to some RMB610bn (USD96bn), almost a tenfold increase since 2009.

In addition, by September this year, there had been 95 RMB bond issues, totalling around RMB160bn, while, in the first eight months of this year, more than RMB1 trillion worth of Mainland trade was settled in Hong Kong (more than 80% of the total trade settled in RMB).

The National 12th Five-Year Plan adopted in March this year, he said, explicitly supports the development of Hong Kong as an offshore RMB business centre and, for the first time, it affirms the function and role to be played by Hong Kong's asset management industry.

Tsang pointed out that, during his recent visit to Hong Kong, China's Vice-Premier Li Keqiang had announced new initiatives, such as allowing investments in the Mainland equity market through the RMB Qualified Foreign Institutional Investor scheme, and the launch of an exchange-traded fund with underlying Hong Kong stocks on the Mainland.

He was sure that these measures would not only facilitate the development of Hong Kong as an offshore RMB centre, but also help promote the growth of the SAR's asset management industry. Hong Kong's government will continue to foster a favourable environment for that growth.

Tsang disclosed that, to enhance Hong Kong's financial infrastructure, the government is preparing legislative amendments to modernize the trust law. It is hoped, he said, that it "will encourage more local and overseas settlers to choose our jurisdiction as the governing law of their trusts and administer their trusts in Hong Kong. We intend to consult the trade on a draft Trust Law Bill in the first quarter of 2012."

Finally, with regard to Islamic finance, he believed that: "Hong Kong is well-suited to become a vibrant Islamic financial platform and market for Sharia-compliant bonds. This is an opportunity we will continue to pursue. We are working on a bill to provide a level playing field for sukuk vis-à-vis their conventional counterparts in terms of tax liabilities."

Hong Kong Announces Record Tax Collections

by Mary Swire, Tax-News.com, Hong Kong
Friday, November 04, 2011

Chu Yam-yuen, Hong Kong's Commissioner of Inland Revenue, in his introduction to the 2010-11 Annual Report of the Inland Revenue Department (IRD), considered that tax collections during the year were "most encouraging", climbing to a record high of HKD209bn (USD26.9bn), an increase of HKD30bn from the previous year.

He pointed out that, following the economic crisis, the Hong Kong economy had achieved an upturn in 2010, such that, for each of the major taxes, significant revenue growth was noted compared to the previous year. The revenue collected by the IRD during 2010-11 accounted for 72% of the government's total income.

Backed by higher business profits, profits tax collection recorded 22% growth and rose to HKD93.2bn, while salaries tax collection reached an all-time high for the third year in a row, growing by 7% to HKD44.3bn. The strong property and stock markets brought in stamp duty of HKD51bn, a 20% annual increase year-on-year, while betting duty also broke records and grew by 16% to HKD14.8bn.

However, whilst the growth in tax revenue collection was welcomed, it brought about challenges to the IRD on various fronts. "Tax assessment and collection work are becoming more complicated," he said, "a legacy of the bullish economy and the globalization of business activities, which resulted in more voluminous and complex financial and commercial transactions".

"This situation is most obvious in profits tax cases," he added. "Assessing officers are now required to collect and analyze a large amount of facts to get the full picture for each case before they make a tax assessment. The IRD has been actively providing training opportunities to strengthen the professional competency of our staff team and to enhance overall work efficiency."

However, he pointed out that Hong Kong's tax laws are simple and clear. Tax rates being low and tax types being few, with only business profits, salaries and wages, and property rental income derived in Hong Kong subject to tax, he stressed that the "simple and clear tax system is well proven; it is highly acclaimed by many jurisdictions worldwide and has served Hong Kong well for decades."

He looked at taxpayers' high degree of compliance with the tax laws and said that "to strengthen tax education, we constantly update the contents of the IRD website to provide a full range of up-to-date tax information". In particular, the IRD issues regular Interpretation & Practice Notes on various tax topics, he noted.

The IRD also continued to expand its international tax treaty network. Yam-yuen confirmed that building a wide comprehensive double taxation agreement, including the international exchange of tax information, is conducive to Hong Kong's long-term economic development and will enhance its role as an international trading and financial centre. In this respect, the IRD gives priority to Hong Kong's major trading partners and those with potential for economic development.

Government cuts economic growth forecast

by RTHK English News, Hong Kong
Friday, November 11, 2011

The government has cut its forecast for full year growth, after a slow down in the third quarter. The latest figures show the economy expanded 4.3 percent in the period from a year earlier, following 5.3 percent growth in the previous three months.

This has prompted the government to cut its forecast for the whole year from between five and six percent, to five percent. The moderation was mainly caused by a sharp fall in exports.

The Government Economist, Helen Chan, said she expected the economy to slow further. Mrs Chan said a bright spot was domestic consumption. She said it had held up remarkably well, and remained the key growth driver in the economy, although that might not last.

Mrs Chan said she expected the cost of living to edge up slightly in the near term, before coming down gradually. The Consumer Price Index in September stood at 5.8 percent. The government cut its headline inflation forecast for the whole year from 5.4 to 5.2 percent.

China, Hong Kong Sign Their First IP Agreement

by Mary Swire, LawAndTax.com, Hong Kong
Thursday, November 17, 2011

China's State Intellectual Property Office (SIPO) and Hong Kong's Intellectual Property Department (IPD) signed their first agreement in Hong Kong on November 16 to strengthen co-operation in the area of intellectual property (IP).

By attaching a greater importance to IP, it is intended that the agreement will strengthen co-operation between mainland China and Hong Kong, with a view to working together to promote innovation and economic growth.

Areas of IP co-operation covered in the agreement include exchanging of information on laws, publicity and education activities, as well as automation services; providing staff training by the SIPO upon the IPD's request; promoting IP trading to facilitate the restructuring and upgrading of enterprises; and co-organizing exhibitions, seminars, technical exchanges and conferences.

The agreement, the first joint deal signed by the SIPO and the IPD, is said to mark a milestone in co-operation between the two places. Building upon the close co-operation already existing between the two institutions, the agreement is the fruit of the rapport and consensus achieved through exchanges in the past.

HK$48b endorsed for bridge projects

by RTHK English News, Hong Kong
Sunday, November 20, 2011

The Legislative Council's Finance Committee has endorsed the spending of just over HK$48 billion on various projects linked to the Hong Kong-Macau-Zhuhai bridge.

The projects include work to build a link road and boundary crossing facilities.

This came after a court case brought by a Tung Chung resident blocked the project on environmental grounds.

The Secretary for Transport, Eva Cheng, welcomed the endorsement.

Hong Kong, China Renew Currency Swap Agreement

by Mary Swire, LawAndTax.com, Hong Kong
Friday, November 25, 2011

It has been announced that the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have signed a renewed currency swap agreement for a term of another three years, with its size expanded to RMB400bn (USD63bn).

The new agreement doubled and extended the RMB200bn currency swap agreement signed on January 20, 2009, and Hong Kong's Financial Secretary, John C Tsang, explained that: "The renewal of the currency swap agreement and the expansion of its size will allow more flexibility for the development of RMB business in Hong Kong. It is also conducive to the strengthening of Hong Kong's status as an offshore RMB business centre."

When signing the currency swap agreement, the Chief Executive of the HKMA, Norman Chan, added: "With strong support from the Central Government and the Mainland authorities, the development of RMB business in Hong Kong has made very encouraging progress over the past year. The renewal and expansion of the currency swap agreement between the HKMA and the PBoC is crucial in helping us to provide liquidity, when necessary, to maintain the stability of the offshore RMB market in Hong Kong."

During the first three quarters of this year, RMB deposits in Hong Kong nearly doubled to RMB622bn, while RMB trade settlement conducted through banks in Hong Kong amounted to over RMB1.3 trillion.

In October 2010, the HKMA activated the swap for RMB20bn to support RMB trade settlement in Hong Kong, thereby facilitating steady development of the business.

Work begins on $240m landmark green building

The Standard, Hong Kong
Monday, November 28, 2011
The first building in Hong Kong to have zero-carbon emissions will be in operation by May next year.

The HK$240 million building is a joint project by the Construction Industry Council and the Development Bureau.

Work on the 14,000 square meter site in Kowloon Bay began yesterday. The council will foot the entire cost.

The building aims to provide a platform that will promote green education and a low-carbon lifestyle.

According to the council, there will be seven zones in the three-story building, one of which is designed to give visitors a view on how a green lifestyle may be maintained at home.

The council said the public will, through the various zones, be able to experience the most advanced green designs and technology. There will also be a green office area.

The building will not need to pay for its power as 70 percent of the electricity used in the building will be generated by biodiesel, which comes from waste oil, while 30 percent will come from solar or photovoltaic panels located on the roof of the building. PV panels may generate electricity without polluting the environment, and without the need for any fuel.

Tax breaks as flat values face change

by Grace Cao, The Standard, Hong Kong
Monday, November 28, 2011
Owners of modest-sized homes in Beijing are going to be eligible for tax breaks following recent moves by the municipal government.

From December 10, owners of homes no larger than 140 square meters and valued at between 17,280 yuan (HK$21,138) and 38,880 yuan per square meter can qualify for breaks on revenue tax and deed tax.

There will be a 2percent cut on deed tax for homes less than 90 sq m as they can be regarded as "ordinary residences."

Beijing authorities have nearly doubled the taxable values for apartments considered "normal residences" in some districts.

But as values are adjusted, more owners can seek tax exemptions. These incentives are being introduced because prices have declined in Beijing

Official data shows that home prices declined 5.1 percent in the 10 months to October.

But as the Xinhua News Agency noted on Friday, home prices remain high

Sales of new homes up after price cuts

by Karen Ha, The Standard, Hong Kong
Monday, November 28, 2011

Flat sales in the primary market have picked up, spurred on by steeper discount offers from developers.

Sun Hung Kai Properties (0016) sold more than 200 units at The Wings in Tseung Kwan O during the weekend after a batch of 206 flats priced at an average of HK$6,793 per square foot was put on the market last week.

On October 29, the first batch of 50 flats went on sale at an average price of HK$12,698 psf, but prices of subsequent batches were slashed to around HK$8,000 psf.

Secondary flats nearby are priced between HK$5,500 and HK$6,000.

Around 700 of the project's 1,028 flats have been sold since the project launched late last month, bringing in HK$6 billion in all for Sun Hung Kai.

Cheung Kong said about 30 percent of buyers at the project are from the mainland.

"With the end of the year near, some homeowners are choosing to postpone sales plans until next year, when they can have a clearer outlook on the property market as well as the global economy," Midland Realty director Sammy Po Siu-ming said.