Hong Kong & Mainland China News – Oct-2021

Law change to combat tax evasion

by news.gov.hk
Tuesday, Oct 05, 2021

The Government said it will make the legislative amendments to combat cross-border tax evasion.

The European Union today announced the inclusion of Hong Kong in its watchlist on tax co-operation as it considered that the non-taxation of certain foreign sourced passive income in Hong Kong might lead to situations of double non-taxation.

Responding to media enquiries on the announcement, the Government noted that Hong Kong has adopted the territorial source principle of taxation over the years, whereby offshore profits are generally not subject to profits tax in Hong Kong.

It stressed Hong Kong will continue to adopt this taxation principle and will uphold its simple, certain and low-tax regime with a view to maintaining the competitiveness of the city's business environment.

The Government noted that as an international financial centre, Hong Kong has all along been actively participating in and supportive of international tax co-operation.

To support combating cross-border tax evasion, the Government agrees to co-operate with and has committed to the EU to amend the Inland Revenue Ordinance by the end of next year and implement relevant measures in 2023.

The proposed legislative amendments will merely target corporations, particularly those with no substantial economic activity in Hong Kong, that make use of passive income to evade tax across a border. Individual taxpayers will not be affected.

Financial institutions' offshore interest income is currently subject to profits tax under the ordinance and hence the legislative amendments will not increase their tax burden.

The Government will consult the stakeholders on the legislative amendments and strive to minimise the compliance burden of corporates.

The EU published the guidance on the foreign sourced income exemption regime in October 2019 and began corresponding assessment on the tax arrangements of a number of tax jurisdictions including Hong Kong.

The Government has been in contact with the EU on its assessment and has been actively engaging with the EU on the follow-up work.

It reiterated that Hong Kong enterprises will not be subject to defensive tax measures imposed by the EU as a result of being included in the watchlist on tax co-operation, adding that it will request the EU to swiftly remove Hong Kong from the watchlist after the relevant tax arrangements are amended.

New boost for HK economy

by news.rthk.hk
Wednesday, Oct 06, 2021

The Government plans to improve its listing regime, expand its offshore RMB business and grow green finance.

Delivering her Policy Address, Chief Executive Carrie Lam said Hong Kong is ready for a new start for economic development as the implementation of the National Security Law has restored stability in society.

“We shall leverage the central government’s support to enhance our competitiveness as the eight international centres or hubs charted in the 14th Five-Year Plan with a view to building a brighter future for Hong Kong.”

She said despite the unprecedented challenges over the past two years, Hong Kong’s financial system has remained stable and business has been vibrant.

HK’s role more significant

Hong Kong’s role as a bridge for international investors to access the Mainland market and Mainland funds reaching out to the international market will be all the more significant.

Mrs Lam said the central government has reiterated support for Hong Kong to further promote mutual financial market access with the Mainland, develop offshore RMB business, strengthen its position as an international asset management centre and develop into a green finance centre in the Greater Bay Area.

In this connection, the Government will step up its efforts in enhancing the city’s listing regime. It will also assess the feasibility of developing Hong Kong into a regional carbon trading centre.

As for RMB business, the Government will expand the channels for the two-way flow of cross-boundary RMB funds and develop offshore RMB products. Tax cuts will be considered for luring family offices to establish a presence in Hong Kong.

To boost Hong Kong’s status as an international transportation centre, the Government will develop a Smart Port and promote wider application of digital technology in maritime and port operations.

Turning to the convention and exhibition industry which was negatively impacted by the COVID-19 pandemic, Mrs Lam said the Convention & Exhibition Industry Subsidy Scheme will be extended to the end of next year.

Noting that for the first time, the 14th Five-Year-Plan has stated support to develop Hong Kong into a regional intellectual property trading centre, the Chief Executive said a series of initiatives will be implemented to promote the development of IP trading in Hong Kong.

The Government also plans to revive the Copyright Ordinance amendment exercise and consult the public on modernising the copyright regime in the light of the digital environment, aiming to introduce an amendment bill in the next term of the Legislative Council.

Safeguarding business environment
Mrs Lam said Hong Kong is a free, open and diversified economy and a metropolis that attracts talent and organisations from all over the world.

Following the implementation of the National Security Law for a period of time, it appears initial concerns of foreign businesses have significantly subsided.

In the latest annual surveys, both the number of business operations in Hong Kong with parent companies overseas or on the Mainland and the number of startups reached an all-time high of 9,049 and 3,755 this year.

“It can be seen that our business environment has not been underminded by the impact of the pandemic and the biased reports of Hong Kong’s situation by certain Western media,” she added.

Startups in HK reach record high

by news.rthk.hk
Thursday, Oct 07, 2021

Secretary for Commerce & Economic Development Edward Yau today said the number of foreign and Mainland companies and startups in Hong Kong has reached a record high which shows the city is still an attractive place to do business.

At a press conference on the 2021 Policy Address initiatives, Mr Yau said according to the latest results of annual surveys, the number of business operations in Hong Kong with parent companies overseas or in the Mainland has risen 10% to 9,049 from 2017.

The number of startups in Hong Kong increased 68.5% to 3,755 during the same period.

“Despite all the challenges, I think the figures (give confidence to) Hong Kong that it is still a very attractive place for them to operate (in) the region.”

Meanwhile, the Policy Address proposed to further extend the validity of the Convention & Exhibition Industry Subsidy Scheme to the end of next year and provide timely and more targeted assistance to the industry.

Private organisers of exhibitions which were held at the Convention & Exhibition Centre or AsiaWorld-Expo in at least any five calendar years from 2015 may apply for the one-off immediate relief measure from the Government.

The amount of the immediate relief will be equivalent to 20% of the average annual rental of the relevant exhibitions, subject to a cap of $1 million per event.

Investment transactions hit $5.7tn

by www.thestandard.com.hk
Friday, Oct 08, 2021

Hong Kong recorded investment product transactions worth HK$5.7 trillion last year, according to a joint survey by the Securities and Futures Commission and the Hong Kong Monetary Authority.

A total of 308 licensed corporations and 64 registered institutions reported selling investment products during 2020, with the participation of more than 700,000 investors.

Structured products racked up HK$2.76 trillion, accounting for the largest share of the total transaction amount.

Meanwhile, the monetary authority announced that the official foreign currency reserve assets of Hong Kong amounted to US$495 billion at the end of September this year - a 0.4 percent, month-on-month, drop.

The Hong Kong Mortgage Corp's first-half loss narrowed 87 percent to HK$24 million while other corporations issued loans.

Regarding foreign investment in the SAR, Secretary for Commerce and Economic Development Edward Yau Tang-wah said Hong Kong's trade has climbed to No 6 in the world, while the number of overseas companies setting up in Hong Kong has risen.

He also noted that a Copyright Ordinance amendment bill could be opened for consultation next month.

On Mandatory Provident Fund schemes, Secretary for Financial Services Christopher Hui Ching-yu said the SAR administration will not force citizens to convert their one-off assets under the MPF into an annuity form.

Hong Kong will be 'more competitive' after tax deal

by news.rthk.hk
Saturday, Oct 09, 2021

The SAR government said on Saturday that the SAR would become a more competitive place to do business thanks to a new global tax deal announced by the Organisation for Economic Cooperation and Development.

The tax agreement is designed to ensure that big companies pay a minimum tax rate of 15 percent, and follows years of criticism that big multinationals didn't pay their fair share.

In a statement, the government said, as an international financial and commercial centre, Hong Kong would implement the package which makes it harder for corporations to avoid taxation.

The administration said Hong Kong - which has a 16.5 percent headline profit tax rate - can reinforce its advantages under the more level playing field as a result of the agreement.

It said it would consult a dedicated advisory panel and stakeholders, and would undertake a legislative exercise to implement the tax measures based on rules to be finalised by the OECD by early next year.

The agreement, which would cover 90 percent of the global economy, will set a minimum corporate tax rate of 15 percent and would allow governments to tax a greater share of foreign multinationals' profits.

The deal would also see taxing rights on more than US$125 billion of profit being shifted to countries where big multinationals earn their income.

The Hong Kong government stressed that the arrangement would not affect small and medium-sized enterprises here.

HK's business outlook boosted

by news.gov.hk
Tuesday, Oct 12, 2021

Secretary for Commerce & Economic Development Edward Yau today updated members of the British Chamber of Commerce in Hong Kong on the city's business outlook and initiatives related to commerce and trade in the 2021 Policy Address.

During the event organised by the chamber, Mr Yau said Hong Kong plays an important role in international trade with its unique and highly internationalised business environment and the city's global ranking in terms of total merchandise trade value rose to the sixth place last year.

He added that benefitting from the stable supply chains maintained through effective control of the COVID-19 epidemic in the Mainland, Hong Kong's total merchandise trade value has rebounded since the fourth quarter of last year and hit a record high of $6.5099 trillion for the first eight months of this year.

Mr Yau stressed that Hong Kong would, as always, be a staunch supporter of free trade and strive to explore more trade opportunities for businesses through participating actively in the affairs of the World Trade Organization and the Asia-Pacific Economic Cooperation; seeking early accession to the Regional Comprehensive Economic Partnership; and setting up more overseas economic and trade offices.

He also highlighted the support measures for small and medium-sized exporters as well as the convention and exhibition (C&E) industry in the Policy Address.

Such measures include launching the Export Credit Guarantee Scheme on a pilot basis early next year.

Additionally, to help the C&E industry cope with the challenges triggered by the epidemic, the Government has extended the validity period of the Convention & Exhibition Industry Subsidy Scheme to the end of 2022 and will expand C&E facilities in the long run.

Banks to start cross-boundary trading

by news.gov.hk
Monday, Oct 18, 2021

The Monetary Authority today announced its list of 19 Southbound and 16 Northbound banks in Hong Kong which are eligible to launch Cross-boundary Wealth Management Connect (Cross-boundary WMC) services.

The participating banks, together with their corresponding Mainland partner banks whose eligibility for providing pilot Cross-boundary WMC services has been confirmed by Mainland regulatory authorities, can start offering Cross-boundary WMC services tomorrow at the earliest.

Monetary Authority Chief Executive Eddie Yue said: “It gives me great pleasure to see that a number of Hong Kong banks have completed the necessary preparatory work and are ready to start providing Cross-boundary WMC services.

“Considering that it will be the first time for retail investors to conduct cross-boundary investments, we will closely monitor the operation of the Cross-boundary WMC and step up investor education and investor protection work together with the industry.”

The authority will collaborate with the industry to explore enhancement measures with the goal of providing more growth opportunities for Hong Kong’s banking and wealth management industry, he added.

As set out in the Implementation Arrangements for the Cross-boundary WMC Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area enacted by the authority on September 10, banks in Hong Kong which intend to start Cross-boundary WMC activities should put in place systems, internal control measures and complete relevant systems testing and submit a self-assessment to the authority.

The authority noted that it will continue to process the remaining self-assessments and update from time to time the list of eligible Hong Kong banks on its webpage.

HSBC in US$2b buyback as Q3 profit jumps 74pc

by www.thestandard.com.hk
Tuesday, Oct 26, 2021

HSBC (0005) beat forecasts yesterday with a 74 percent rise in third-quarter profit and moved for a share buyback.

The UK-based bank recorded a pre-tax profit of US$5.4 billion (HK$42 billion) for the quarter to September versus US$3.1 billion 12 months earlier and the US$3.78 billion average estimate of 14 analysts compiled by HSBC.

Its Asia business contributed US$3.3 billion to total pre-tax profits, while its UK business posted US$1.5 billion in profits.

The boost came as the bank reversed US$659 million of expected credit losses in the third quarter, largely at its UK ringfenced bank. It had recorded US$785 million in expected credit losses due to the pandemic-related concerns.

Chief executive Noel Quinn said HSBC has seen strong growth in profits supported by additional credit provision releases. "While we retain a cautious outlook on the external risk environment, we believe that the lows of recent quarters are behind us," Quinn said.

The bank's Hong Kong-listed shares rose as much as 1.8 percent to the highest in four months before closing 0.43 percent higher yesterday. And its London-listed shares have gained 15 percent this year.

HSBC also said yesterday that it will not pay quarterly dividends this year but will review whether to do so on or before the announcement of its full-year results in February.

The bank also announced the share buyback of up to US$2 billion as it continues to return excess capital to shareholders rather than investing the cash in its businesses.

On the trouble at mainland property giant Evergrande, HSBC said has been "highly selective" in the sector and does not hold any exposure to firms that run afoul of the three red lines introduced on the industry.

And chief financial officer Ewen Stevenson said HSBC does not expect "any material fallout" from Evergrande.

The bank said it had mainland real estate exposure of US$14.7 billion plus Hong Kong incorporated property company exposure of US$4.9 billion, which has been booked in the mainland.

Despite recent crackdowns in China - including anti-monopoly probes against big technology firms - that have rattled global investors, Stevenson reiterated the bank's commitment to the world's second largest economy.

Despite the overall positive results, HSBC said its cost projections for 2022 have increased to US$32 billion from US$31 billion due to global inflation pressures, which will push up its US$19 billion wage bill.